

Green Tier Case Studies
Case Study
ATC

American Transmission Company (ATC) Vice President Mark Williamson stood in a Business School classroom at the University of Wisconsin. In the seats in front of him were fifty students waiting to hear about his company's participation in an extraordinary program with the Wisconsin Department of Natural Resources (DNR) called the Green Tier program. The students had been reading about companies that chose to voluntarily reduce their impact on the environment in ways that exceeded legal requirements imposed by the government. The students wanted to know whether there was a business case for sustainability. In other words, what motivates companies to become better corporate citizens? If there are other factors that can motivate businesses to reduce their environmental impacts, the students wondered, what is the role of the government in helping companies to respond to those motivations?

Williamson was uniquely prepared to offer the students answers to their questions. In his time as Vice President, ATC had transformed the way that it incorporated consideration for the environment into its business practices. ATC has always built avoidance and protection of environmental features into its projects at an early stage. But, in the past, the construction measures that ATC took to protect the environment were generally those required by the DNR in their permits. Since joining Green Tier, ATC and DNR have actively sought new, creative and cost effective ways to minimize its environmental impact during construction.

ATC

ATC is the first electric transmission-only utility company in the United States. It constructs, and then operates, owns, and maintains high-voltage transmission lines and substations in Wisconsin, Illinois, and Michigan's Upper Peninsula. The company's headquarters are in Pewaukee, Wisconsin. It employs about 475 people in Wisconsin, Michigan, and Washington, DC.

The transmission lines and other infrastructure that ATC builds and owns often have negative impacts on the environment. This is especially true during construction, when heavy foot and vehicle traffic can destroy sensitive vegetation, when trees are cut down to make space for transmission lines, and when animal habitat may be disrupted or destroyed. After construction, tall-growing vegetation must be kept clear from the rights of way to prevent the potentially dangerous contact with the lines. It is in finding ways to lessen environmental impact during the construction process that ATC thinks it can have the greatest positive environmental results.

According to ATC, the company takes an "avoid-restore-protect/mitigate" approach to managing its environmental impact. First the company seeks to avoid environmentally sensitive areas when determining where to place transmission lines. If it is impractical to avoid the areas, ATC takes steps to protect the environmental characteristics of the area.

When construction does lead to environmental damage, ATC works to restore the site upon completion of the project.

Wisconsin's Green Tier Program

Since 2004, the Green Tier program has offered Wisconsin's businesses, farms, and institutions a new reason to become environmental leaders. One of the first programs of its kind, Green Tier offers a new way for organizations to work with the DNR. In exchange for a commitment to superior environmental performance, participants are provided with incentives to meet their environmental goals.

Mark Williamson was familiar with the Green Tier Program. Before coming to ATC, he had worked at MG&E, a participant in the Environmental Cooperation Pilot Program (ECP), the precursor to Green Tier. He also traveled to Bavaria to examine a similar approach, the Bavaria Pacts. He was impressed by a conversation he had there with the Vice President of Environmental Review for Volkswagen about Volkswagen's participation in a Bavaria pact. Volkswagen had been skeptical at first about taking on additional environmental responsibility, but they found that by systematically examining how their processes affected the environment, they were able to use that system to find ways to improve all kinds of performance. That thinking allowed Volkswagen to not only improve its environmental impact, but also improve their bottom line. According to Williamson, if focusing on the way environment could also improve the bottom line, then ATC would be really excited about the program.

Once at ATC, Williamson shared his experiences from Bavaria with ATC's CEO Jose Delgado. Delgado was interested in the program. "The issue of the environment had been important to us for a long time," he says, and "we were looking for a more collaborative relationship between us and the regulators." Delgado also traveled to Bavaria and was impressed with the commitment he saw from the government and from companies participating in the Bavaria Pacts. Back in the U.S., Delgado followed the Green Tier legislation, and when it was signed into law he decided that ATC should join in the first wave of participants. "We thought that Green Tier made sense for society and for us as a company," says Delgado.

Opportunity for an Improved Public Image

One of the main motivations for ATC to join Green Tier was the opportunity to improve the company's public image with regard to the environment. According to Williamson, ATC was looking for a way to set itself apart from other utility companies and show the public that they could depend on ATC. "When we thought of Green Tier," says Williamson, "we thought 'What are the things that will improve our image with the public.'" ATC hoped that participating in the program would demonstrate to the public and the DNR that ATC wanted not just to meet minimum environmental requirements, but wanted to work to develop new ways to reduce the environmental impact of power transmission.

ATC is uniquely dependent on the public because the public is involved in shaping how and where it sites transmission lines. In 2005, for example, over 3,500 people attended

public open houses in areas where ATC proposed to build new transmission lines. Proposed construction of new transmission lines is often met with public opposition due to the aesthetic changes that the lines will have on an area. As Williamson says “we bother people with very visible public infrastructure.” One strong public concern is about the potential environmental impact of lines. ATC hoped that participating in Green Tier would show people that they take the public’s environmental concerns into account in all of their decisions.

Rita Hayen, ATC’s Manager of Environmental Projects, says that she thinks that ATC’s participation in Green Tier has given ATC’s suppliers and consultants a sense of pride in their work with the company. However, she has seen little indication that the general public recognizes ATC’s commitment to the program. She also thinks that suppliers and consultants now take ATC’s environmental requirements more seriously. Delgado agrees. “I don’t think public awareness of Green Tier is very strong,” he says, “but my impression is that key environmental groups do know [what we’re doing with Green Tier].”

Opportunity for an Improved, Collaborative Relationship with the DNR

According to Hayen, major reasons that ATC chose to join Green Tier were recognition of its commitment to environmental excellence and to expand this commitment through improved communication with the DNR. ATC needs a permit from the DNR for any project that involves wetlands or a stream crossing. In practice, nearly every ATC project involves a wetlands or stream crossing, so ATC must work with the DNR on each project to negotiate a permit. These permits outline the environmental expectations with which ATC must comply. Our goal has been to simplify the permitting using standardized approaches that result in standardized permits.

One benefit that Green Tier offers participants is a single point of contact within the DNR. Over time, that single point of contact develops an in-depth understanding of the activities of the company and provides continuity in the company’s interactions with the state. The DNR’s Dave Siebert is ATC’s single point of contact. Representatives from ATC say that Dave has built up an invaluable base of understanding regarding ATC’s environmental impacts. Dave’s expertise in energy transmission siting procedures began in 2003 when the state created a new office within the DNR called the Office of Energy, which works exclusively with utilities. Office of Energy staff gain expertise in the intricacies of ATC’s projects and develop a level of trust that comes from continual interaction. One additional benefit that Hayen noted is that the single point of contact provides ATC with a model for other relationships with state employees.

Since joining Green Tier, Williamson says, ATC works more collaboratively with the DNR. DNR and ATC staffs meet as a group in the planning stages of projects and discuss the relative benefits of various methods of construction. This transformation in the way that the DNR and ATC communicate has been a tremendous benefit to ATC.

Opportunity to Reduce Costs through Improved Predictability

The transformation in the relationship between ATC and the DNR led to improved predictability for ATC and cost savings. A constant problem facing ATC was lack of predictability as to what the DNR would require for a project. Rather than being able to plan for the environmental considerations of an entire project up front, ATC sometimes had to wait for DNR staff to make a field visit to sections of projects to determine what environmental requirements the DNR would make. This sometimes necessitated that ATC make changes after a project's budget had been finalized. Williamson found that predictability increased for companies in Bavaria, and he hoped that participating in Green Tier would result in improved predictability for ATC. By participating in Green Tier, Williamson says that ATC has increased predictability on projects because the DNR and ATC now meet as a group to plan out an entire project in advance.

Improved predictability also comes from improved compliance with permit requirements. According to Williamson, it costs ATC \$50,000 to \$100,000 per day if the company has to stop work. One way that ATC was able to take advantage of participation in Green Tier was to partner with the DNR to provide environmental training to all of its employees on a construction site. Now, he says, ATC employees know what the rules are for a project and they know that ATC is serious about minimizing its environmental impact. In this way, ATC has reduced incidents of noncompliance and the associated costs.

Hayen sees improved predictability as the best way that ATC will realize financial savings from participating in Green Tier, and that potential for savings is a key selling point for the program in her company. Williamson agrees, and says that increases in predictability have saved ATC about \$200 million since ATC joined Green Tier. Some feel, however, that ATC has not yet seen its hope for improved predictability and consistency across projects fully realized. They hope that through continued participation in the program ATC can achieve greater cost savings, thereby proving that the program will have a positive affect on ATC's bottom line.

Participating in Green Tier

By joining the program in October of 2005, ATC became one of the first companies to participate in Green Tier. The biggest environmental benefit that Hayen has seen is an integration of environmental protection into every aspect of the work that ATC does—what Hayen calls “an expansion of environmental consciousness.” Especially beneficial, says Hayen, was the process of creating an Environmental Management System (EMS), a systematic approach to minimizing ATC's environmental impacts. The DNR requires all Green Tier participants to develop an EMS within their first year in the program.

Hayen and her environmental team worked for about eighteen months to develop ATC's EMS, which they unveiled in 2005. They named their EMS “Fred” to distinguish the document from their Energy Management System (EMS) of software and computer controls. The company uses a cartoon duck named “Fred” on EMS guidance materials and other documents to make the management system friendlier. It is something that employees can relate to, says Hayen.

Hayen had hoped that others in the company, outside of her environmental team, would share involvement in developing “Fred.” Company-wide participation would help employees realize their role in environmental improvement. Unfortunately, however, she was unable to convince those outside of the team to participate. She found that outside staff simply wanted her team to develop the EMS and then tell them what to do. She has noticed increased involvement from staff now that the EMS is complete. As staff work with the EMS, Hayen is now able to solicit feedback to identify areas for continual improvement of the system.

Developing the EMS was arduous work, according to Hayen, because of the level of detail involved. “It was hard to take a step back and look at the big picture when we were so focused on the minutia,” says Hayen. However, the process of developing the EMS was ultimately very helpful, she says, because it forced ATC to talk about all of the *processes* involved in doing our work. That discussion, and the resulting EMS, fundamentally changed the way that ATC considers the environment: from a focus on individual problems at each construction site to the development of a systematic approach to minimizing environmental impact whenever ATC does work. Before the EMS, if someone at an ATC site failed to comply with regulations, the individual was faulted with the violation, says Hayen. Now, the EMS provides a framework for reporting and learning from noncompliance, making system changes to reduce similar noncompliance in the future. The environmental team writes up what happened, then works with contractors to describe how and why it happened, and identify means of prevention . Training has been one typical method of avoiding similar noncompliance. Hayen says it “is a completely different mindset: not one of fear, but of collaboration—one of learning and improvement.” For example, says Hayen, when ATC found non-conformances, even if they were minor, ATC employees and construction contractors “would become overly concerned about retribution, and we worried that they wouldn’t report non-conformances (self-reporting violations is a requirement of Green Tier). We retrained about and reinforced the importance of compliance, self-reporting and continual improvement. Now the construction contractors self-report even small violations.”

ATC has seen additional, unexpected, benefits from participating in Green Tier. As a result of ATC’s new environmental protocols, the company has discovered that a lot of their materials can be recycled. That increased recycling led to reduced expenditures for landfill costs. ATC has even been able to make some money by selling old materials to scrap recyclers. In all, the scrap metal recycling program saves ATC about \$1 million per year according to Williamson. ATC devoted much of that savings to an annual donation of \$300,000 that it makes to the Natural Resources Foundation to help fund habitat and community conservation in Wisconsin.

As Williamson finished his story about ATC’s involvement in Green Tier, he looked out at the sea of young faces in front of him. He had spoken to other groups like this in the past and knew that people were often skeptical that businesses could find environmental improvement to be in their own best interest. He hoped, however, that his story would

convince some students to share his belief that a good business ethic can go hand-in-hand with a good environmental ethic.