

## **Blue Heron Energy Efficiency Project Summary and Status June 1, 2004**

Over the past several months, staff and consultants have engaged in a rigorous analysis of an industrial process project for Blue Heron Paper Company. Results of the analysis have led staff to recommend moving forward with the project.

**Project Summary** The Blue Heron industrial process project will modernize and expand the system used to de-ink pulp at the company's paper manufacturing plant in Oregon City. The pulp quality will be the same or better than what is presently produced by the existing, outdated system. The new system will use significantly less electricity per ton of pulp produced in the mill. The project was identified by Aspen Systems' subcontractor Harris Group, one of the Production Efficiency program delivery contractors.

**Energy Savings** The project is expected to acquire 106 million kilowatt hours of electricity savings – approximately half Energy Trust's 2004 energy efficiency savings goal of 210 million kilowatt hour. Cost of obtaining the savings is 20 percent lower than assumed in the Energy Trust 2004 budget. At 5.1 cents per annual kilowatt hour, the project is highly cost effective compared to the 10 cents per annual kilowatt hour assumed in the 2004 budget. Blue Heron will save millions in annual energy costs. Energy Trust's Production Efficiency program will cover the Blue Heron project within board-approved authorization levels.

**Partners** The project leverages and combines contributions from a variety of partners, including Blue Heron, the Oregon Department of Energy, Business Energy Tax Credit (BETC) pass-through partners, the Climate Trust and the Energy Trust.

**Due Diligence** Energy Trust retained the services of two firms to conduct detailed due diligence analyses specific to this project. Energy Trust engaged Corporate Diligence Specialists, LLC, to conduct the financial aspect of the overall due diligence effort. Pulp and paper industry specialist Michael Roberts of URS Corporation conducted additional analysis of Blue Heron's competitive market position and its operational stability. These two forms of rigorous analysis resulted in a high degree of confidence that the project will result in the savings and benefits projected.

**Economic Benefits** Beyond the energy-related benefits associated with this project, there are a number of local economic benefits. Blue Heron will continue to employ several hundred employees, including new positions added as a result of this project. Additional state economic benefits result from Blue Heron's \$75 million in local supplier contracts and from its Oregon tax payments.

**Status and Timeline** Energy Trust and Blue Heron are discussing terms of the incentive commitment agreement. Assuming agreement by mid June on Energy Trust incentives and ODOE assistance, major equipment would be ordered in July, construction would start in fall 2004, and equipment would begin operating about one year from now.

**Energy Trust Serves Oregon Business** The Blue Heron project is an example of the kind of major improvement Energy Trust hopes to make for more Oregon businesses.