

TESTIMONY ON CAMR RULE
May 23, 2007

Good afternoon. My name is Michael Ricciardi, and I am the Senior Director of Safety and Environmental Affairs for Madison Gas and Electric Company (MGE). MGE has ownership and operational interests in several electric generating units which would be affected by the four mercury emission reduction options which are the subject of this public hearing.

By way of background, MGE serves as the energy company for the greater Madison community. In that role, MGE takes responsibility to plan and provide reliable, affordable electricity in a manner which reflects our community's unique needs and values.

In January of 2006, MGE announced its Energy 2015 Plan which was the culmination of more than two dozen community meetings and which reflects our best balance of options to respond to the various needs, values, and concerns of the customers and communities we serve.

Pursuant to our Energy 2015 Plan, MGE has made conditional commitments to retire the coal-fired generation at MGE's Blount Station and transition that facility to natural gas-only generation by 2011. In addition, MGE committed to secure energy from new, clean-coal resources to help ensure the continued availability of affordable, reliable electricity for our customers.

Given the commitments that have already been made in the Energy 2015 Plan, the interests of MGE and its customers are best served by the WDNR adopting the federal CAMR rule which has been developed by the EPA. Although unclear, this appears to be most closely aligned with Option 3. The federal CAMR rule provides MGE and its customers with the greatest benefit from the commitments and emission reductions associated with the Energy 2015 Plan.

With respect to other mercury emission reduction options under consideration, none adequately address MGE's unique situation, and in some cases, the proposed options would actually harm MGE because of the commitments already made in the Energy 2015 Plan.

For instance, it appears that Options 1, 2, and 4 would prohibit MGE from fully utilizing the mercury emission allocations generated by the discontinuation of coal burning at Blount Station. This is particularly troublesome to MGE which needs to use these allocations for compliance purposes at the other generation assets located in Wisconsin in which MGE has an ownership or operational interest.

Options 1, 2, and 4 also appear to prohibit or otherwise limit banking of allocations generated by the Energy 2015 Plan. This too is a problem for MGE which will have a responsibility to provide CAMR emission allowances as a co-owner of electric generating units located elsewhere in the state. For those years in which MGE has excess allowances from its emission reductions generated at Blount Station, it cannot fully utilize those reductions if banking is not permitted.

Finally, Options 1, 2, and 4 prohibit or unnecessarily limit interstate trading which is a fundamental underpinning designed into the CAMR rule. Without interstate trading, Wisconsin electric generation units will have limited flexibility in controlling the manner and costs associated with meeting mercury emission reduction requirements. This is particularly true given the current shortage of labor and materials needed to install the control technologies necessary to comply with CAMR emission reduction obligations. Many different industries are competing for these same resources which have greatly increased the cost for controls. Wisconsin sources need the ability to use trading to more responsibly and equitably absorb the costs associated with compliance.

Given the above, we request that the WDNR adopt the federal CAMR rule as recommended by the EPA, including its allowance allocation methodology, ability to bank credits, and interstate trading.

MGE may file additional comments before the close of the public comment period.

Thank you for this opportunity to express our views.