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NEWS

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Blue Heron Paper creates jobs, builds competitiveness by saving energy

Investments in energy efficiency and modernization will save \$5 million in energy annually

PORTLAND, Ore. — February 4, 2005 — “A microcosm of what economic development is all about.” That’s what Mike Siebers, president of Blue Heron Paper Company, Oregon City, Ore., calls the company’s decision to modernize their plant and reduce power consumption by 25 percent. No less dramatic are the environmental benefits of increased use of recycled materials and reduced air emissions.

Blue Heron Paper Company worked with Energy Trust of Oregon, Inc., Oregon Department of Energy and the Climate Trust to receive loans, financial incentives and energy tax credits that will help this company expand and modernize paper-recycling operations — substantially reducing electricity consumption and improving efficiency.

When the project is complete, Blue Heron will increase its paper-recycling capacity by over 100 tons per day and save millions in energy costs annually. As important as the bottom line benefit, Siebers says the investment will increase the company’s global competitiveness, providing more job security and job growth opportunities for its employees.

Upfront costs for efficiency offset by incentives, tax credits and loans

Even with such significant energy savings, capital costs for new industrial equipment can be a barrier to investment in energy efficiency. To help clear this hurdle, Energy Trust will provide

incentives from the organization's Production Efficiency program. Along with this the Oregon Department of Energy is providing construction and term financing through the Energy Loan Program as well as Oregon State Business Energy Tax Credits. The Energy Trust commitment is enhanced with funds from the Climate Trust which is participating due to the significant environmental benefits of the project. "Without financial incentives, this project never would have been cost-effective enough for us to implement on its own, despite the large electricity savings," said Siebers.

Energy Trust will provide approximately \$5.4 million in incentives; the Climate Trust will contribute \$500,000 for the project. The Department of Energy is augmenting this with a \$4.5 million construction loan which rolls down into a longer term loan once commercial operation is achieved and the credits and incentives are fully funded. This project is the largest single commitment of Energy Trust funds, and the most cost-effective to date in terms of cost paid for energy savings gained.

"Investing in projects like Blue Heron is what the Energy Trust was created to do," said Steve Lacey, energy efficiency director, Energy Trust. "This project will save over 100 million kilowatt hours of electricity each year at a much lower cost than would be required to generate this energy. This project is a great example of how we can work together to support the state's economy and businesses."

Blue Heron Paper Company is located in Oregon City on a site where paper has been made for almost 100 years. The company employs about 250 workers, has a direct payroll of \$15 million, and is 40 percent employee owned. Siebers estimates the economic contribution of the company to Oregon at about \$75 million per year. Blue Heron's primary products are high recycled content newsprint, recycled high brightness specialty papers and recycled bag papers for food packaging.

Energy Loan Program helps fund project

The Oregon Department of Energy's Loan Program is providing a \$4.5 million loan to finance the project.

"We are pleased to be able to provide the funding to jump start this energy-efficiency project," said Dave Stevens, senior loan officer with the Energy Loan Program. "It will save considerable electricity that will be available for all Oregonians in the future."

The Energy Loan Program provides low-interest, fixed-rate loans for projects that promote energy conservation or renewable energy resources. Since the Energy Loan Program's first loan in 1981, the program has financed 606 projects for \$315 million. The Energy Loan Program issues state general obligation bonds and borrowers pay for the cost of the program.

Business Energy Tax Credit Pass-through Option

The Oregon Department of Energy's Business Energy Tax Credit Program will provide an important financial incentive for the project. Blue Heron's tax credit eligibility, 35 percent of the project costs, will be transferred under the Pass-through Option Program approved by the Oregon Legislature in 2001.

US Bank has agreed to serve as the Pass-through Option partner for Blue Heron. The bank will make a payment to Blue Heron. The company's tax credit eligibility will then be transferred to US Bank. The payment and tax credit transfer are key to Blue Heron's ability to implement the project.

Sustainable development improves competitiveness

Sustainable development is a buzzword in today's business circles, and the Blue Heron project is a demonstration of how it works. "Assisting companies like Blue Heron Paper be more sustainable will ensure Oregon's long-term economic prosperity," said Glenn Montgomery, sustainable business liaison, Oregon Department of Economic and Community Development. "The Legislature foresaw the great possibilities for organizations like the Energy Trust and the Climate Trust. Working with the Oregon Department of Energy, this public/private partnership can help businesses overcome the obstacles to success."

"The Oregon Business Energy Tax Credit program was designed by the state Legislature to spur investment in efficiency while supporting Oregon businesses. This project will promote economic development, save energy and save jobs," said Michael Grainey, director, Oregon Department of Energy.

"This project sends a resounding message that investments in energy efficiency provide important benefits to Oregonians. Energy Trust should be commended for supporting energy efficiency projects of a size that have never been undertaken in Oregon before now," said Ken Canon, executive director, Industrial Customers of Northwest Utilities.

Other economic, environmental benefits result from project

Using less energy means less energy needs to be generated, which reduces carbon dioxide emissions from power plants. The Climate Trust director Mike Burnett estimates that the Blue Heron Paper project will reduce Oregon's greenhouses gases by 63,744 tons, the equivalent of taking 75,000 cars off the roads every year. "Industrial energy efficiency is extremely cost effective and can be a dramatic step toward a clean energy society," said Burnett.

Siebers says that this project will create long-term jobs at the Blue Heron plant, and will also put millions into the economy during construction. "We're committed to delivering every bit of savings and efficiency we promised from this investment," said Siebers.

Energy Trust's Production Efficiency program was launched in the summer 2003 to help Oregon industrial customers of Pacific Power and Portland General Electric improve the energy efficiency of their industrial processes. Energy Trust of Oregon, Inc., is a nonprofit organization dedicated to changing how Oregonians use energy by promoting energy efficiency and clean renewable energy. For more information about the Production Efficiency Program and Energy Trust, visit the Energy Trust website, www.energytrust.org, call 1-866-ENTRUST.

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