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May 22, 2007

RECEIVED

Mr. Robert Eckdale
Bureau of Air Management
PO Box 7921
Madison, WI 53707

MAY 29 2007

AIR MANAGEMENT

Regarding: Comments on the proposed rule to implement EPA's Clean Air Mercury Rule (CAMR)

Dear Mr. Eckdale:

Thank you for the opportunity to provide comments on the state's proposal to implement EPA's Clean Air Mercury Rule (CAMR).

Xcel Energy is the fourth-largest combination natural gas and electricity company in the nation. Based in Minneapolis, Minnesota, Xcel Energy operates in 8 western and mid-western states. Xcel Energy provides a comprehensive portfolio of energy-related products and services to 3.3 million electric customers and 1.8 million natural gas customers throughout its regulated operating companies. Xcel Energy's generating units are capable of producing 15,220 megawatts of electricity, using a variety of fuel sources including coal, natural gas and oil, nuclear, renewables and hydropower. In Wisconsin, Xcel Energy owns and operates one coal- and biomass-fired generating plant, one refuse-derived fuel plant, two oil- and/or gas-fired combustion turbine plants and 19 hydropower plants. The state's proposal to implement the CAMR will impact Xcel Energy's coal- and biomass-fired generating plant in Ashland, Wisconsin herein referred to as the Bay Front plant; all comments to follow will therefore pertain to this facility.

Xcel Energy's Bay Front power plant is a three-unit generating station capable of producing 76 megawatts of electricity. This plant has become a model for the creative use of fuels, including renewable resources. Improvements over the past 20 years have enabled the plant to burn low-cost fuels such as wood and discarded tires while dramatically increasing its energy output and run time. Bay Front was the first investor-owned utility operation in the nation to burn wood to generate electricity in 1979. Since then, Bay Front has burned 4 million tons of waste wood and railroad ties as well as other alternate fuels such as used tires. Replacing a significant amount of coal with these alternate fuels has resulted in a

significant decrease in emissions of many pollutants, including mercury. In fact, total mercury emissions from this facility in 2006 were less than 5 pounds.

In 2003, Xcel Energy replaced two coal-burning units at its Black Dog plant in Minnesota with a natural gas-fired turbine generator, reducing annual Hg emissions from that plant by 35 pounds. By 2009, additional projects undertaken at Xcel Energy facilities in Minnesota will result in reductions of Hg emissions of 170 pounds. By 2014, Xcel Energy has agreed to reduce its Hg emissions by 90% from four units at its two largest generating facilities in Minnesota. These various efforts result in significant Hg emission reductions from Xcel Energy facilities making excess Hg allowances available for use at some of Xcel Energy's smaller facilities such as the Bay Front plant in Ashland if the federal model trading program is available for use at such facilities. Because of the company's expansive operating territory, Xcel Energy believes an emissions trading program is the most cost-effective means of achieving required reduction targets and keeping costs down for our electricity customers and therefore supports the state's adoption of Option 3, the federal model trading program.

Under the current WDNR proposal, Xcel Energy would be forced to install controls at its only CAMR-affected power plant in Wisconsin to insure the state-imposed Hg caps would never be exceeded. In reality, these expensive Hg controls would be needed to potentially remove as little as one or two pounds of Hg per year. Xcel Energy recognizes the Department is aware of the cost-effectiveness of over controlling emissions from a company's bigger units to cover the company's smaller units. This is evidenced by the provision in the current state mercury rule defining a major stationary source as one emitting more than 10 pounds of mercury per year. This is further evidenced by the system-wide compliance option offered in the state's current proposal under NR446.09 allowing utilities to demonstrate that the sum of Hg emissions from all affected units under their ownership do not exceed the sum of the mercury allowances allocated to the individual units. In essence, this provision allows utilities in the state with multiple facilities to over control their bigger units to make excess allowances available for their smaller units; an option Xcel Energy cannot exercise if the federal model trading program is not adopted in Wisconsin.

It is Xcel Energy's ratepayers in Wisconsin who end up being the big "losers" under WDNR's current proposal. Because Xcel Energy operates as an integrated system, and Xcel Energy's Wisconsin customers receive approximately 80% of their power from the generating units in Minnesota, the Wisconsin ratepayers get charged a certain percentage of expenses incurred by the Xcel Energy plants in Minnesota. WDNR's current proposal not only does not allow Xcel Energy's Wisconsin customers to take advantage of the Hg reductions they're already paying for from Minnesota, but it unfairly forces them to pay for additional reductions required in Wisconsin.

Xcel Energy further opposes the state's proposal as it relates to establishing unit allowance allocations since it adversely impacts facilities like the Bay Front plant choosing to burn a significant amount of biomass in place of coal. An inherent characteristic of the biomass burned at Xcel Energy's Bay Front plant is its size variability and its high moisture content as compared to coal. As a result, biomass burns less efficiently than coal, an average of 20% less. WDNR's proposal to provide Hg allocations based on output as opposed to EPA's input-based allowance system provides a tremendous disincentive for the company to continue to burn wood waste since the mercury content of wood waste is similar to that of coal and the plant would receive more allowances if coal were burned instead of the wood waste. Furthermore, WDNR's proposal to discourage companies from continuing and/or increasing its use of renewables in the state is in direct conflict with the Governor's efforts (announced in 2006) to increase the use of renewables in the state for energy production.

In summary, Xcel Energy strongly opposes certain provisions of this proposal to implement EPA's CAMR in Wisconsin. In particular, because the proposal does not allow participation in the federal trading program, it results in adverse financial impacts to Xcel Energy's Wisconsin ratepayers. In addition, the proposed output-based allocation methodology discourages the continued use of biomass at the Bay Front plant in Ashland as described above. We therefore encourage the Department to adopt the federal model trading program as its CAMR implementation strategy for Wisconsin.

Xcel Energy appreciates the opportunity to provide comments on this rule, and invites you to direct any questions on these comments to me at 715/839-1346.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Ball". The signature is fluid and cursive, with a large initial "T" and "B".

Tina Ball
Senior Environmental Analyst