

Revisions to the State Mercury Rule Affecting Coal-fired Power Plants - Public Comment Summary

Natural Resources Board Meeting

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Overview

- Chronology
- Issues Addressed in the Proposed Rule Revisions
- Key Elements of the Proposed Rule Revisions
- Mercury Reduction Alternatives Offered for Public Comment
- Public Comment Summary
- Next Steps

Chronology

- Citizen Petition for Rules - January
- Informational Presentation - January
NRB Meeting
- Hearing Authorization - March NRB
Meeting
- Public Hearings - May
- June 11, 2007 - End of Public Comment
Period
- NRB Mercury Seminar - July

Issues Addressed in the Proposed Revisions to the State Mercury Rule

- Consistency Commitment - reduction levels, schedule and administrative requirements
- Governor's Directive - 90% reduction
- Citizen Petition - 90 to 95% reduction by 2012 Without Trading
- Clean Air Mercury Rule State Options - national trading program participation and allocation methodology

Key Elements of the Proposed Revisions

- Clean Air Mercury Rule reduction levels, compliance schedule and monitoring, reporting and recordkeeping requirements.
- Declines participation in EPA's national mercury trading program.
- Each utility with affected coal-fired electrical generating units must meet an annual mercury emission cap - no intrastate trading.
- Energy output based mercury allowance allocation methodology.
- Commitment to adopt rules by June 30, 2010, to achieve a 90% mercury reduction at every coal-fired electrical generating unit by January 1, 2020.

State Mercury Emission Budget

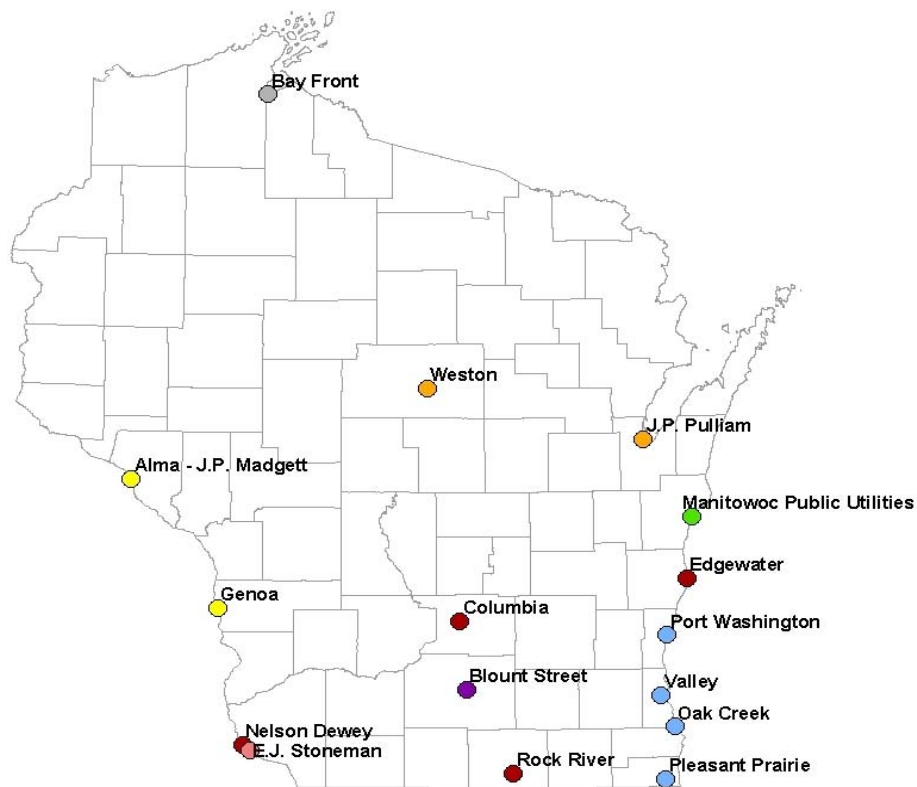
- Wisconsin's annual mercury emission budget established by EPA

Baseline – 2,264 pounds

2010 through 2017 – 1,780 pounds (21%)

2018 and thereafter – 702 pounds (69%)

Coal-Fired Power Plants in Wisconsin



Owner

- | | |
|-----------------------------------------------------------------|----------------------------------------------------------------|
| ● Alliant Energy | ● Mid-American Power |
| ● Dairyland Power | ● We Energies |
| ● Manitowoc Public Utilities | ● Wisconsin Public Service |
| ● Madison Gas & Electric | ● Xcel Energy |

May 2007

Mercury Reduction Alternatives Offered for Public Comment

- In addition to the proposed rule, public comment was requested on three alternative approaches to reduce mercury from coal-fired power plants.
 1. 90 to 95% mercury reduction at every coal-fired electrical generating unit by January 1, 2012 without participating in EPA's national trading program - more reductions, sooner than in the proposed revisions
 2. Participation in EPA's national trading program to achieve the Clean Air Mercury Rule requirements
 3. Sunset participation in EPA's national trading program by January 1, 2015

Electric Utility Public Comments

- Prefer participation in EPA's National Trading Program to meet CAMR requirements.
- Adopt EPA's model rule unaltered - no state options.
- Specific Issues - failure to allow trading, sunseting retired unit allowances, failure to allow banking, proposing an unworkable and overly complex allowance allocation methodology and retirement of unused new unit set-aside allowances.

Electric Utility Public Comments – cont.

- Statutory finding required to support adoption of the more stringent standards proposed.
- Neighboring states programs include flexibilities that are not in Wisconsin's proposal.
- Only electric utilities currently doing business in Wisconsin can build a new coal plant here.

Industry Public Comments

- Adopt the federal CAMR and allow Wisconsin utilities to participate in EPA's National Trading Program.
- Going beyond the federal CAMR is not justified.
- Rising electrical rates in the state are affecting competitiveness and may result in the loss of businesses and jobs.
- Public health finding in Wisconsin Statutes is required for a commitment to develop rules to achieve a 90% reduction.

Environmental Organization Public Comments

- Require 90 to 95% reduction at each coal-fired electrical generating unit by 2012.
- Effective mercury control technology is available and protection of public health demands action sooner than the federal CAMR.

Additional Public Comments

- EPA and Legislative Council Rules Clearinghouse have provided extensive comments.
- Numerous letters, petitions and e-mails received requesting more mercury reductions, sooner.
- Significant number of comments received expressing concern about higher electricity rates for little benefit from a more stringent rule.

Next Steps

- Complete assessment of public comments and identification of issues.
- Proceed with evaluation of issues that need further study.
- Develop options for internal review and discussion.
- Plan to return to NRB for rule adoption later this year.