

## Table of Contents

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### Contract

Appendix 1 – Contract scope, facilities and activities covered, specific additional commitments made by the parties to be implemented during the life of the Contract.

Appendix 2 – CEAG description, composition, and procedures.

**Tier 2 Green Tier Contract for  
Superior Environmental Performance  
Between the State of Wisconsin,  
Through the Wisconsin Department of Natural Resources,  
and  
Madison Gas and Electric Company**

This Tier 2 Green Tier Contract for Superior Environmental Performance (the Contract) is entered into by the State of Wisconsin through its Department of Natural Resources (WDNR) and Madison Gas and Electric Company (MGE). This Contract goes into effect on September 27, 2012, and may also be referred to as the MGE Tier 2 Green Tier Contract.

**I. Contract Overview**

- A. The State of Wisconsin is committed to providing a healthy and sustainable environment, promoting the movement toward zero waste, and protecting and enhancing the resources of the state for this and future generations.
- B. MGE is committed to going beyond what would otherwise be required by environmental regulations by setting specific superior environmental performance goals.
- C. The Green Tier Program, set forth in Wis. Stat. § 299.83, authorizes the WDNR to enter into a Contract with an eligible participant to assist in achieving superior environmental performance.
- D. MGE is an eligible participant, and the WDNR believes that entering into a Tier 2 Green Tier Contract with MGE will produce environmental performance beyond what is required under existing law.
- E. MGE has implemented an Environmental Management System (EMS). The WDNR hereby finds the EMS is in compliance with the standards for environmental management systems issued by the International Organization for Standardization (ISO) and the EMS is appropriate to the nature, scale, and environmental impacts of MGE's operations.
- F. The scope of this Contract, as well as the facilities and activities to which this Contract applies, are set out in **Appendix 1**.
- G. The WDNR reviewed MGE's proposal for superior environmental performance and determined the co-benefits identified in this Contract are proportional to the benefits of the superior environmental performance.

- H. This Contract replaces the *Environmental Cooperative Agreement Between Madison Gas and Electric Company and the Wisconsin Department of Natural Resources* (ECA), pursuant to the provisions of Wis. Stat. § 299.80 (2003-2004). The ECA went into effect on September 26, 2002, and was subsequently renewed on September 30, 2007, and amended on April 18, 2012.

**Therefore, in order to produce continuous improvement in the state's environment, economy, and quality of life, the WDNR and MGE agree to work cooperatively under the terms of this Contract to achieve the goals set out herein.**

## **II. Commitments of MGE**

### **A. Superior Environmental Performance**

1. History: MGE has demonstrated a history of superior environmental performance through its performance under the ECA.
2. Future: During the life of this Contract, MGE commits to:
  - a. Implement the superior environmental performance measures described in Sections II.B., C., and D. below as well as the specific additional measures described in **Appendix 1**.
  - b. Provide an annual performance evaluation in a summary report on or before May 1 of each year of the contract period.
  - c. Propose any future changes to specific superior performance measures described in **Appendix 1** through the amendment provision in Section IV.E.

### **B. Environmental Management System**

1. EMS Documentation: Upon reasonable request, MGE agrees to make documentation of its EMS available to the WDNR for review.
2. Annual EMS Review: MGE agrees to review its EMS at least annually, and to provide to the WDNR any new objectives and targets that are selected as a result of that review.
3. Annual EMS Audit: MGE agrees to:
  - a. Conduct an annual audit of its EMS by December 31 of each year using an independent environmental auditor approved by the WDNR.

- b. Provide the WDNR a report of the audit by May 1 of each year, which will include 1) a description of any nonconformance identified, 2) a description of any corrective action taken or to be taken, and 3) a schedule for implementing any such corrective action.

C. Environmental Compliance Audit

1. Annual Environmental Compliance Audit: MGE agrees to conduct an annual audit of compliance with the environmental requirements that are applicable to the facilities and/or activities that are covered by this Contract.
2. Environmental Compliance Audit Report:
  - a. MGE agrees to provide the WDNR a report of the audit by May 1 of each year, which will include 1) a description of any instance of noncompliance identified, 2) a description of any corrective action taken or to be taken, 3) a compliance schedule for implementing any corrective action to be taken, and 4) a description of measures that have been or will be taken to prevent recurrence of the noncompliance.
  - b. If MGE will seek to avail itself of the Deferred Civil Enforcement provisions of Wis. Stat. § 299.83(6m)(d), the compliance schedule for implementing any such corrective action shall be established consistent with the statutory requirements. In the event the timeline for corrections in Sections 2.a. exceeds 90 days, MGE agrees to include proposed stipulated penalties for failure to meet the proposed compliance schedule along with the description of corrective actions and the timeline. The WDNR agrees to review the stipulated penalties proposed and either accept them or offer up other stipulated penalties. Any disputes on proposed stipulated penalties shall be resolved in accordance with Wis. Stat. § 299.83(6m)(c). The parties agree to use their best efforts to reach agreement on stipulated penalties, but failure to reach agreement shall not be used as grounds to terminate this Contract.

D. Community Environmental Advisory Group (CEAG)

1. Development and Maintenance: MGE agrees to develop and maintain a CEAG to support transparency and trust in this Contract.
2. Composition: The CEAG will be composed of persons who live, own a business or work within a reasonable proximity to the facility[ies] covered by this Contract, or otherwise have an interest in the workings of this Contract.
3. Procedures: MGE will meet with the CEAG at least annually to solicit public input concerning performance under this Contract. Minutes of the meeting will be prepared and provided in draft to attendees prior to posting on MGE's website for public viewing and filing at the MGE offices. The WDNR will receive notice of

the CEAG meeting and may send one or more representatives. A more detailed description of the CEAG and its procedures is provided in **Appendix 2**.

4. **Review:** The parties will review the CEAG after one year to evaluate the level of participation and determine whether it is functioning effectively. If MGE has taken reasonable steps to secure participation in the CEAG and has been unable to generate sufficient participation, the parties shall consider other options, including suspending the CEAG.

### **III. Commitments of WDNR**

The WDNR finds this Contract will provide for greater environmental protection and enhancement than would be available absent this Contract and is, by virtue of these significant benefits, in the best interests of Wisconsin and its people. The WDNR accordingly agrees as follows:

- A. **Special Point of Contact:** The WDNR will provide to MGE a sector specialist and/or a unique point of contact within the agency for the life of this Contract.
- B. **Green Tier Logo:** The WDNR authorizes the use of the Green Tier program logo on written materials relating to the facility(ies) or activities covered by this Contract.
- C. **Green Tier Recognition:** The WDNR will recognize MGE on its Green Tier website and, as appropriate, in other public information and materials that promote the Green Tier program.
- D. **Enforcement Discretion and Procedures:**
  1. In return for MGE's commitments under this Contract, the WDNR will not seek to bring any civil action, issue any order, or seek any judgment against MGE related to the environmental responsibilities covered under this Contract.
  2. As provided in Wis. Stat. § 299.83(6m), if MGE self-discloses a violation of any environmental requirement, or if MGE discovers a violation through an EMS audit or an Environmental Compliance Audit, the WDNR shall not initiate a regulatory response to the violation if the violation is corrected, or the EMS is modified, in a manner designed to prevent recurrence of the violation. To receive the benefit of this section, MGE must a) notify the WDNR of the violation, b) describe the action taken or that will be taken to correct the violation, c) commit to correct the violation on a compliance schedule consistent with the statutory requirements, and d) commit to stipulated penalties agreed upon by both WDNR and MGE to be applied if MGE fails to comply with the compliance schedule.
  3. If the problem is not completely corrected, or similar violations occur in the future, the WDNR may issue a notice of noncompliance (NON) or a notice of violation (NOV) with or without terminating this Contract. In order to determine

whether a second event that would trigger a NON or NOV is a continuation of an uncorrected earlier event, the WDNR shall examine the corrective actions taken by MGE and determine whether they were reasonably designed and implemented.

4. Any violations of the terms of this Contract will be dealt with under the Termination provisions set forth in Section IV.H. of this Contract.

E. Specific Additional Commitments: In addition to the general commitments made in Sections III.A., B., C., and D above, the WDNR agrees to the specific additional commitments described in **Appendix 1**.

#### **IV. General Provisions**

A. Definitions:

1. "MGE" means Madison Gas and Electric Company, operating in Wisconsin, at its Blount Generating Station, 717 East Main Street, Madison, Wisconsin 53703.
2. "State" and "State of Wisconsin" means the State of Wisconsin, acting through the Wisconsin Department of Natural Resources.
3. "WDNR" means the Wisconsin Department of Natural Resources.

B. Enforcement: This Contract is governed by Wisconsin law. The parties agree that it may be enforced as a Contract by 1) the Attorney General (for Wisconsin) and 2) MGE, acting through its authorized representatives, in any state court in Wisconsin. The commitments made in this Contract may be specifically enforced, and the court may also order any other appropriate remedy consistent with law. The parties acknowledge that they are subject to the personal jurisdiction of any state court within the State of Wisconsin for the purposes of enforcing this Contract.

C. Contract Interpretation: All agreements and covenants contained herein are severable, and in the event any of them shall be held invalid by any competent court or agency, this Contract shall be interpreted as if such invalid agreements or covenants were not contained herein.

D. Relationship to Other Permits: This Contract is intended to be consistent with, to the extent possible, the timing set out in any existing environmental permit(s) or approvals issued by the WDNR to MGE. Any provisions of environmental permits or approvals covered by this Contract that are not specifically superseded by this Contract shall remain in effect.

E. Amendment: This Contract may be amended only in writing by the principals to this Contract or their successors. If the parties negotiate language to amend this Contract, it may be necessary for the WDNR to issue a public notice of the proposed amendment. If

the amendment is largely a technical amendment, no additional public notice will be required. If the amendment contains substantive additions to, or changes to the Contract, the parties agree that the WDNR will provide an additional public notice and may provide an additional public information meeting.

- F. Construction: This Contract will be binding on the parties and their respective successors and assigns, and is not intended to confer any rights or remedies upon any other persons. Except as specifically provided in this Contract, nothing herein shall be construed to impose a duty or obligation on MGE to make any additional agreements with or concessions to any other governmental or regulatory body.
- G. Effective Date: This Contract shall become effective upon the date first written above.
- H. Termination:
1. **Failure by MGE**: If MGE fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, the WDNR may terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged deficiency in performance or violation, and the effective date of the termination. The Contract shall not be terminated if, upon receipt of the notice, MGE promptly cures the alleged deficiency or violation prior to the end of the thirty (30) day period. MGE reserves the right to appeal any decision of the WDNR pursuant to this paragraph as provided for under Wis. Stat. § 227.52, or any other applicable law.
  2. **Failure by the State**: If the State fails to fulfill its obligations under this Contract in a timely or proper manner, or violates any of its provisions, MGE shall have the right to terminate this Contract by giving thirty (30) days written notice of termination, specifying the alleged deficiency in performance or violation, and the effective date of the termination. The Contract shall not be terminated if, upon receipt of the notice, the State promptly cures the alleged deficiency or violation prior to the end of the thirty (30) day period.
  3. **Transition Period and MGE Authorization to Continue Operation**: If this Contract is terminated by either party, the WDNR shall provide a reasonable time, not to exceed 120 days, for MGE to complete and submit the necessary paperwork to request any required permits, licenses, or other approvals that may be necessary to replace any aspect of this Contract. If MGE satisfies the requirements for issuance of the required permit, license, or other approval, the WDNR agrees to issue the approval within 90 days of the completion of any public notice, public comment, or public hearing process, unless an extension of time is requested and granted. MGE may continue to operate as it had been pending final WDNR action on the application(s). However, MGE will not be eligible for protection under the Contract for any activity that causes substantial harm to public health or the environment or that presents an imminent threat to public health or the environment; any such circumstances will be subject to applicable law.

- I. Term of Contract and Action Period: This Contract will remain in effect for five (5) years. The Contract may be extended for like periods of up to five (5) years with the approval of the parties.
- J. Identifying Point of Contact: The parties agree to provide a point of contact within their respective organizations for this Contract. That point of contact shall be identified to the other party in writing by letter or email, and if that point of contact changes, a new point of contact shall be identified in writing by letter or email.
- K. Warranty of Authority: Each of the persons signing below represents and warrants that he/she has the authority to execute this Contract on behalf of the party for which he/she signs.

**Signatures:**

**Signed for and on behalf of:**

**STATE OF WISCONSIN  
DEPARTMENT OF NATURAL RESOURCES**



By: /s/ Matt Moroney (for Cathy Stepp) Date: 9/27/2012  
Cathy Stepp  
Secretary

**Signed for and on behalf of:**

**MADISON GAS AND ELECTRIC COMPANY**



By: /s/ Gary J. Wolter Date: 9/24/2012  
Gary J. Wolter  
Chairman, President and Chief Executive Officer

**Appendices:**

**Appendix 1:** Contract scope, facilities and activities covered, specific additional commitments made by the parties to be implemented during the life of the Contract.

**Appendix 2:** CEAG description, composition, and procedures.

# Appendix 1

## 1.0 SCOPE

### 1.1 Facility Information

This Contract applies only to the following facility:

Madison Gas and Electric Company  
Blount Generating Station  
717 East Main Street  
Madison, Wisconsin 53703  
FID #113004430

Blount Generating Station (BGS) is located on the isthmus in downtown Madison in Dane County. After equipment retirements and primary fuel conversions concluded on December 31, 2011, the plant consists of two utility boilers, two turbine generators, and three heating boilers. The total generation capacity is 100 megawatts.

The three heating boilers are fueled by natural gas. The two utility boilers also are fueled by natural gas but are also permitted to burn certain alternate fuels including: boiler cleaning wastes, waste oil, petroleum-contaminated adsorbents, wood, paper/poly-derived fuel (PDF), and switchgrass. All fuels, including the alternate fuels, are reviewed by the Wisconsin Department of Natural Resources (WDNR) to ensure compliance with all environmental requirements.

BGS potentially uses three sources of water in its electric generation process. The water is either well water provided by the City of Madison, drawn from a high-capacity well located on the property, or drawn from Lake Monona. Water from the City of Madison or drawn from the high-capacity well located on the property is used as boiler water makeup for steam production. The water goes through a reverse osmosis system, demineralizer system, and deaerator to remove impurities and oxygen, thus preventing corrosion in the boilers. From the deaerator, the water goes either into one of five boilers or a condensate storage tank. After the water is heated in the utility boilers to create steam, it is passed through a turbine, enters a condenser, and is pumped back to the boiler to repeat the steam cycle. After accumulating impurities through the steam production process, the recycled water is eventually cooled and discharged to the sanitary sewer.

Water drawn from Lake Monona is used as noncontact cooling water throughout the plant to cool equipment and systems throughout the steam cycle. The majority of the water is used in the steam turbines to condense the steam after it passes through the turbine blade stages. The lake water is then discharged back to Lake Monona. Smaller amounts of lake water are also used to cool auxiliary equipment and water samples from boilers.

The stormwater from BGS is piped to go through Wisconsin Pollution Discharge Elimination System (WPDES) outfalls as provided in the direct discharge permit or one of two additional stormwater outfalls included in the facility Stormwater Pollution Prevention Plan (SWPPP). The SWPPP is referenced in the direct discharge permit under the Storm Water Requirements section.

After switching fuels from coal to natural gas, waste generated at BGS is minimal. BGS is a small-quantity generator of hazardous waste from miscellaneous activities.

## **1.2 Approvals Covered**

This Contract modifies the terms of certain WDNR approvals previously granted to Madison Gas and Electric Company (MGE) and also grants certain new approvals to MGE. Any requirements of the permits and approvals listed below that are superseded by this Contract are specified in Sections 1.3, 3.0, 3.1, and 3.2. Unless specified by the Contract, all other requirements of the covered permits and approvals are unchanged by this Contract. Any permit provision or regulatory approval superseded by this Contract shall remain superseded for the term of this Contract, unless specified otherwise, including provisions contained in permits or regulatory approvals that are renewed during the term of the Contract. Any changes to the numbering system in permits or approvals which occur subsequent to this Contract shall be construed so the substance of this Contract controls. The approvals and permits covered by this Contract are as follows:

### ***1.2.1 Air Pollution Permits***

BGS Title V Permit #113004430-P10.

### ***1.2.2 Solid Waste Management Approvals***

BGS Title V Permit (#133004430-P10) approvals for burning solid waste in boilers and the expansions to these approvals as defined in this Contract.

### ***1.2.3 Water Permits***

- A. WPDES Stormwater Permit WI 0001961-07-0.
- B. Madison Metropolitan Sewerage District (MMSD) Permit NTO-85.07.
- C. MMSD Industrial Wastewater Discharge Permit IP-8.05.

### 1.3 Voluntary Commitments to Superior Environmental Performance Goals

MGE commits to going beyond what would otherwise be required in environmental regulations by setting specific goals for superior environmental performance set forth below. Several of the goals include ambitious numerical targets and/or are predicated on certain conditions or partnerships occurring. Both MGE and the WDNR recognize that some of the goals may not be easily attainable but are worthy of reasonable efforts to achieve these innovative goals. Performance falling short of any numerical goal or output measurement shall not, in and of itself, be construed as a violation nor will it be grounds for amending or revoking this Contract. MGE also commits to reduce waste generation and minimize the use of natural resources while achieving a balance among the economic, social, and environmental impacts of these efforts.

It is understood and agreed that all the commitments entered into in this section of the Contract are voluntarily made and are not otherwise required by legislative, regulatory, or enforcement action.

## 2.0 MGE COMMITMENTS

### 2.1 Specific Goals

<i>Goal 1 - Voluntary Renewable Resources Commitments</i>	
<i>MGE will increase the availability of renewable energy for our customers.</i>	
<b>Input Measurement (Activity)</b>	<b>Output Measurement (Outcome)</b>
<b>1.1</b> MGE has made commitments to install 1.2 megawatts of solar power by January 1, 2015 (as part of Elm Road Generating Station's broader environmental initiatives). Under this Contract, MGE may choose to meet its solar power commitment in advance of the January 1, 2015, commitment date.	<b>1.1</b> Report on any early/accelerated solar installations.
<b>1.2</b> MGE will continue to receive energy from anaerobic manure digestion (that lead to renewable energy production) in the Yahara Lakes Watershed as these opportunities arise.	<b>1.2</b> Report on status and progress of MGE's efforts. Share any conclusions.
<b>1.3</b> MGE will attempt to quantify, in emissions avoided, the effects of MGE's voluntary renewable projects.	<b>1.3</b> Report annual estimate of emissions avoided by MGE's voluntary renewable projects.

***Goal 2 - Voluntary Commitment to Building Environmental Community Relationships and Partnerships***

***MGE will forge partnerships to encourage environmental stewardship and reduce emissions, including greenhouse gas emissions.***

<b>Input Measurement (Activity)</b>	<b>Output Measurement (Outcome)</b>
<p><b>2.1</b> MGE will fund its share and participate in the Madison Metropolitan Sewerage District's Yahara Watershed Adaptive Management Pilot project. This project will identify cost-effective options to point source phosphorus reductions required in the Rock River Total Maximum Daily Load.</p>	<p><b>2.1</b> Provide report on the pilot program.</p>
<p><b>2.2</b> MGE to continue as a major supporting member of Dane County Clean Air Coalition (DCCAC) at least through 2012 (provided other supporting members also continue support).</p>	<p><b>2.2</b> MGE to report annually on DCCAC projects, status, and successes.</p>
<p><b>2.3</b> MGE will promote renewable energy and innovation through displaying its solar trailer at community events.</p>	<p><b>2.3</b> Report on annual solar trailer use in the community.</p>
<p><b>2.4</b> MGE will maintain a special section of its website specifically for Green Tier activities.</p>	<p><b>2.4</b> Green Tier section of the website remains current and relevant to the work done under the Green Tier.</p>
<p><b>2.5</b> MGE will continue to work with Wisconsin &amp; Southern Railroad Co., local government agencies and departments, adjoining businesses, and community environmental advocates to develop, implement, and maintain a prairie restoration project along the railroad corridor and bike path located between South Blair Street and South Ingersoll Street.</p>	<p><b>2.5</b> Provide results of the collaborative restoration effort.</p>

***Goal 3 - Voluntary Commitment to Mercury Reduction and Management***

***MGE will continue to work toward maximizing the amount of waste material that can be reused and/or diverted from landfills.***

<b>Input Measurement (Activity)</b>	<b>Output Measurement (Outcome)</b>
<p><b>3.1</b> MGE will maintain its voluntary mercury thermostat recycling program for customers as well as select noncustomers (e.g., building contractors) to allow drop off of mercury-containing thermostats for recycling. Information on the program will be posted on MGE's website.</p>	<p><b>3.1 (a)</b> Report on website content.</p> <p><b>3.1 (b)</b> Report on number of thermostats collected at the end of the Contract.</p>
<p><b>3.2</b> MGE to continue removal of mercury-containing equipment from MGE's BGS as part of MGE's voluntary Mercury Reduction Plan.</p>	<p><b>3.2 (a)</b> Report annually on total amount of mercury-containing equipment removed.</p> <p><b>3.2 (b)</b> Provide aggregate quantity of mercury removed at BGS since MGE signed the Initial Environmental Cooperative Agreement (ECA) in September 2002.</p>

***Goal 4 - MGE Commits to Maintain an International Organization for Standardization (ISO)-Certified Environmental Management System (EMS)***

<b>Input Measurement (Activity)</b>	<b>Output Measurement (Outcome)</b>
<p><b>4.1</b> MGE will maintain an ISO 14001-certified EMS at BGS until at least June 2013.</p>	<p><b>4.1</b> Provide results of the ISO certification assessment.</p>

***Goal 5 - Voluntary Commitments to Promote Energy Efficiency, Renewable Resource, and Emission Reduction Technology Development and Expansion***

<b>Input Measurement (Activity)</b>	<b>Output Measurement (Outcome)</b>
<p><b>5.1</b> MGE will fund a demonstration project to study, evaluate, and document the potential energy efficiency of geothermal technology in heating and cooling a facility in its service territory. As this technology is relatively new; requires good design, construction, and operation practices; and is typically not monitored for performance, MGE will use this demonstration project to help better understand and document performance of this technology.</p>	<p><b>5.1</b> Report on our demonstration project results.</p>

**3.0 WDNR COMMITMENTS**

**3.1 Provisions Associated With the Burning of PDF**

MGE obtained approval from the WDNR in the Initial ECA for several provisions designed to streamline the burning of PDF at BGS. MGE requests these provisions, which have been documented in the previous ECA and have most recently been characterized in our Title V Permit renewal application dated September 21, 2011, be incorporated by reference in the Contract.

**3.2 Additional Flexibility and Variances**

This Contract grants MGE more flexibility in operating BGS and limited variances from requirements that would otherwise apply to BGS. Details were provided in the most recent ECA but have also been requested and documented in our Title V Permit application dated September 21, 2011.

**4.0. JOINT MGE AND WDNR COMMITMENTS**

**4.1 Project Management**

The WDNR and MGE shall continue to staff a qualified project manager for the duration of this Contract (see Section 4.7, MGE and WDNR Liaisons). The goal is to foster ongoing collaboration between the WDNR and MGE.

## **4.2 Water and Wastewater**

The WDNR and MGE recognize addressing Zebra Mussel control at BGS may require changes not only in the chemical treatment of once-through cooling water but also in changes to the BGS water handling system. In the event Zebra Mussels are discovered at BGS, the WDNR agrees to expedite the review of any plans or permit changes which may be required under chs. 281 or 283, Wis. Stat., and review these plans together as an integrated approach to Zebra Mussel control.

## **4.3 Air Programs**

The potential use of biomass at BGS is unclear. The WDNR further agrees to work with MGE to provide a pathway (within the context of current and future regulation) for the use of biomass at BGS and assistance with including biomass in MGE's Title V Permit should MGE make such a request.

## **4.4 Clean Air Act Programs Under Development**

In Section 1.3, *infra*, of this Contract, MGE agreed to undertake substantial, voluntary actions to improve environmental performance at BGS. These commitments to superior environmental performance will substantially reduce mercury, sulfur dioxide (SO<sub>2</sub>), particulate matter (PM), nitrogen oxides, carbon dioxide, and other greenhouse gas emissions from BGS. The Parties agree that these voluntary efforts may provide a greater level of protection to public health and the environment than the emission limitations that may be required by law.

The WDNR is in the process of implementing several federal Clean Air Act directives which could affect BGS and other MGE generating facilities. The Parties agree it is consistent with the purpose, goals, and intent of Wis. Stat. § 299.80 to provide MGE with flexibility, regulatory certainty, and assurances on these programs, to the extent allowed by the programs, in exchange for MGE's commitment to superior environmental performance and, in some cases, MGE's commitment to early action. Accordingly, the WDNR agrees to grant MGE operational flexibility and/or variances [pursuant to Wis. Stat. § 299.80(4)] for regulatory programs, to the extent allowed by the programs, as follows.

#### ***4.4.1 Clean Air Visibility Rule (CAVR) (formerly known as the Regional Haze Rule)***

The WDNR must occasionally revise its State Implementation Plan (SIP) under the federal CAVR. These revisions must include programs to assure reasonable further progress toward meeting the national goal of preventing any future and remedying any existing impairment of visibility in certain Class I areas. A component of the CAVR is the application of Best Available Retrofit Technology (BART) to certain sources. The WDNR has modeled potential emissions from BART-eligible sources at BGS and determined these sources do not exceed a threshold of 0.5-deciview impact to a Class I area. Further, MGE's commitments to superior environmental performance in Section 1.3, *infra*, should assure BGS will continue to operate below the 0.5-deciview threshold. Accordingly, based upon the commitments in this Contract, BGS will be deemed in compliance with the BART requirements of the CAVR. Currently, BART is met under Environmental Protection Agency (EPA) guidelines by BGS complying with the Clean Air Interstate Rule (CAIR) requirements. If BART is not similarly satisfied by the Cross-State Air Pollution Rule (CSAPR) (the rule replacing CAIR), then this determination that MGE's commitment in Section 1.3, *infra*, meets BART for SO<sub>2</sub> will be proposed for public and EPA comment.

Under MGE's commitment to burn natural gas, emissions of SO<sub>2</sub> also are minimized based on fuel content. Therefore, no further SO<sub>2</sub> control is anticipated to be necessary in meeting reasonable further progress requirements of the CAVR. This determination will be proposed for public and EPA comment for inclusion to the SIP in meeting CAVR requirements.

#### ***4.4.2 Reasonable Available Control Measures (RACM)/Reasonably Available Control Technology (RACT)***

The WDNR may revise its SIP to regulate emission sources which lie within or potentially impact non-attainment areas. In exchange for MGE's commitments to superior environmental performance in this Contract, the WDNR will evaluate potential control requirements, as allowed, based on the current and potential future use of fuel under MGE's commitment in meeting any RACT or RACM requirements. The resulting requirements will be proposed for public and EPA comment in fulfilling the applicable non-attainment area SIP requirements. Specifically, the use of natural gas will minimize SO<sub>2</sub> emissions and is not anticipated to require further control. Therefore, this operation will be proposed as meeting RACT and RACM requirements for any future SO<sub>2</sub>-related non-attainment requirements.

#### ***4.4.3 Mercury Rules***

The WDNR recognizes that MGE's voluntary decision to stop burning coal at BGS several years before any of the mandatory requirements apply to the facility will achieve greater environmental benefits from mercury reductions than would be achieved under the rules. In exchange for BGS burning natural gas and eliminating coal, the WDNR delays the need for MGE to perform a Best Available Control Technology (BACT) determination for BGS with regard to mercury control and waives the June 30, 2011, BACT determination deadline under NR 446.17(3) Wis. Adm. Code for BGS. If MGE decides to burn solid fuels at BGS, MGE understands that BACT for mercury, as applicable under § NR 428.12, Wis. Adm. Code, is

necessary and must be met by the later date of either January 1, 2015, or the first day solid fuel is burned at the BGS facility. Maximum Achievable Control Technology requirements will have to be met pursuant to applicable federal requirements.

#### **4.5 EPA Transport Rule, CSAPR, Ozone-Based State SIP Rules, PM 2.5 SIP Rules, and Emission Allocations**

Because of uncertainty surrounding the CSAPR rule, the WDNR commits to revising relevant conditions under this Contract and agrees to work collaboratively with MGE to address issues related to implementing CSAPR. Where appropriate under relevant portions of the CSAPR over which the WDNR may have control, the WDNR may propose allocating CSAPR allowances under a SIP in place of the default Federal Implementation Plan. In such a case, the WDNR will consider operations during the CSAPR allocation base years and not unduly penalize BGS for eliminating coal usage compared to other generation units in the state affected by the CSAPR.

#### **4.6 Voluntary Emissions Reductions**

After implementing the commitments to superior environmental performance in this Contract, MGE will substantially reduce and avoid the generation of greenhouse gases, mercury, and other emissions. The WDNR agrees to facilitate and assist MGE in registering these reductions and avoided emissions, at MGE's discretion, in any national, regional, or state registry in which Wisconsin participates. The WDNR commits to evaluate whether reductions will be given and will retain the same vintage year in which the reductions were registered. The WDNR will further consider whether these credits will remain valid without reduction in number or value and may be used in current and future programs for internal/external trading, banking, netting, and/or offsetting.

#### **4.7 MGE and WDNR Liaisons**

MGE and the WDNR shall each appoint a representative (Liaison) from their respective organizations to serve under this Contract. They shall seek to increase trust among the WDNR, MGE, and the public. Any communication directly related to an alleged failure to comply with this Contract shall be directed to the Liaisons. The Liaisons will, at times, refer implementation issues to other subject matter experts. In such cases, the persons accepting delegated responsibility shall ensure Liaisons are involved in or receive copies of all correspondence and communications that concern final decisions, points of disagreement, or significant issues. It is not necessary for persons accepting delegated responsibility to involve or copy the Liaisons on routine correspondence and communications. Any subject matter expert, or other individual working on the implementation of this Contract shall contact the Liaison for guidance any time he or she has any questions about compliance with the notification requirements set forth in this section.

The current Liaisons for MGE and the WDNR are listed below. Changes in each organization's Liaison or their associated addresses shall be forwarded to the other party once effective and will become part of this Contract without formal amendment.

***WDNR Liaison***

Tom Nowakowski  
Environmental Assistance Coordinator  
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## **APPENDIX 2**

### **Community Environmental Advisory Group (CEAG)**

#### **Description**

MGE's CEAG, founded in 2001, is a well-established group consisting of MGE employees and community members from diverse backgrounds and perspectives. Our CEAG members are familiar with MGE's BGS and have experience in the ECA and Green Tier processes.

#### **Group Structure**

In the Initial ECA, MGE developed a methodology for selecting CEAG members. Members were selected based on their ability to represent a local perspective on one or more of the following areas/memberships:

- Neighborhood associations within BGS's immediate area
- Business ownership or representative
- Developer/contractor
- Government
- Low-income knowledgeable
- Environmental organization or group

MGE also strived to include members with diverse backgrounds and perspectives such as:

- Technical and nontechnical members
- Male and female members
- Range of ages
- Multicultural perspectives

MGE intends to keep our current CEAG membership, with their consent. If, however, CEAG membership changes during the life of this Contract, MGE will use the methodology described above to seek new members. MGE will seek to maintain five to nine CEAG members during the life of this Contract.

#### **CEAG's Scope of Work**

The CEAG's role is defined by Wisconsin Statutes and is outlined in the Interested Persons Group references of the Environmental Cooperation Pilot program, Wis. Stat 299.80. Specifically, the CEAG will:

- Have an opportunity to comment on BGS's EMS.
- Review MGE's performance under this Contract.

- Be allowed a process to seek consensus with MGE over issues concerning MGE's performance under this Contract.
- Meet at least once every twelve months to discuss the implementation of BGS's EMS and provide comments on the progress of this Contract.

### **Accomplishing the CEAG's Work**

MGE will continue to use an annual meeting structure with supplemental email and phone communications to accomplish the CEAG's tasks. MGE's meeting format combines formal presentations with impromptu discussions to ensure the CEAG's statutory tasks are accomplished while allowing CEAG members to raise issues that are important to them.

### **Meeting Summary**

MGE will provide a summary of each CEAG meeting to CEAG members for approval. Once approved, CEAG meeting summaries are available on MGE's website at <http://www.mge.com/environment/stewardship/ceag.htm>.