

**TESTIMONY TO MAINE BIOMASS COMMISSION
SEPTEMBER 13, 2016
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Members of Maine Biomass Committee: Thank you for this opportunity to explain the importance of Maine's biomass generating facilities our company and other timber dependent companies in Aroostook County.

Seven Islands and its affiliate company, Orion Timberlands manages over 1 million acres in northern Maine.

Annually, our companies, harvest and truck more than 400,000 cords which support the region's milling infrastructure. The management activities on these lands are vital to the harvesting contractors, truckers and supporting industries of Aroostook County. Over 100 good paying, sustainable management and harvesting jobs, are supported by this management; not counting the jobs associated with the mills our timber supplies.

Seven Islands also owns three facilities in the Ashland-Portage area that process timber harvested from these lands and the timberland of other landowners in northern Maine. These facilities play a crucial role in supporting northern Maine's forest industry.

Seven Islands Milling Facilities

- **Maine Woods Company** – 16 million board foot hardwood sawmill (32,000 cords); 70 employees; \$3.1 million annual payroll; health, disability, 401K
- **Portage Wood Products** – chip plant that processes 300,000 tons (110,000 cords) of hardwood chips annually; 8 employees; \$500,000 in annual payroll; health, disability, 401K
- **Moosewood Millworks** – 28 employees manufacturing 1.8 million sqft of hardwood flooring annually; \$800,000 in annual payroll; health disability and 401K
- **Total** – 106 jobs; annual payroll of \$4.5 million in the Ashland-Portage area; combined population of 1600

Electricity Consumption *estimates*

- Maine Woods Company – 1.2 MW annually
- Portage Wood Products – 1.0 MW annually
- Moosewood Millworks – 0.5 MW annually
- Total Electric Usage – 2.7 MW annually

Re-Energy biomass facility in Ashland plays a vital role in support of the operation of these facilities. Together, the sawmill and chip plant produce in excess of 50,000 tons of bark and mill waste annually which is sold as fuel to Re-Energy. When Re-Energy was closed in 2011. The bark generated from our facilities was sold to Great Northern and Fairfield. Great Northern closed and Ashland re-opened in 2014.

The sale of this bark provides a stream of revenue to the mills but most importantly it consumes a waste stream that otherwise would need to be landfilled or disposed of in some other manner. The other sawmills in the region, which are considerably larger – Maibec and JD Irving, also produce bark and mill waste streams that rely on the continued operation of the Re-Energy facility.

Re-Energy Closure 2018 - The prospect of the Re-Energy plant closing in 2018 due to a change in renewable energy credit standards in southern New England presents Seven Islands with a significant challenge. The 50,000+ tons of bark sold to Re-Energy becomes a liability and cost rather than a source of revenue. There are very few options available to us and the other mills in the area to deal with our bark. We will have few options available to us:

- **Landfilling** which is a significant cost and environmental liability
- **Construct a Generating Facility** – that can meet our facilities’ power needs. The fuel of this power plant would be the 50,000 tons of bark generated from our facilities.

We would prefer **not to** have to invest \$10-\$15 million in a stand-alone power plant when there is a facility 5 miles away which can take all of our mill waste.

Challenges of an Independent Producer – In anticipation of a Re-Energy closure in 2018 or shortly thereafter, Seven Islands has begun to investigate what constructing a stand-alone 4-6 Megawatt power plant might entail. Putting aside the uncertain financial implications of this investment, there are many questions associated with the rules and regulations that govern the relationship between an independent power producer, the utility and other power consumers in the area.

Questions Like

- Is the utility required to purchase excess power from the power plant when the chip plant and sawmill are not operating?
- Can the utility purchase all of the power and meet all of our power needs from their power system – similar to net metering?
- Can power be sold to nearby facilities? Through existing power lines?
- What regulatory structure is involved?

- Will the utility be a source of emergency back-up power in the event of a shutdown?

The uncertainties associated with an investment in independent power generation are large and uncertain. We need to find a solution to the Re-Energy challenge rather than invest in an alternative when capital can be better directed at keeping mills competitive.

Ashland/Portage Milling Infrastructure

The Ashland/Portage area is unusual in that there is a concentration of power hungry manufacturers within 5 miles of the Re-Energy biomass facility. Total employed – estimated 320

- Maine Woods Company
- Portage Wood Products
- Irving Studmill
- Maine Pellets
- Katahdin Forest Products
- Moosewood Millworks
- Ecoshell
- Maibec - Masardis

The Ashland/Portage area is an excellent example of where development of a micro grid makes sense. Re-Energy can sell power directly to manufacturing facilities while at the same time utilizing their waste stream as fuel. Both sides of the equation benefit. Additionally, harvest contractors with chipping contracts will benefit from the continuance of their in-woods chipping operations which keeps harvesting and chipping contractors employed.

Conclusion

Re-Energy's continued operation goes far beyond the jobs at Re-Energy. There are many more jobs in the areas mills and contractor force that rely on the continued operation of this facility.

Ensuring the continued operation of Re-Energy's Ashland facility is vital to the health and stability of the Ashland/Portage mill infrastructure. The wood waste stream that is consumed by Re-Energy is an important and essential part of each mill's financial structure. Loss of this outlet for waste will impose stress on an already fragile system.

Development of policies and regulations that support development of micro-grid zones around a facility like Re-Energy Ashland that will stabilize that but also help the region's power hungry mills compete with reduced energy costs is one way the State of Maine can make a positive change that will support the State's struggling forest industry.