

### Fiscal Estimate — 2007 Session

<input checked="" type="checkbox"/> Original	<input type="checkbox"/> Updated	LRB Number AM-32-05	Amendment Number if Applicable
<input type="checkbox"/> Corrected	<input type="checkbox"/> Supplemental	Bill Number	Administrative Rule Number NR 440 and 446

**Subject**

Mercury emission reductions from coal-fired electrical generating units.

**Fiscal Effect**

State:  No State Fiscal Effect  
 Indeterminate

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- |  |   |
|--|---|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues |
| <input type="checkbox"/> Decrease Existing Appropriation | <input type="checkbox"/> Decrease Existing Revenues |
| <input type="checkbox"/> Create New Appropriation        |   |

Increase Costs — May be possible to absorb within agency's budget.

Yes  No

Decrease Costs

Local:  No Local Government Costs

Indeterminate

1.  Increase Costs  
 Permissive  Mandatory
2.  Decrease Costs  
 Permissive  Mandatory

3.  Increase Revenues  
 Permissive  Mandatory
4.  Decrease Revenues  
 Permissive  Mandatory

5. Types of Local Governmental Units Affected:

- Towns  Villages  Cities  
 Counties  Others Manitowac Public  
 School Districts  WTCS Districts

**Fund Sources Affected**

- GPR  FED  PRO  PRS  SEG  SEG-S

**Affected Chapter 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate**

**SUMMARY OF RULE** - The Clean Air Mercury Rule (CAMR) is a federal regulation promulgated by the United States Environmental Protection Agency (EPA). The CAMR requires the reduction of mercury emissions from new and existing coal-fired electrical generating units through a declining cap on mercury emissions expressed as annual state budgets in two phases, an initial phase beginning 2010 and a second phase that starts in 2018. State mercury budgets are a permanent cap regardless of growth in the electrical sector. A national trading program has been developed by EPA as an option for states to meet CAMR requirements. Revisions to NR 440 would adopt the technology-based standards of performance for new coal-fired electrical generating units that are constructed or modified after January 30, 2004. Revisions to NR 446 decline participation in EPA's national trading program adopt EPA's model rule which allows interstate trading of mercury allowances.

Under the proposed revisions system-wide mercury emission caps for each reduction phase of the CAMR would be established for each Wisconsin utility with affected coal-fired electrical generating units under their control or ownership. Beginning January 1, 2010, and every year thereafter owners and operators of affected electrical generating units must hold enough mercury emission allowances to equal or exceed calendar mercury emissions from their units in a given year.

**FISCAL IMPACT** - The CAMR affects 48 existing electrical generating units operated by eight utilities including Alliant Energy, Dairy Power Cooperative, Madison Gas & Electric Company, Manitowoc Public Utilities, MidAmerican Energy Company, WE Energies, Wisconsin Public Service Corporation and Xcel Energy. The rule revisions are not expected to affect state facilities and will impact one local government facility operated by Manitowoc Public Utility.

Owners and operators of affected electrical generating units will need to install mercury control technology on new units to meet the Federal New Source Performance Standards. These standards apply to any coal-fired electrical generating unit that commences operation after January 30, 2004. For existing coal-fired electrical generating units installation of control technology will be dictated by the annual mercury emission caps for each utility system and the mercury emissions from new units that need to be accommodated.

**Long-Range Fiscal Implications**

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## Fiscal Estimate — 2007 Session

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#### Assumptions Used in Arriving at Fiscal Estimate – Continued

The United States Department of Energy's National Energy Technology Laboratory (NETL) has been conducting a mercury control technology program that has established a goal of having technologies ready for commercial demonstration by 2010 that can achieve 90% mercury control at a cost of \$35,000 per pound. In their October 2005 status report on the results of their field testing program DOE reported the following:

Significant progress has been made in developing effective mercury control technology over the past several years particularly for low-rank coals (i.e. lignite and sub-bituminous).

- Activated carbon injection and injection of other materials and oxidation (i.e. catalyst, chemical additives) are the most promising mercury control technologies.
- Estimated cost of mercury control on a \$ per pound removed basis have been reduced.
- By 2012 – 2015 broad commercial availability of mercury control technologies is projected to occur.

Retail electricity rates are projected to increase regardless of the compliance approach selected by each electric utility in the state. The Department is not expected to incur significant additional costs to implement the CAMR.

**Fiscal Estimate Worksheet — 2007 Session**  
 Detailed Estimate of Annual Fiscal Effect

Original       Updated  
 Corrected       Supplemental

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Subject  
 Mercury emission reductions from coal-fired electrical generating units.

One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

Annualized Costs:		Annualized Fiscal Impact on State Funds from:	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations — Salaries and Fringes		\$	\$ -
(FTE Position Changes)		( FTE )	(- FTE )
State Operations — Other Costs			-
Local Assistance			-
Aids to Individuals or Organizations			-
<b>Total State Costs by Category</b>		\$	\$ -
<b>B. State Costs by Source of Funds</b>		Increased Costs	Decreased Costs
GPR		\$	\$ -
FED			-
PRO/PRS			-
SEG/SEG-S			-
State Revenues	Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Revenue	Decreased Revenue
GPR Taxes		\$	\$ -
GPR Earned			-
FED			-
PRO/PRS			-
SEG/SEG-S			-
<b>Total State Revenues</b>		\$	\$ -

**Net Annualized Fiscal Impact**

	<u>State</u>	<u>Local</u>
Net Change in Costs	\$ _____	\$ _____
Net Change in Revenues	\$ _____	\$ _____

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