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Alternative Fuels Tax Credit
Attn: Senators Baucus and Grassley
July 9th, 2009

altfuelscredit@finance-dem.senate.gov

Dear Senators Baucus and Grassley:

I am writing to you regarding your June 11 draft that proposes to prohibit the Alternative Fuel Credit and Alternative Fuel Mixture Credit for Black Liquor.

I am a senior Staff engineer working for Boise Inc. in the corporate offices in Boise Idaho. I have over 30 years experience in the pulp and paper industry. Most of my career has been dedicated to improving the energy efficiency of our facilities. My responsibilities include performing annual operational safety audits of all the Boise recovery boilers. I serve on several industry committees that promote the safe operation and maintenance of recovery boilers as well as industry research consortiums that do research work to improve the energy efficiency of the Kraft Chemical Recovery cycle.

The pulp and paper industry has a long history of carbon-neutral renewable energy production and use. It was one of the first major industries to use renewable fuels, (bark), to generate steam that was then passed through turbine generators to generate power. Boise's pulp and paper mills co-generate over 80 MW of power, of which 48 MW is generated from steam produced by the black liquor recovery boilers, and an additional 20 MW is generated from steam produced by other renewable resources such as bark. Our combined carbon-neutral renewable power generation is over 580,000 MWH per year.

The industry generates:

- 28.5 million megawatt hours of carbon-neutral renewable energy annually—enough to power 2.7 million homes;
- two-thirds of the energy needs by our industry carbon-neutral renewable energy is generated on-site from renewable sources;
- more renewable energy than all solar, wind and geothermal sources combined. (source, AF&PA)

Many pulp and paper industry facilities are located in small, rural communities where there aren't many employment opportunities. Loss of the credit would have a huge ripple effect that isn't visible in bigger cities. Jobs related to those facilities would be impacted too – suppliers, restaurants, and retailers. As an example, our mill in International Falls Minnesota is in a county, (Koochiching), which has consistently lost population for more than 30 years. The Boise paper mill is the single largest employer

in Koochiching County MN. It struggles to remain competitive with low cost pulp and paper from Asia and South America.

Recent legislation is providing tax credits to companies that construct carbon-neutral generation facilities. Although this provides an incentive to develop carbon neutral bio-fuel based generation capacity, it has the unintended consequence of driving the price of bark and wood chips up and making it harder for the paper mills to compete in the world market.

Senator Baucus, Senator Grassley, I urge you to consider the important contribution of our industry to the nation's economy. Preserving this credit will assist the pulp and paper industry in general and Boise specifically to remain competitive in this severe economic down-turn. It will help offset the additional pressures other credits have created in our fuel and raw material supply chain.

Sincerely,

Leonard T. Erickson PE

Cc: Senator Mike Crapo
Senator Jim Risch
Congressman Walt Minnick