



**Wisconsin Utilities Association**

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

**From: Bill Skewes, Executive Director  
Wisconsin Utilities Association**

**Re: CAMR Comments**

**Date: May 15, 2007**

On behalf of Wisconsin's investor-owned gas and electric utilities, the Wisconsin Utilities Association (WUA) supports adoption of the federal version of the Clean Air Mercury Rule (CAMR). However, WUA has concerns with several provisions of the State of Wisconsin's implementation of CAMR as proposed by the Department of Natural Resources (WDNR) in draft revisions to NR 446. WUA urges consideration of the following key elements of the state's implementation of CAMR.

#### **Restore "Cap & Trade"**

Under the proposed revisions to NR 446, provisions are not included to allow participation in the federal EPA's national mercury emission trading program, developed as an option for states to meet their emission budgets. WUA contends that the trading of emission reduction credits is the most cost-effective way for some sources to comply and they will mitigate the inevitable resultant cost increases these rules will have on electricity customers. Thus, the trading of emission reduction credits should be included in this rule. For WDNR to remove this option in its rulemaking by definition makes Wisconsin's rule more restrictive than federal rules which is restricted by state statute.

Some have argued that "cap and trade" allows sources to avoid making reductions, leading to "hotspots" of mercury deposition around power plants. However, peer-reviewed, state-of-the-art modeling by both the US EPA and the Electric Power Research Institute (EPRI) has dispelled this concern. Research has also shown, for example, that the cap & trade approach, when compared to a Maximum Available Control Technology or "MACT" standard results in more reductions in mercury for a lower cost. In fact, according to a 2004 analysis by EPRI of EPA's MACT vs. cap & trade approaches, a 7% reduction in mercury deposition using cap & trade will cost \$2 billion while a 5% reduction using MACT would cost \$10 billion.

## **70% vs. 90%: Fish Advisories**

The proposed mercury control actions are intended to reduce the amount of mercury that falls on Wisconsin waters and, ultimately contributes to mercury levels in fish. However, recent peer-reviewed, state-of-the-art modeling by EPRI in Wisconsin found that mercury deposition declines by only 1-4% over most of the state when Wisconsin utility emissions are completely eliminated. This modeling was verified using actual mercury data measured from four monitoring sites across Wisconsin. According to this study, the mercury deposited into lakes is so low that *no reductions in fish advisories can realistically be expected*. Thus, there is no justification for WDNR to propose to exceed the 70% reduction specified by the federal rule with a 90% reduction in state rules.

## **Banking**

Banking provisions are important to encourage technology development and provide an incentive for early and/or additional emission reductions. Banking also provides a hedge for uncertainties associated with performance of new mercury control technologies.

## **Other States**

The proposed programs in Illinois, Minnesota, and Michigan are not as stringent as alleged by environmental groups. The Minnesota program expressly authorizes rate recovery for all expenses related to mercury control, and will require a 90% reduction in mercury emissions at just three generating facilities whose previous technology investments facilitate these reductions. Offset provisions also reduce the effective emission reduction rate to 70% for one of the two affected utilities. The recently adopted program in Illinois provides for three temporary alternatives to compliance with the performance standard, including in-system trading, a technology performance exemption, and a multi-emission alternative. The proposed Michigan regulations are currently being revised, and MDEQ has not yet drafted the requirements that would meet the Governor's Directive for technical and economic rule exemptions. Michigan's rule will also allow in-state trading.

## **Conclusion:**

Wisconsin's implementation of CAMR should mirror EPA's version of the rules. Eliminating the cap & trade provisions, prohibiting banking of early or additional reductions, and requiring 90% reductions make the proposed rule more restrictive than the federal rule