To: **Robert Eckdale**
Wisconsin Department of Natural Resources

From: **Connie Lawniczak, Director – Environmental Services**
Integrys Energy Group

Re: **Clean Air Mercury Rule (CAMR) Comments**

Date: **May 15, 2007**

Thank you for the opportunity to present testimony on behalf of Wisconsin Public Service Corporation, a subsidiary of the Integrys Energy Group, regarding the proposed revisions to the state mercury rule developed by the Wisconsin Department of Natural Resources to implement the federal Clean Air Mercury Rule (CAMR) rule.

First, we appreciate the efforts of the Department and numerous stakeholders in developing the proposed rule. Wisconsin Public Service shares their desire to reduce mercury emissions. However, we have concerns with several provisions of the state's proposed rule and recommend adoption of the federal version of CAMR.

The WDNR Should Restore Cap-and-Trade

CAMR is designed to work in tandem with the Clean Air Interstate Rule (CAIR) to reduce utility-attributable mercury deposition in the United States. Each state has a mercury emission budget and allowances are allocated to facilities. The cap-and-trade program allows power plants that reduce more emissions than required to sell excess allowances to companies for which cutting emissions is not as cost-effective. This is an efficient and flexible approach. Ultimately, this flexibility translates to a low-cost option for the states' electric consumers—households, small businesses, and industry—while achieving significant reductions in mercury emissions and deposition.

Because reliance on the allowance market is considered too much of a risk for our customers, WPS is pursuing actual reductions of mercury emissions from its generating fleet. However, the option of purchasing emission allowances to supplement periodic shortfalls and cover forced outages or unexpected events is a valuable complement to the company's emission reduction plan. Without that option, our customers will be forced to pay for the installation of costly, redundant systems that may not be used. With a trading program, there is an incentive to generate extra allowances, despite the additional operating cost.

Cap-and-Trade is Effective Policy

National cap-and-trade programs are proven to be highly effective at reducing emissions at the lowest possible cost. Title IV of the 1990 Clean Air Act Amendments established a market-based emissions trading program to reduce SO_2 that has greatly reduced costs to electric customers and reduced emissions much faster than required.

Wisconsin Public Service supports cap-and-trade as the preferred option for regulating electric power sector mercury emissions. A cap-and-trade program compels utilities to target reductions from the units where controls are most cost-effective, with a focus in almost all cases on the larger units with the highest emissions.

The bottom line: a cap-and-trade program does not allow a company to escape emission reductions; it merely allows those emission reductions to be made in a more cost-effective manner.

A Mercury Cap-and-Trade Program Will Not Cause "Hot Spots"

From a public health perspective, so-called mercury "hot spots" are areas with higher environmental mercury levels that could adversely affect public health.

In reality, mercury "hot spots" will not be created by a cap-and-trade program. Units with the highest mercury emissions will be among the first to be controlled since the cost per pound of mercury controlled will be the lowest at these units.

There is no evidence that localized effects will occur with a mercury emissions trading program. Peer-reviewed state of the art modeling by both the EPA and the Electric Power Research Institute has dispelled this concern. Studies in Michigan and Wisconsin have shown that mercury emissions from in-state sources contribute little to mercury deposition there.

In fact, mercury emissions from utilities represent only a small portion of the mercury that is deposited throughout the U.S. Current research indicates that most of the mercury deposited in the U.S. – over 60 percent on average – comes from outside the U.S. This is an important point because it is mercury that is actually deposited in the environment that is of concern. One discouraging fact is that because so much of the mercury deposited in Wisconsin is not produced here, recent modeling shows even reducing mercury emissions from Wisconsin power plants to zero will not eliminate fish advisories.

Time is Needed for Further Development of Mercury Controls

Others have argued that the state should require additional mercury reductions within a shorter timeframe. This argument is supported by an assertion that the technology to reduce emissions to much lower levels already exists. While there continues to be impressive research progress, there also exists minimal operational experience and limited vendor guarantees and no technology option for our plants for 90% removal.

In a statement last year on the readiness of technologies for controlling mercury emissions from coal-fired power plants, the U.S. Department of Energy cautions that "there remain a number of critical technical and cost issues that need to be resolved through additional research before these technologies can be considered commercially available for all U.S. coals and the different coal-fired power plant configurations in operation in the United States."

Banking of Allowances is Needed

Banking provisions are important to encourage technology development and provide incentives for early and/or additional emission reductions. The federal SO2 program has demonstrated that the opportunity to cut emissions and bank allowances results in faster reductions. Banking also provides a hedge for uncertainties associated with the performance of new mercury control technologies.

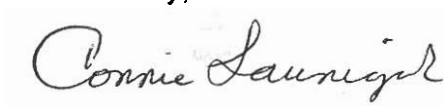
The Federal Version of CAMR is the Best Policy for Wisconsin

Wisconsin Public Service recognizes the WDNR's desire to craft mercury emission regulation that meets environmental goals, but urges the support of national programs that offer the most effective means for meeting increasingly stringent air quality standards.

The cap-and-trade program of CAMR will provide tangible benefits for the public and the environment. In this case, the health of all citizens of Wisconsin will be safeguarded without negative impacts on the reliability and affordability of the electricity supply and competitiveness of state businesses.

Thank you for the opportunity to provide comments.

Sincerely,



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