

Environmental Cooperation Pilot Program

2007 PROGRESS REPORT



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More Information Available

This Progress Report and other information on the Environmental Cooperation Pilot Program are available on the Wisconsin Department of Natural Resource's website at:

<http://dnr.wi.gov/org/caer/cea/ecpp/index.htm>

Also check out the Green Tier website: <http://greentier.wi.gov>



The Environmental Cooperation Pilot Program: 2007 Progress Report

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Environmental Cooperation Pilot Program: 2007 Progress Report

I. Executive Summary:

The Environmental Cooperation Pilot Program (ECP) has renewed 6 of the 7 agreements initially created through the program. The agreements have proven to be dynamic tools during the initial five years and into the next five years as additional flexibility has been created, new environmental stretch goals established and additional administrative savings found. The agreements have established innovative approaches that yield substantially improved environmental performance and increased competitiveness of the businesses. Companies have started new product lines faster, effectively competed for new business and reduced their administrative overhead. Equally as important, they have continued their leadership in environmental performance, having a five year sustained reduction in green house gases. They started this long before climate change and global warming emerged as prominent national and international issues. These agreements set the stage for the successor Green Tier Law to explore similar kinds of flexibility and environmental performance improvements.

In our second year of using metrics for key performance indicators the results continue to show the degree of superior environmental performance that participants can provide. While 2006 statewide data for all companies is not yet available, participating companies have shown a 40% decline in nitrogen oxides (NO_x) emissions, 40% decline in sulfur dioxide (SO₂), 35% decline in Volatile Organic Compound (VOC) emissions and 12% reduction in Hazardous Air Pollutants, outperforming the rest of the state in each of these categories. Even in the instance of hazardous waste where the trend line shows an increase, the trend comes from a reporting anomaly created when the participants pursue an environmentally preferable practice of recycling a by-product from their manufacturing process rather than treating that waste on site.

The broad, indicator metrics are augmented by the site specific activities that are reported annually by the participants. They have been busily introducing and aggressively marketing environmentally preferable products ranging from new wind power to new, low VOC coatings. Individual participants are yielding gains such as biogas that replaces 2,300 tons of coal, reburning coal ash that replaces 2,000 train cars of coal, energy savings to reduce 9,300 cubic feet of natural gas annually, increasing use of combustion by-products and creating nesting and habitat sites just to name a few of the myriad gains identified in the report. Each participant has an environmental story to tell that spans the full range of their environmental issues.

One area that we gave more attention to in this year's report is administrative savings. We have specifically focused on those agreements that have modified permitting provisions. Taken in total, the 3M and Northern Engraving agreements have yielded about 2,500 hours in savings as a result of permits that did not have to be processed or were established using non-traditional processes.

The Department of Natural Resources (DNR) is pleased with the environmental gains and results that we have seen with the program and gratified that the participants have found sufficient value to remain a part of the program and continue working with the department to improve working relationships.



II. Environmental Cooperation Pilot Program – Environmental Performance

Pollution prevention is a hallmark of the pilot program and is a strategy that underpins several of the explicit goals listed in the statute. The importance of pollution prevention is evident in both the cooperative agreements and the underlying requirement that each participant implement an environmental management system (EMS) based on international standards.

The EMS requirement ensures that each participant in the program is committed to the prevention of pollution. This commitment is in some ways separate from and in addition to the specifics of each cooperative agreement. We expect any company with an EMS to practice pollution prevention - whether the company is in our pilot program or not.

The cooperative agreements take this basic EMS commitment (to prevent pollution) to a higher level. Each participant in the pilot program must commit to measurable or noticeable improvements in environmental performance, including reductions in waste generation. In return they receive flexibility on specific administrative requirements. This flexibility not only provides an incentive for pollution prevention commitments, but it also facilitates some pollution prevention activities that would otherwise be difficult or impossible to undertake.

This section presents the results of an analysis of aggregated performance data from companies participating in the ECPP. These data demonstrate trends in environmental performance based on data collected by DNR. The performance elements, analyzed here, were selected because of their significance to public health and the environment, and because of their ubiquitous nature. We selected performance measures that are meaningful to the public and meaningful to large numbers of regulated businesses. Furthermore, each performance measure can be linked to specific commitments to superior environmental performance in one or more of the cooperative agreements.

In order to provide a simple, straightforward picture of whether performance is improving or getting worse, we present all of the data in a way that shows the percentage increase or decrease in performance from baseline levels. For each measure, we also compare the performance of ECPP participants (aggregated) to the performance of all other Wisconsin stationary pollution sources (aggregated). We are currently able to present just five performance measures, but we hope to add additional measures (perhaps including energy and water use) to this analysis in the future.

Data for ECPP companies from 2006 were included in this report; however, performance data for the rest of the state in 2006 were not available in time to be included in this report. The information in this report is available online at <http://dnr.wi.gov/org/caer/cea/ecpp/p2/index.htm>. The online version should be updated to include all 2006 data by the end of 2007.

Selection of the Baseline Year

The first ECPP agreements were signed in 2001 with We Energies' Pleasant Prairie Power Plant and Cook Composites and Polymers. By the end of that year, negotiations with Madison Gas and Electric, Northern Engraving Corporation, and Packaging Corporation of America were well under way. We Energies had by then applied for a second agreement covering more



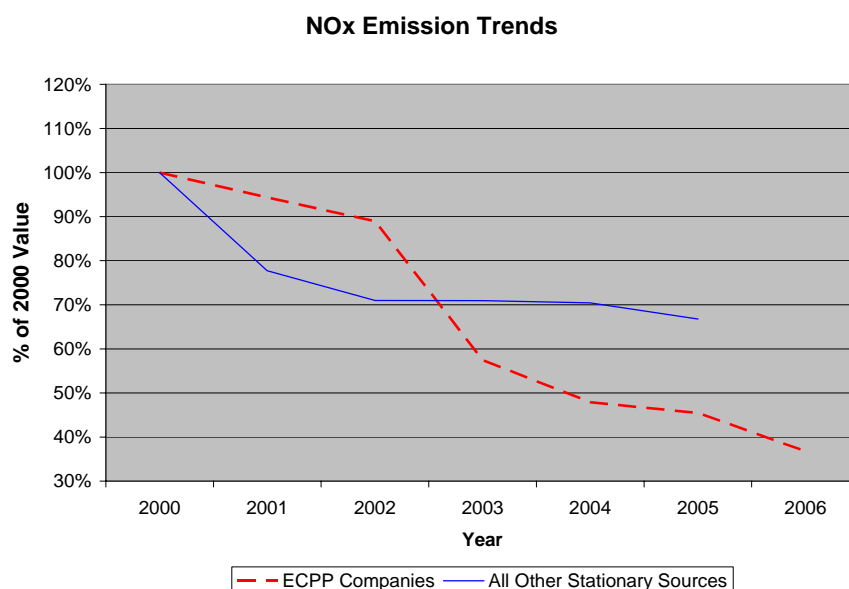
sites. We have selected the year 2000 as the baseline for most of this performance analysis because it is the year that predates nearly all of the significant ECPP milestones. The year 2000 also makes sense as a baseline because of EMS activity. 3M did not apply for the pilot program until 2002, but had achieved certification of the EMS for their Menomonie site in late 2000. Northern Engraving Corporation's Sparta and West Salem sites were also certified in 2000. Other sites and other companies followed in later years.

We need to use a different baseline year for one of our performance measures -- hazardous waste generation. Reporting requirements for hazardous waste generation are more comprehensive in odd-numbered years than in even-numbered years. Because of this distinction, it would not make sense to compare odd-year data to even-year data. We have chosen to examine only the more comprehensive and accurate odd-year data as our performance measure. In order to have enough data points to identify meaningful trends, we subsequently set the baseline year for this performance measure at 1997 even though that year significantly precedes the ECPP.

Nitrogen Oxide Emissions

Nitrogen oxides, or NO_x, is the generic term for a group of highly reactive gases, all of which contain nitrogen and oxygen in varying amounts. To learn more about NO_x and the human health and environmental effects of NO_x, visit DNR's website at <http://dnr.wi.gov/org/aw/air/health/oxides.htm>

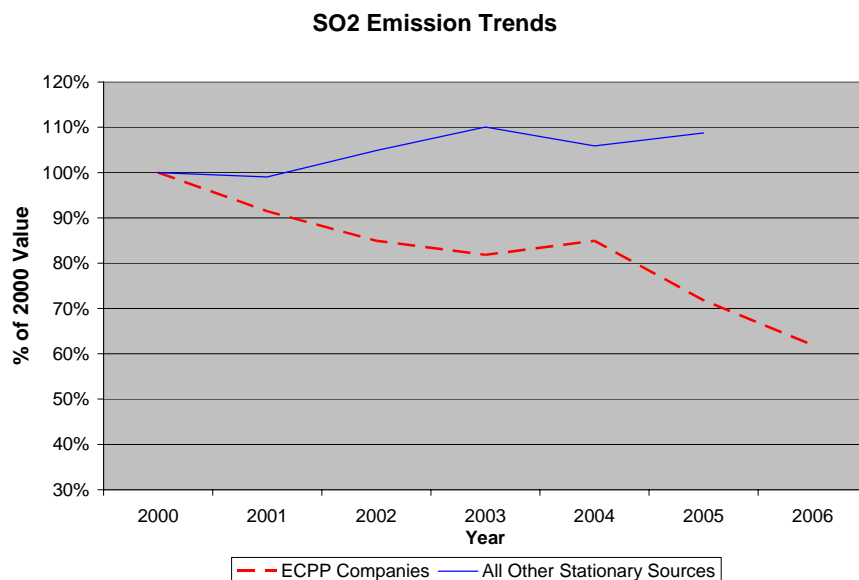
As the chart below shows, ECPP participants have reduced their NO_x emissions to less than 40% of baseline (year 2000) levels in the course of six years. Over the same time period, NO_x emissions from all other stationary sources in Wisconsin have also declined, but the decline has not been as dramatic.



Sulfur Dioxide Emissions

Sulfur dioxide, or SO₂, belongs to the family of sulfur oxide gases (SO_x). DNR provides more information on SO_x and its human health and environmental effects on the following web page: <http://dnr.wi.gov/org/aw/air/health/sulfurdiox.htm>.

ECPP participants have reduced SO₂ emissions by nearly 40% from baseline levels. This accomplishment has happened at a time when SO₂ emissions at all other stationary sources in Wisconsin have remained relatively constant, although the most recent data are not yet available.

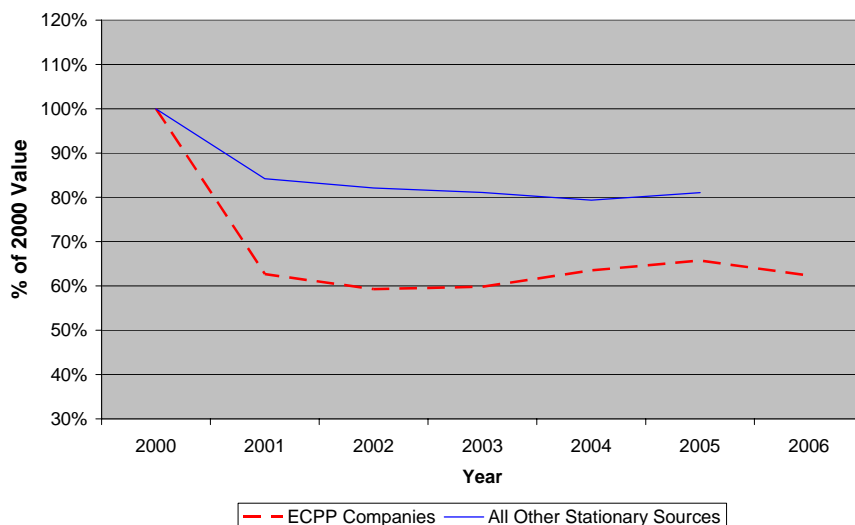


Volatile Organic Compound Emissions

Volatile organic compounds (VOCs) are emitted as gases from a wide array of products including paints and lacquers, cleaning supplies, pesticides, building materials, glues and adhesives. More information about VOCs and their effects can be found at: http://dnr.wi.gov/org/aw/air/emission/historical_emissions/historical_emissions_voc.htm

ECPP participants have reduced their VOC emissions by more than 35% since the baseline year of 2000. A slight increase in these emissions was noted in 2004 and 2005; however, VOC emissions decreased slightly in 2006. VOC emissions from all other stationary sources in Wisconsin have declined only slightly since 2000 and remain above 80% of baseline levels, again noting that 2006 data are not yet available for this comparison group.

VOC Emission Trends

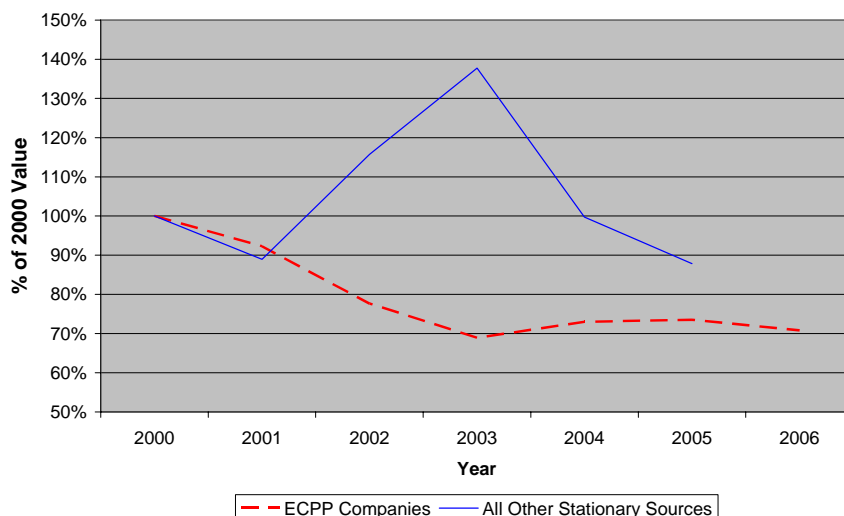


Hazardous Air Pollutant Emissions

This performance measure encompasses emissions of more than 400 different chemicals that are listed by Wisconsin and/or the federal government as hazardous air pollutants (HAPs). The human health and environmental effects of HAPs vary from chemical to chemical. Concise information on all of the listed HAPs is not available at this time, but a wealth of information covering more than a hundred HAPs is available from the U.S. Environmental Protection Agency website at <http://www.epa.gov/ttnatw01/hlthef/hapindex.html>.

Just as we saw with the previous performance measures, the trend in HAP emissions among ECPP participants is very encouraging. Total HAP emissions have declined by nearly 30% from baseline levels, even with a slight increase in 2004 and 2005. At the rest of Wisconsin's stationary sources, HAP emissions have varied erratically from year to year. The latest statewide HAP emissions data from 2005 show an encouraging but modest 12% decline from baseline levels.

HAP Emission Trends

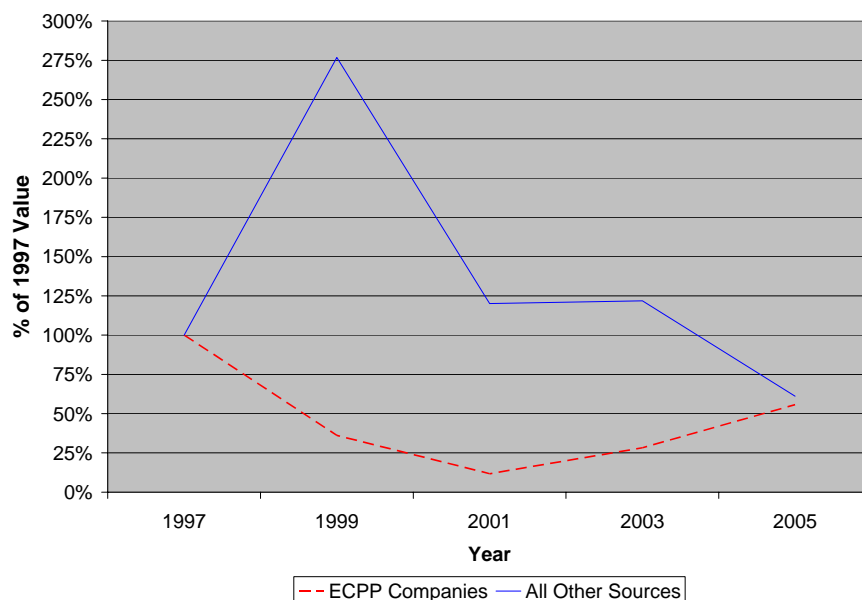


Hazardous Waste Generation

“Hazardous waste” is a term that has a very specific meaning in Wisconsin and federal laws. The term includes an incredibly wide variety of materials each of which potentially poses some risk to human health or the environment. A DNR publication, available in electronic format at http://dnr.wi.gov/org/aw/wm/publications/hazard/wa_106.pdf, provides a detailed explanation of what is and is not considered a hazardous waste and what kinds of risks these materials pose. Under certain circumstances, regulated facilities must report to DNR the amount of hazardous waste (HW) they generate (or create) in a given year, which provides us with this performance measure.

As explained above, this performance measure only considers HW generation data reported in odd-numbered years because by law those reports are more comprehensive and accurate than reports in even-numbered years. The baseline year for this performance measure is set at 1997 in order to provide enough data points to discern meaningful trends.

HW Generation Trends



Between 1997 and 2005, reported HW generation dropped by about 40% among participating ECPP companies and for the rest of Wisconsin as a whole. DNR is aware that the HW generation data indicates erratic performance and, in the case of the ECPP companies, worrying trends. We are concerned that there may be errors in the data collected for 1999, which would account for the spike in HW generation by the rest of Wisconsin during this period. We are currently looking into this possibility.

After examining the causes of the recent upswing in HW generation by ECPP companies, DNR discovered that the increase is attributable not to an actual decline in performance but rather to a change in the way HW data are reported by just one company, Cook Composites and Polymers (CCP), for just one of their byproducts.

CCP has always generated this particular byproduct in very high volumes. Until the late 1990s, it was reported as HW generation. CCP then discovered that they were not in fact required to report that byproduct as HW generation because they treated it on-site. As a result, CCP stopped including this byproduct in their HW generation reports and the amount they reported

plummeted - even though the byproduct was still being generated in very high volumes. More recently, CCP has discovered a way to recycle the byproduct, but they have to ship it offsite to do so, and this means that it once again is classified as hazardous waste. Ironically, the decision to improve their environmental performance by recycling this byproduct led to an apparent dramatic increase in HW generation, because of some of the arcane details of DNR's reporting regulations.

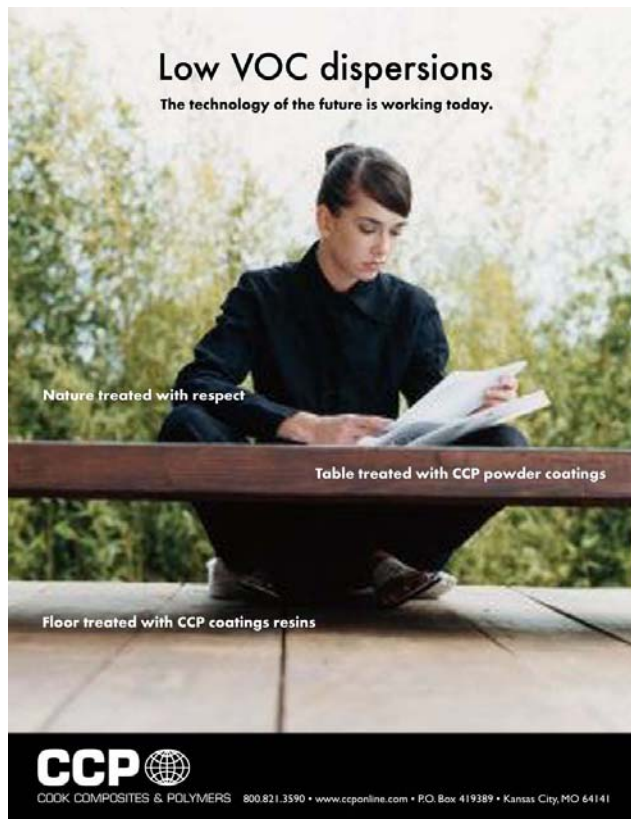
Given what we've learned about the difficulties in accurately reporting HW generation, DNR intends to re-evaluate whether HW generation is a meaningful performance measure and whether it should be included in future reports.

III. Program Participant Accomplishments

The Environmental Cooperation Pilot Program has brought both sustained environmental performance and environmental innovation together. Wisconsin continues to reap the benefits realized from the first years of formal participation and new commitments as participants pursue continual environmental improvement.

Cook Composites and Polymers Co. (CCP) – Saukville

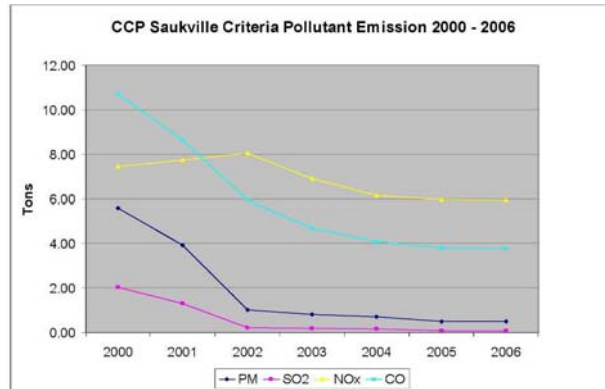
Cook Composites and Polymers has initiated several projects to pursue innovative, beyond compliance approaches in keeping with the pursuit of sustainable practices outlined in the agreement as renewed and amended last year.



Introduction of environmentally preferable products has resulted in reduced environmental impact production as well as the use the products.

- A new pilot test for remediation of contamination was initiated and, depending upon results, will be started in late 2007. During 2006 and 2007 permits were obtained and testing initiated for new biological agent to be used for site remediation, working in collaboration with DNR.
- Capital project completed to eliminate fugitive dust into neighboring properties.
- Initiated testing and began the exploration of new technologies to be used to deal with odor complaints and increase the combustion efficiency of the thermal oxidizer in use at the facility.
- Through the Environmental Management System, implemented the “intrinsically safe process” for DCPD (dicyclopentadiene) resin production to enhance safety, security and more effective control and monitoring of one of the major production processes at the facility.

- CCP continued to focus on new products and initiated an advertising program to find new markets and expand existing ones. This work has been supplemented by research and development work to increase product performance. An initial work plan was established to work with parties in the state to find both new products and new markets for products.
- Included is a brief summary of emissions for CCP. The chart shows Particulate Matter (PM), Sulfur Dioxide (SO₂), Nitrogen Oxides (NO_x) and Carbon Dioxide (CO) building upon what was reported in last year's report.



Madison Gas and Electric (MGE) – Madison



In the year since our previous ECPP progress report, MGE accomplished all of the following:

- Completed two feasibility studies, one that examines the options for decreasing thermal discharges to Lake Monona and one that evaluates options for combined heat and power (cogeneration) technologies at the site of the Blount Generating Station (BGS).
- Found new ways to beneficially reuse about 15% of the BGS bottom ash (in addition to the fly ash which has been beneficially reused for years).
- Began implementing plans to increase wind capacity by nearly eight times, from 11 to 86 megawatts, with three new wind projects coming online in 2007 and 2008.



MGE's wind farm located in Kewaunee County

In August 2007, DNR and MGE agreed to extend this cooperative agreement an additional five years (to September 2012) after MGE finished work on the last of the commitments included in the original agreement. MGE commemorated the occasion by publishing a summary of the major accomplishments achieved over the first five years. The summary is available on DNR's website at

<http://dnr.wi.gov/org/caer/cea/ecpp/agreements/mge/reports/ECAAccomplishmentsReport.pdf>. Some of the highlights include:

- Achieved ISO 14001:2004 certification, making BGS the first power plant in Wisconsin to be formally certified to this standard by an accredited registrar.
- Removed and recycled more than 230 pounds of mercury from equipment at BGS.
- Through their use of a paper-derived fuel, diverted 39,944 tons of waste from landfills, displaced the use of 42,713 tons of coal, and thereby reduced SO₂ emissions by 1,063 tons.
- Purchased 52,878 gallons of biodiesel to reduce vehicle emissions of carbon monoxide, particulate matter, SO₂, and VOC.
- Met with members of their Community Environmental Advisory Group more than 20 times.

We Energies



We Energies was the only company that signed two separate ECPP agreements. The first such agreement covers the Pleasant Prairie Power Plant (P4) and the handling of coal ash from certain company-owned landfills. That agreement will be in effect until February 2011. The second agreement was called the Multi-Emission Cooperative Agreement (MECA) and it covered eight different fossil-fuel power plants, including P4. The MECA was signed in September 2002 and completed in 2007.

In the time since our 2006 ECPP progress report was published, We Energies accomplished all of the following new environmental initiatives related to the P4 Agreement and/or the MECA:

- Completed installation of a \$325 million Air Quality Control System (AQCS) at P4. This included the installation of a second Selective Catalytic Reduction unit and two wet Flue Gas Desulphurization systems. These systems will reduce NO_x emissions by 85-90 percent and SO₂ emissions by 90-95 percent at the largest coal-fueled power plant in Wisconsin. This is the first plant in the state to have installed both air emission control systems.
- Initiated planning and design for a similar AQCS project to reduce NO_x and SO₂ emissions at its existing Oak Creek Power Plant. Construction is anticipated to start in 2008 upon approval of the necessary permits.
- Continued research at P4 to identify additional multi-emission approaches that achieve reductions of mercury in concert with the technologies installed as part of the AQCS project described above.
- Announced in October 2006 that P4 would host an innovative research project demonstrating a new technology to separate and capture carbon dioxide (CO₂) emissions from coal-fueled power plants. This \$10 million project is the first of its kind in the United States and will test a process that has the potential to capture 90 percent of the CO₂ in the flue gas exiting the boiler. Project construction was initiated in 2007 and is expected to conclude in 2009.



We Energies Pleasant Prairie Power Plant has invested more than \$300 million in control equipment to significantly reduce NO_x and SO₂ emissions to the atmosphere. The plant has also been a leader in performing research on mercury control technologies, and in 2006 announced that it would host a first-of-its-kind carbon dioxide (CO₂) capture project.

Over the course of the entire six years of the P4 and MECA agreements, We Energies has achieved outstanding cumulative results, including these highlights:

- Met a commitment to reduce NO_x emission levels to 0.25 lb/mmBtu and SO₂ emission levels to 0.70 lb/mmBtu within five years of signing MECA.
- Virtually eliminated landfilling since 2002 at Pleasant Prairie site thanks to approximately 100% beneficial reuse of ash.
- Reburned 580,000 tons of recovered ash as a fuel at P4, providing a source of energy equivalent to nearly 2,000 railroad cars of coal that otherwise would have been mined, transported and purchased by We Energies. This also allowed We Energies to avoid the use of almost half a million cubic yards of landfill space.
- Additionally, through 2006 P4 had produced approximately 290,000 tons of ash that was sold for other beneficial uses.
- Reduced potential CO₂ emissions by over 340,000 tons through reburning or reusing coal ash.
- Worked with interested stakeholders, including hosting information sessions and tours for several schools, universities, and community members, as well as recently hired employees of the Environmental Protection Agency.

Northern Engraving Corporation (NEC) – Sparta, Holmen and West Salem Facilities

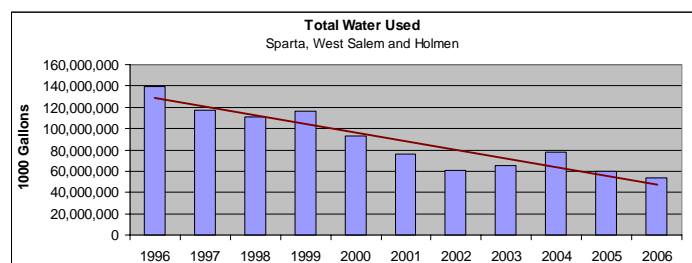


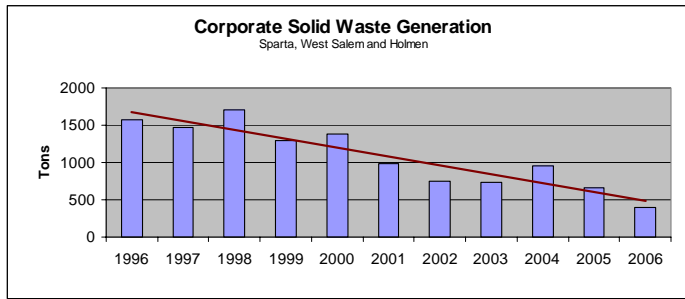
On June 10, 2002, Northern Engraving Corporation became the third company to participate in the Environmental Cooperative Compliance Program. The innovative regulatory approach designed within the initial Agreement has resulted in time and money saved thus offering opportunity for growth and stability to the Company. Because of the mutual benefit derived from the cooperative agreement, DNR and NEC agreed to extend the Environmental Cooperative Agreement (ECA) for an additional 5 year period. The extension of the Agreement was signed on June 7, 2007, following the Committee on Joint Finance review of the renewal. The June 7, 2007 Extended Agreement was amended on September 4, 2007, to reflect some minor changes to the Air Pollution Control Permits covered under the Agreement.

NEC Overall Summary

Following are the combined pollution reductions for the NEC facilities (Sparta, Holmen and West Salem) from 1996 through 2006. The June 10, 2002 ECA recognized those environmental achievements that had occurred prior to 2002. 1996 serves as the baseline for NEC unless otherwise noted.

- Reduced Volatile Organic Compounds (VOCs) by 63% (192 tons)
- Reduced Hazardous Air Pollutants (HAPs) by 94% (109 tons)
- Reduced water use by 74% (Represents a 88,591,000 gallon yearly reduction and a 229% improvement in sales/water efficiency ratio)





- Reduced Hazardous Waste 69% (40,860 gallons)
- Reduced Solid Waste by 78% (1,409 tons)

A compilation of the actions taken to successfully reduce the NEC environmental impacts can be accessed through the yearly reports submitted to DNR at:

<http://dnr.wi.gov/org/caer/cea/ecpp/agreements/nec/index.htm>

Operational Flexibility

Time, Energy Savings since June 10, 2002 Agreement

NEC reported savings in time established during the first year of the agreement:

- Over 3000 hours annually in reduced paper work
- Roughly 4000 pages of paper annually
- Roughly 2500 MCF natural gas savings annually at Sparta
- Roughly 2400 MCF natural gas savings annually at West Salem

Prior to the Agreement in June 10, 2002, DNR estimates that roughly 2.5 construction permits were issued to NEC per year. Much time was unnecessarily consumed by NEC staff and DNR Engineers processing permits because over half of the permits were not used because they were anticipatory permits for the company for jobs bid and not secured. Since June 10, 2002, one permit per year average has been issued and estimated time saved for DNR Engineers is over 1000 hours.

Environmental Cooperative Agreement 2006

2006 vs. 2005 Results

- Reduced VOCs **7% (8.1 tons)**
- Reduced HAPs **31% (3.3 tons)**

Processes change, replacement, recycling, distillation and employee involvement drove the 2006 reductions.

Interested Persons Group (IP)

In 2006 NEC notified the members of the IP by e-mail of significant Company actions.

- May 17 2006 regarding Closure of Galesville Facility, Brogan Nomination, redistribution of equipment and programs and requirements for air permitting
- July 11, 2006 regarding notification of air construction permit for West Salem
- September 5, 2006 regarding update on remediation activities in Sparta

On July 5, 2006, NEC held a meeting with members (3 members present) to discuss the state of their environmental management system.

2006 Environmental Management Evaluation

- Conducted monthly internal audits
- 3rd party audits were conducted at all facilities (6 man-days total)



No non-conformances were found at the facilities by external auditors while 5 opportunities for improvement were discovered. Auditors comments (excerpts of full comments)) on the overall nature of the NEC EMS was outstanding as follows:

- Employee interviews – excellent
- Approach to aspects and reviews and ranking – very proactive
- Link between aspects and legal requirements – very good.
- Solid evidence of top management commitment
- Process flows and aspect reviews – very good
- Tracking and recording/charting of objectives, targets and programs – very solid

NEC's Overall Assessment

From January 30, 2007 Report

“The environmental management systems at Sparta, West Salem, and Holmen are now eight, seven and four years old, respectively. As mature and successful, they must concentrate on retaining environmental improvements while searching even deeper in their processes for innovative pollution prevention and waste reduction measures. This must be done while meeting the challenges of an increasingly dynamic and intensely competitive global industry that is characterized by downsizing, cost-cutting and bankruptcy. Fortunately, the facility managers and employees take pride in their successful stewardship, embrace it as their duty, and retain a strong commitment to continuous improvement. Their freely-accepted responsibility and dedication are encouraged through the partnership philosophy of the Cooperative Agreement. Managers and employees are aware of the efforts made by the Wisconsin Department of Natural Resources (DNR) to reduce command-and-control measures so that they can use resources to improve environmental performance. This casts DNR as a regulator-partner, thereby creating a more transparent relationship characterized by candor and open communications. There is a strong incentive to keep improving that is created by doing well and being recognized by your State.”

Packaging Corporation of America (PCA) - Tomahawk



PCA establishes annual key environmental objectives based on an assessment tool featured in their site-specific EMS. Key objectives identified for calendar year 2006 include:

- Increase aeration in wastewater treatment plant during warm, dry periods in summer months
- Perform air quality analyses relative to potential haze impact
- Implement invasive species management plan for river segment downstream of the mill
- Evaluate commercial marketing options for wastewater residuals
- Assess potential for fly ash to serve as micronutrient source for anaerobic treatment system
- Develop in-house electronic training tool for wastewater operations
- Collaborate with in-state company on ‘waste-to-energy’ feasibility study

As a result of Packaging Corporation of America's (PCA) wastewater treatment plant biogas cover extension project completed in November 2006 year-to-date (Aug-07) results indicate that the rate of biogas recovery in 2007 will increase by 41 percent over the 2006 calendar year. The energy



content of the additional biogas is equivalent to nearly 2,300 tons of coal. Additionally, the project decreased greenhouse gas (GHG) emissions by an additional 23,000 tons (CO₂ equivalents) bringing the annual GHG reductions associated with the project to a total of 76,300 tons per year.

The WI Partners for Clean Air recognized PCA's 'green energy' efforts earlier this year. In addition, the American Forest & Paper Association presented the facility its Environmental & Energy Achievement Award. Due to the state and national publicity, a bio-energy delegation group from Japan and the University of California - Santa Cruz environmental engineering graduate program have each expressed an interest in a site visit. Also, Wisconsin Public Television's "In Wisconsin" program will be broadcasting a feature story on the mill's biogas project later this year.

3M Company -- Menomonie



As a result of the renewal process there was an overall review of the environmental performance targets (2000-2005) and assessment of the October 1, 2002 to October 1, 2007 Agreement.

3M – Menomonie has been a part of the Environmental Cooperative Compliance Program since October 1, 2002. As part of that Agreement, 3M reported annually to DNR on their progress toward environmental improvement. The following is the overall success reported by 3M as part of the Environmental Management System from 2000 to 2005 (3M re-establishes Environmental Performance Targets every 5 years.) The new targets, established as Environmental Targets 10 (ET 10), will continue in the renewed Agreement and begins in 2006 through 2010.

The results of Environmental Targets 05 (2000 through 2005), as reported on the January 30, 2007 Annual Report submitted to DNR.

- Reduced VOCs per pound of good output by 26%
- Reduced waste per pound of good output by 18%
- Reduced TRI releases per pound of good output by 54%
- Fourteen 3P (Pollution Prevention Pays) projects resulted in savings of \$2.67 MM and prevented 2,603 tons of pollution
- Successful development, implementation, and distribution of an Integrated Contingency Plan (ICP)
- Reduced hazardous waste levels /pound of good output by 10% from 2000 levels

In consideration of 3M's EMS and commitments to environmental improvement, DNR, and EPA approved a flexible permit under Title V Part III which was incorporated into an amended Cooperative Agreement signed on December 22, 2004. The Amendments resulted in real savings in administrative time for both DNR and 3M. In addition, the company realized time savings during the start up of new projects. From 2005 to October 1, 2007, (ending period for first Agreement) the following has occurred as a result of the innovative incentive developed:

3M

- 12 new construction projects were submitted and approved by DNR without going through traditional permitting processes.
- Estimated start-up time saved was a combined total of approximately 18 months
- Estimated Administrative time saved approximately 315 hours from 2005 to October 2007.

DNR

- DNR estimated over 1500 hours were saved.

Year 2006 Accomplishments

Pollution Prevention

- Total Pollution Prevented: 24 tons of pollution prevented (includes recycling, reuse, reformulation and replacement)
- Total Savings: \$26,516
- Total Energy Savings: 19.32 MMBTU
- Greenhouse gas emissions reduced: 1.4 metric ton CO2 equivalent
- Improved the Global Environmental Management Self Assessment score from 97% to 99.71%
- Developed a system to monitor waste water discharges (In 2006 3M discovered that three of their rinse tanks operations were subject to monitoring and reporting under state and federal pretreatment requirements. This was reported to DNR immediately and a baseline monitoring report was submitted to DNR and City of Menomonie)
- Began certification process for the Wildlife Habitat Council for their 100 acre wildlife area adjacent to the facility.

EMS Evaluation

- Two third party audits of EMS in 2006 conducted by Under Writers Laboratories. The April Audit resulted in 1 action request and five observations/opportunities for improvement. The October Audit resulted in one action request and seven observations.
- Eleven internal audits were conducted throughout the year. These audits resulted in 18 corrective or preventative actions.
- Excerpt from Lead Auditor Comment: “3M Menomonie has an environmental management system that is mature, well experienced, and which demonstrate many notable strengths. At the same time the EMS is challenged by the reduction of its auditor pool and the growth and changes in the department it serves.”

Interested Persons Group

A meeting was held on January 27, 2006. The purpose of this meeting was to review and get feedback on the content of the annual performance reports prior to submittal to the DNR. On July 3, 2007, 3M requested feedback from the group as to the interest of participating in the group, should the extension of the agreement be granted. For the renewed agreement, group makeup will remain the same. On September 14, 2007 DNR submitted a copy of the Draft 2007 Renewal of an Environmental Cooperative Agreement to the Interested Persons Group for review and comment.

Following an opportunity for the Committee on Joint Finance to hold a hearing for review, DNR and 3M – Menomonie signed an Extended Agreement. The Extended Agreement extends those provisions established in Part III of the Title V permit covered under the ECA. The permit established a CAP on



Volatile Organic Compounds (VOCs) emissions, and pre-approved conditions to construct and operate. You can find this at <http://dnr.wi.gov/org/caer/cea/ecpp/agreements/3m/index.htm>.

3M's long term commitment to reducing the environmental impact is reflected in the ET 2010 as part of their 5 year projection and goals. Specific Menomonie goals for this program for 2010 (2005 baseline) are:

- Reduce Waste (Non Product Output) per pound of good output by 20%
- Sustain or reduce Volatile Air Emissions (VOC) per 1000 pound of good output < 7.1 pounds VOC/1000 pound good output
- Improve Energy Efficiency per pound of good output by 20%
- At least two accepted Pollution Prevention Pays projects each year
- Continue their efforts to protect the 100 acre wild area under the Wildlife Habitat Council program

IV. Renewal of Agreements

In last year's annual report we described DNR's efforts to develop a renewal/extension process and to test the process by extending our agreements with We Energies' Pleasant Prairie Power Plant and with Cook Composites and Polymers.

In 2007 DNR succeeded in extending four more agreements, specifically those with Northern Engraving Corporation, Madison Gas and Electric Company, Packaging Corporation of America, and 3M Company. This means six of the seven ECPP agreements have now been extended for a second five-year term.

Throughout the renewal process, DNR and the participants have shared the results of the work that occurred during the initial terms but there is one element that has been difficult to capture and equally as difficult to share but essential to the renewal process. That element is the value which has been realized by both parties, having established a collaborative relationship. The value of that relationship has consistently been cited as one of the reasons for continuing. All have acknowledged bumps along the way but we have been united through the spirit of the agreements to address the issues rather than divided by conditions, rules and laws to stake out our positions. While not easily measured, this is a good portion of the staying power associated with the agreements.

The only ECPP agreement that has not been extended is the Multi-Emissions Cooperative Agreement (MECA) with We Energies. By mutual consent, DNR and We Energies decided to allow the MECA to expire at the end of its original term on September 30, 2007. The primary reason for this decision was that the main goals of the MECA had already been accomplished and the additional benefits that we could anticipate from another five-year term were outweighed by the parties' administrative workload that would be required to sustain the agreement.

V. USEPA Collaboration

The US Environmental Protection Agency (USEPA) continues to be a key partner in working with the Department of Natural Resources, having contributed to the successful renewal of the Cooperative Agreements with Packaging Corporation of America, Northern Engraving, Madison Gas and Electric and 3M. USEPA and DNR worked together to make modifications to the Northern Engraving Cooperative Agreement. While successfully amended in September 2007, we were not able to realize the kinds of changes and additional flexibility that was hoped when referenced in the report last year.

Progress in strengthening the working relationship and developing incentives has been mixed. In last year's report, reference was made to a USEPA headquarters initiative started in 2005 to develop incentives for both state and federal leadership programs. The joint national effort did not yield meaningful incentives at the state level. That initiative also contained a recommendation to create a closer working relationship between the state and federal leadership programs by creating an infrastructure to explore and secure additional incentives for both state and federal programs. To date, that work has not been initiated. By contrast, work with USEPA's Region 5 on specific incentives, in particular with the printing industry, has been quite satisfying as both program staff and innovation staff have actively pursued the development of incentives. Similarly, USEPA and Region 5 staff have not only worked out ongoing language that will drive a closer working relationship but also began experimenting with joint efforts to approach prospective participants in an effort to send a clear message that we are working together to recognize, encourage and enable superior environmental performance. We are gratified with the sector and company specific progress that we have made with the regions and determined to keep pushing for more exploration and action which is needed at the federal level.

At present, the strategy is to invest the limited state resources available for state/federal collaboration in strengthening the linkages between the Green Tier and Performance Track Programs. This does not completely rule out establishing benefits to ECPP participants but makes collateral benefits more likely than directly negotiated benefits. The one major exception to that strategy is that DNR will still continue to work with the pilot companies to establish customized benefits discreet to their operations that can be accomplished through participant specific amendments to their respective agreements. For example, we expect to be working on integrated permitting, customized approaches to energy generation decisions and specific recognition for environmentally preferable projects.

One element that will require attention over the course of the next year is establishing new working relationships given organizational changes at both the regional and headquarters level for USEPA. The Region 5 office that dealt with innovation has been reorganized out of existence and the structure of the National Center for Environmental Innovation in Washington DC has been substantially changed. These were key points for communication, coordination, facilitation and problem solving associated with the delivery of incentives to and pursuing performance through environmental leadership participants.

The placement of and linkage between EPA resources for leadership programs has introduced some confusion into an already challenging dialogue with EPA. For example, the resources for beyond compliance programming in Region 5 are now in the Office of Enforcement and Compliance Assurance which has neither traditionally been the most proactive supporter of new ways of doing business nor the spot that environmental leaders have found the most comfortable

place to have “out of the box” discussions about environmental performance enhancing possibilities. There may be some opportunities to enhance the beyond compliance programs as Region 5 becomes the third region to place this function with enforcement thereby enabling an additional region to advocate for performance programs. The program responsibilities will also be with similar programs in Region 5 such as environmental justice and small business assistance that could compliment the overall program objectives. Thus far the conversations have been constructive and there is reason to believe that there will be an opportunity to work through issues as they arise.

In addition to the regional changes to organizational structure, USEPA headquarters has proposed changes that would remove the layer of the organization that has been principally dedicated to drawing parties out of stovepipes and into collaborative relationships. Wisconsin in particular and states in general are nervous about the moves in that states were not initially included as a part of or informed of the changes in a way that would lead to constructive contribution. Assurances have been given in early conversations with USEPA that the moves are to strengthen the use of leadership programs but the path to accomplish that objective at the national level is not inherently clear at this time.

VI. Program Challenges

- **Sunset Provisions and Statutory Limitations** – Referenced in last year’s report, progress has been made but work remains to be done. With 6 of the 7 agreements having been renewed, the renewal question has been addressed. The long term future of the agreements, however, remains in question. The Green Tier Advisors (statutorily designated group to advise the Department on Green Tier implementation issues) has been working on a recommendation to provide new statutory provisions that would allow the Pilot Program Participants to easily become participants in the Green Tier program with their Cooperative Agreements becoming participation contracts under Green Tier.
- **Performance Metrics** – Over the course of the next year the metrics for Green Tier and the Environmental Cooperation Pilot Program will be examined for alignment. Green Tier is in the process of working with the external advisors to come up with a strategy for assessing performance and managing tracking issues. Once completed, we would expect some adjustments in order to have the two programs working with equivalent information.
- **Recognition for Program Participants** - The leadership and environmental accomplishments of ECPP participants are becoming somewhat overshadowed by the attention given to the “new kids on the block,” the Green Tier participants. This is despite the fact that our pilot program companies currently have much more compelling stories to tell and much more data to back up those stories. DNR will be challenged to ensure that ECPP participants get all the credit they deserve even as we put ever-increasing resources into recognizing and celebrating the achievements of Green Tier companies.

- Program Resources – The Environmental Cooperation Pilot Program has been further stretched with the implementation of Green Tier. Both the Bureau of Cooperative Environmental Assistance and the program bureaus have made adjustments but continued restriction on federal funds, limits associated with state funding sources and budget reductions restrict the scope and nature of the work under both the Environmental Cooperation Pilot Program and Green Tier. Securing “pro bono” work, unpaid/very motivated university interns, research projects through university classes, self-responsibility models, reduced communications, emphasis on “one to many” agreements and reduced participation in policy development have all been employed as interim strategies to deal with ever increasing resource constraints.
- Relationship with USEPA – as mentioned earlier in the report, the reorganization at both the regional and headquarters level has introduced a level of uncertainty into the Wisconsin/federal working relationship. There is reliance upon working relationships with both levels to work through complex issues that can arise when flexibility is contemplated and different approaches are used to move beyond compliance towards superior environmental performance.

VII. Conclusions

Last year our principal questions were whether participation would continue in the program and whether the continual environmental improvement could be sustained. The short answer to these questions, derived over the course of the last year is “maybe”. While companies have shown the ability to continue reducing in the area of key environmental indicators and accomplishments discreet to their respective operations, state and federal limitations continue to emerge. It bears repeating from last year’s report that ECPP companies have stepped into the role of mentor, teacher, counselor, leader and advocate as the needs arose while continuing in their roles as innovators and superior environmental performance managers. The results of their performance management are summarized within this report and can be examined in detail at the ECPP web site: <http://dnr.wi.gov/org/caer/cea/ecpp/index.htm>. The results that they have achieved are the most important part of the program but the participants have also stepped forward through their renewals to set new horizons for what we might achieve together into the future.

We will be working on reauthorization language that would give a clear path to pilot program participants, strengthening relationships with USEPA, and aggressively working to provide the well deserved recognition to these companies delivering sustained superior environmental performance. We will be looking for ways to expand the frequency and quality of interactions between all of the leadership companies in both the pilot program and Green Tier in an effort to find ever better ways to improve environmental and economic performance.

Environmental Cooperation Pilot Program Contacts

<i>Participating Company</i>	<i>Company Contact</i>	<i>DNR Contact</i>
3M Company – Menomonie (Menomonie, WI) Agreement 10/1/02, renewal 9/28/07	James Kotsmith, 3M jrkotsmith@mmm.com (651) 778-4263	Mark Harings, DNR Mark.Harings@wisconsin.gov (715) 831-3263
Cook Composites And Polymers (chemical manufacturer in Saukville, WI) Agreement 10/1/01, renewal 9/29/06	Mike Gromacki, CCP Gromacki@ccponline.com (816) 391-6011	Mark McDermid, DNR Mark.McDermid@wisconsin.gov (608) 267-3125
Madison Gas And Electric (electric and natural gas utility in Madison, WI) Agreement 9/26/02, renewal 8/30/07	Mike Ricciardi, MGE Mricciardi@mge.com (608) 252-5627	John Shenot, DNR John.Shenot@wisconsin.gov (608) 267-0802
Northern Engraving Corporation (surface coater in Sparta, Holmen and West Salem, WI) Agreement 6/10/02, renewal 9/04/07	Randy Nedrelo, NEC rnedrelo@norcorp.com (608) 269-6911	Mark Harings, DNR Mark.Harings@wisconsin.gov (715) 831-3263
Packaging Corporation of America (paper mill in Tomahawk, WI) Agreement 9/10/02, renewal 9/6/07	John Piotrowski, PCA Jpiotrowski@packagingcorp.com (715) 453-2131, ext. 349	Laurel Sukup, DNR Laurel.Sukup@wisconsin.gov (715) 365-8936
We Energies/ Pleasant Prairie Power Plant (electric utility in Pleasant Prairie, WI) Agreement 2/5/01, renewal 2/3/06	Brian Borofka, We Energies Brian.Borofka@we-energies.com (414) 221-4872	John Shenot, DNR John.Shenot@wisconsin.gov (608) 267-0802
We Energies – system wide (electric utility) Agreement 9/30/02, expired 9/30/07	Kris McKinney, We Energies kris.mckinney@we-energies.com (414) 221-2157	John Shenot, DNR John.Shenot@wisconsin.gov (608) 267-0802





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