



June 11, 2007

Mr. Robert Eckdale
Department of Natural Resources
P.O. Box 7921
Madison, WI 53707

Dear Bob:

The following comments are submitted on behalf of the members of the Wisconsin Paper Council regarding proposed changes to NR 446 relating to mercury emissions from coal-fired electric generating units.

The Wisconsin Paper Council supports conformance of NR 446 with the federal Clean Air Mercury Rule, including participation in EPA's national mercury allowance trading and banking program. (It appears that Option 3 may be the same thing we are supporting, but it isn't clear from the DNR options paper.) Our concern with the rule proposed by the Department (Option 1), as well as Options 2 and 4, is the substantial cost penalty that could be paid by electric ratepayers in Wisconsin.

As an initial matter, it appears that one boiler at Georgia-Pacific's Green Bay Broadway Mill would be subject to the rule. This boiler meets the requirements for being classified as a coal-fired electrical generating unit (it sells more than one-third of its capacity or more than 219,000 MWh to a generator with a capacity of more than 25 MWe producing electricity for sale) and does not meet the requirements for being exempt as a cogeneration unit because the boiler does not meet the required efficiency standard. This boiler must be allocated mercury allowances under the rule.

On a broader level, the paper industry is the largest industrial energy user in the state. Mills can have *monthly* energy bills of \$1 million. Any cost increases imposed on electric utilities will be passed on to ratepayers and paper mills are major ratepayers. Substantial energy cost increases are already challenging the industry. We understand that the costs associated with the federal rule – which will be substantial – must be met. However, we simply cannot afford additional cost increases beyond the federal rule.

Predicting costs and benefits from proposed regulatory changes can be a challenge. We consulted Attachment B from the June 2003 Natural Resources

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Board "green sheet" package on prior changes to NR 446. This is entitled "An Assessment of Major Utility Air Emission Control and Cost." This document looked at various mercury reduction scenarios and associated costs, among them a 73% reduction and an 88% reduction. Using the "expected cost" scenario, the annual cost for a 73% reduction was estimated to be \$56 million per year and the annual cost for an 88% reduction was estimated to be \$87 million per year – a \$31 million per year cost premium for the higher control level.

Viewed in terms of cost per kilowatt-hour of electric use, the report showed a .12 cent/kwh cost for a 73% reduction in mercury and a .19 cent/kwh cost for the 88% reduction. If the difference of .07 cent/kwh is multiplied by the total statewide electric use in 2005 of approximately 70.3 trillion kwh (Wisconsin Energy Statistics 2006), the cost premium for the higher control level would be about \$49 million annually.

Because of the vagaries of this type of analysis and the differences between the 2003 rule and the current rulemaking, we view these as "ball park" estimates of the cost from going from approximately 70% control to approximately 90% control. But one thing that is very clear is that it is a very expensive ball park – in the \$30-50 million per year range. We understand that a separate study performed for the current rulemaking places the cost premium in the same ball park.

The flip side of the cost issue is environmental benefits. We are not aware of specific environmental benefits that have been identified to justify Options 1, 2 or 4. A 90% reduction would obviously remove more mercury from the air than a 70% reduction. What isn't clear is what public health benefit is associated with Wisconsin reducing emissions 90% versus 70%, particularly in light of the global transport associated with mercury, and whether the health benefit is worth \$30-50 million per year or more. We seriously doubt that the benefits justify the costs.

We strongly urge the Department to adopt the federal Clean Air Mercury Rule provision, with the national mercury allowance trading and banking program.

Sincerely,



Edward J. Wilusz
Vice President, Government Relations