

June 30, 2006

Lois Hubert, Study Group Coordinator
Public Service Commission
P.O. Box 7854
Madison, WI 53707-7854

**RE: IGCC Draft Report, Docket 9300-GF-176
Filed Electronically**

Dear Ms. Hubert:

This transmittal contains the comments and recommendations of the Wisconsin Industrial Energy Group (WIEG), Wisconsin Manufacturers & Commerce (WMC) and the Wisconsin Paper Council (WPC) regarding the Public Service Commission's *Integrated Gasification Combined-Cycle Technology Draft Report*. Please note that S.C. Johnson & Son, Inc., a member of both WIEG and WMC, does not subscribe to these comments.

We appreciate this opportunity to comment and identify our recommendations; we wish to indicate at the outset that the report does an exceptional job of outlining the major issues surrounding the adoption of IGCC technology in Wisconsin.

Our organizations collaborated on the comments and recommendations identified in this correspondence. Collectively, the three industrial trade associations represent nearly all of the state's largest companies with hundreds of thousands of employees in some of the highest paying manufacturing jobs.

Energy is obviously critical to Wisconsin's economy. High energy rates can harm economic competitiveness and lead to job losses. Coal costs and natural gas costs have gone up dramatically in recent years. In addition, the state has entered a major "building cycle" where billions of dollars in new power plants and power lines are now under construction. These factors combined will inevitably lead to higher electric rates, but there are measures we can take to help control these costs.

WIEG, WMC and WPC members have been, and continue to be, under tremendous economic pressure nationally and globally. The ability of our members to retain and create good-paying, family-sustaining jobs has suffered in recent years due, in part, to increased energy costs. Some of our members have monthly energy bills exceeding one million dollars, and are very sensitive to price changes. We often hear of member companies shifting production to facilities in other states or other countries in response to energy price increases. We submit our comments to help promote economic development and mitigate future rate increases.

Introduction

Our comments are organized in four parts. The first part is the body of this letter. It responds to the various policy options identified in the draft report.

Additionally, there are three addenda: (1) the first addresses our perspectives on specific environmental topics in the draft; (2) the second identifies our recommendations regarding nuclear energy relative to integrated gasification combined-cycle (IGCC) issues; and (3) the third provides our perspectives on economic development and price elasticity.

Reactions to Draft Report Policy Options

Overall, we recognize IGCC is an exciting, new technology with the potential to help Wisconsin meet its growing energy needs. However, IGCC is also an *expensive*, new technology which still must demonstrate it can be both affordable and reliable. Wisconsin must ensure its relative electric rates are not a hindrance to job creation and retention. For that reason, we urge caution in promoting this new technology to the exclusion of other, existing, proven technologies.

We note that one potential shortcoming of the report is that it seems to devote too little attention to the importance of the proper *location* of an IGCC facility. In our collective view, an IGCC plant is ideally located near a coal source, and near a geological subsurface which affords an opportunity to inject CO₂ into the ground. Southern Illinois is an example of such a location. Therefore, it may make sense to locate an IGCC plant in southern Illinois and transmit the electricity to Wisconsin, instead of building such a facility in-state, importing coal via rail, and then exporting CO₂ via pipelines back.

In reviewing the policy options, we considered them in the context of four principles important to our organizations:

- I. Wisconsin should be consistent with federal standards for environmental requirements. Environmental issues obviously transcend state boundaries and Wisconsin must avoid being a regulatory island which will stymie its ability to attract and retain jobs.
- II. Wisconsin should allow some flexibility for IGCC plants to be considered under existing standards for location, financing and RPS targets. That is, IGCC projects should not be disadvantaged under existing statutes or administrative codes. Also, if, compared to current practice, streamlined regulatory review and approval of IGCC applications makes sense for Wisconsin, a streamlined process may make sense for other existing, proven technologies.

- III. Location of IGCC plants should optimize the transportation of fuel into the facility and the potential for future transportation of CO₂ out of the site, for example, to underground sequestration locations.
- IV. Risks (i.e., financial, performance, other) should be neutral to ratepayers.

With those principles in mind, the following are our reactions to the individual policy options. We reserve the right to comment, as appropriate, on policy options to which we do not react in this document.

1&3. Require Detailed Information About Only One Site in a CPCN Application. Allow Siting at Either Brownfield or Greenfield Locations.

Potentially support, with modifications. We understand the goal of provisions 1 and 3 is to promote IGCC development in Wisconsin by relaxing regulatory standards. That may indeed make sense.

However, collectively, we strongly believe that we should promote affordable baseload development in Wisconsin. Thus, if policy options 1 and 3 make sense for IGCC, we argue they too make sense for other proposed power plants.

6&7. Consider IGCC as the Best Available Control Technology for New Coal Plants. Establish Carbon Dioxide Performance Standards.

We strongly oppose these policy options. Generally, these are the most troubling policy options contained in the draft report. We fear adoption of them could unnecessarily increase the cost of electricity in Wisconsin, and make our state less competitive and less hospitable to job creation and retention.

Recommendation 6 would unlawfully exceed federal law, increase the cost of doing business in Wisconsin, and make Wisconsin less competitive with no net environmental benefit. We oppose recommendation 6, and urge that it be deleted from the final report.

Recommendation 7 is inconsistent with existing Wisconsin law, would dramatically increase the cost of electricity in Wisconsin, and would lead to uncertainty because CO₂ capture is an unproven technology relative to IGCC. For these reasons, we oppose recommendation 7, and urge that it be deleted from the final report.

These issues are more fully explored in Addendum 1, “Comments on Environmental Aspects of the Draft Report on Integrated Gasification Combined-Cycle Generation.”

8. Modify the Renewable Portfolio Standard.

Potentially support, with modifications. Presumably, the rationale for modifying the renewable portfolio standard in order to promote IGCC development is based, at least in part, on its air emission profile. Nuclear power plants, too, have a clean air emissions profile. Similarly, modification of the renewable portfolio standard could promote development of new nuclear power plants in Wisconsin and recognize them as viable, carbon-free energy sources with clean air emissions profiles.

9. Modify the Energy Priorities Law.

Further clarification or study is required before we could support or reject. As noted throughout, we are very concerned about the effect on Wisconsin electric rates should IGCC plants be built here.

10. Require Turnkey Bidding and Performance Guarantees.

Potentially support, though it would be beneficial for the state to explore whether such a legislative change or PSC policy statement would be applicable and appropriate for other energy-generating technologies.

11-17. Apply Environmental Trust Financing to IGCC Projects.

Allow an Incentive Return on Equity.

Allow an Incentive Adder to IGCC Purchase Power Agreements.

Assign Carbon Dioxide Property Obligations.

Allow Utility Risk Recovery.

Create Tax Incentives.

Create Economic Development/Environmental Grants.

Further clarification or study is required before we could support or reject. At the heart of our concerns regarding the financial policy options is the effect of such policy changes on Wisconsin electric rates. Of paramount importance must be the protection of ratepayers from needless rate hikes. Moreover, if any of these financial policy options make sense for Wisconsin ratepayers, they ought to be considered for other energy-generation technologies. Any rational way Wisconsin can make it less costly to add generating capacity – whether IGCC, conventional coal, new nuclear, etc. – ought to be explored.

22. Develop an IGCC Plant with a Consortium of Utilities.

We support the proposal that the PSC open a docket to study the feasibility of Wisconsin utilities building a jointly-owned IGCC plant. Should the PSC do so, we also suggest

that other technologies be considered, in particular jointly-owned new nuclear power plants. Should a docket be initiated, we anticipate participating actively.

The authors of this letter believe that the three addenda will assist in characterizing our perspectives on these issues. Additionally, our organizations welcome the opportunity to continue to be involved in this important dialogue regarding Wisconsin's energy future.

Sincerely,

/s/ Todd Stuart

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Executive Director
Wisconsin Industrial Energy Group

/s/ Scott Manley

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Director of Environmental Policy
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/s/ R.J. Pirlot

R.J. Pirlot
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/s/ Earl Gustafson

Earl Gustafson
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Addendum 1

**Comments on Environmental Aspects of the
Draft Report on Integrated Gasification Combined-Cycle Generation**

Of particular interest to WIEG, WMC and WPC are the environmental findings and policy recommendations contained in the draft report. As a general matter, we oppose environmental mandates that directly or indirectly increase the cost of doing business in Wisconsin. This is especially true with respect to mandates that would increase the cost of electricity, as these costs profoundly impact our ability to compete nationwide, and retain and attract new businesses within our borders.

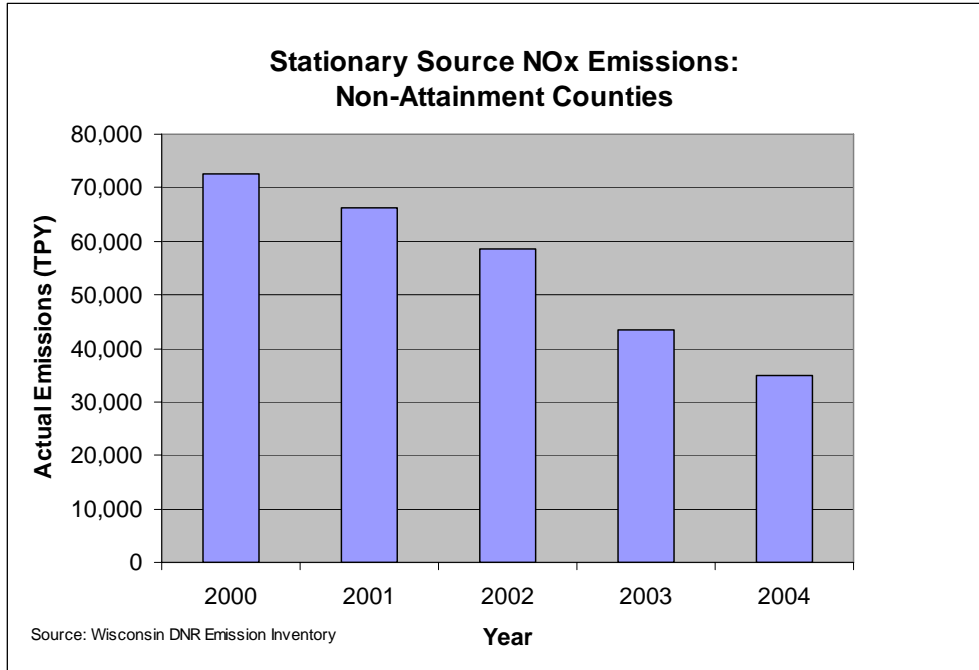
Unfortunately, a number of the report's policy recommendations would unnecessarily increase the cost of electricity in Wisconsin, and make our state less competitive. The comments which follow reflect our concerns with respect to these policy recommendations. We also provide comments on statements contained in the report that we believe mischaracterize Wisconsin's ambient air quality and which fail to accurately portray our obligations under the Clean Air Act.

I. Wisconsin's ambient air quality.

A. Ozone. The report unfairly reaches the conclusion with respect to ambient air quality that "Even though emissions of sulfur dioxide and nitrogen oxide have been regulated for decades for their role in the formation of ozone and acid rain, more needs to be done to meet Wisconsin's air quality goals."

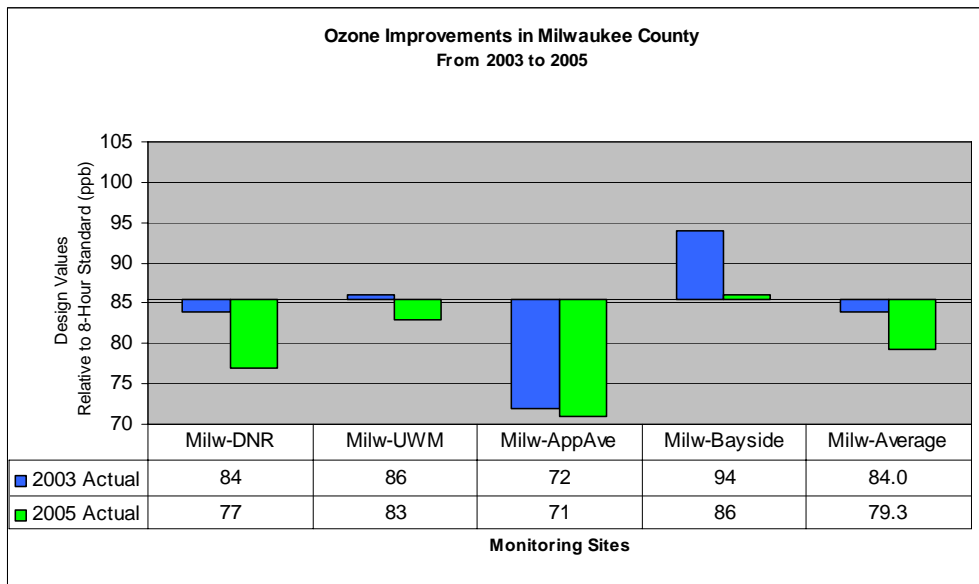
We believe this is an unsubstantiated characterization, and fails to appropriately recognize the substantial improvements already made in reducing ozone levels, as well as ozone precursor emissions. The statement also ignores the fact that significant utility and mobile source nitrogen oxide (NO_x) emission reductions will occur over the next five to ten years as a result of "on the books" federal mandates.

The charts below demonstrate Wisconsin's significant improvement in air quality with respect to ozone pollution – the only pollutant for which our state does not meet federal ambient air quality standards. The first chart shows historical NO_x reductions in the ten counties designated as nonattainment for the federal 8-hour ozone standard. The trend is clear: the reduction in NO_x emissions from stationary sources over the last five years is more than 50%.

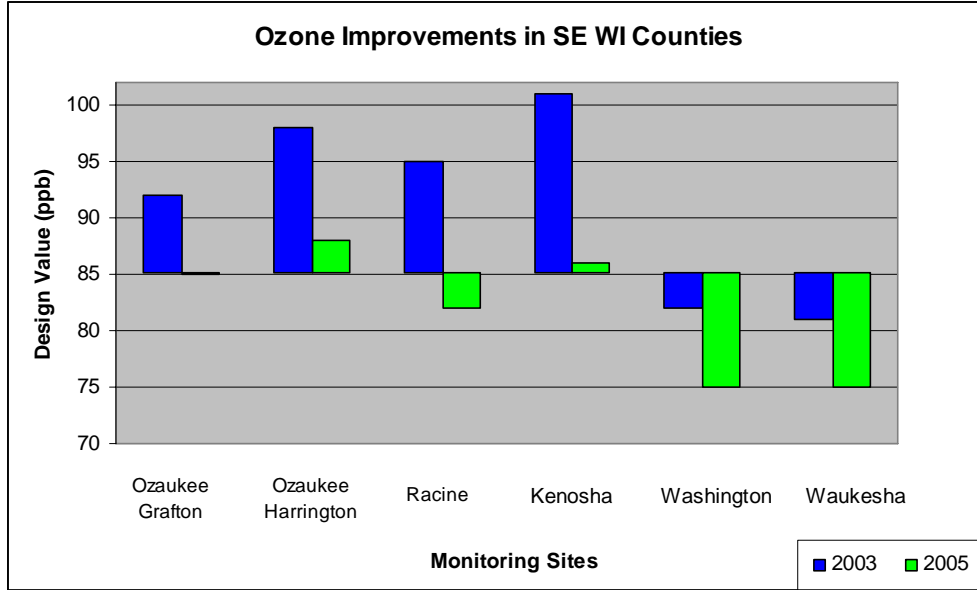


Correspondingly, we have seen dramatic improvements with respect to monitored ozone levels throughout the nonattainment counties. The graph below shows a comparison of observed ozone concentrations in Milwaukee County between 2003 and 2005.

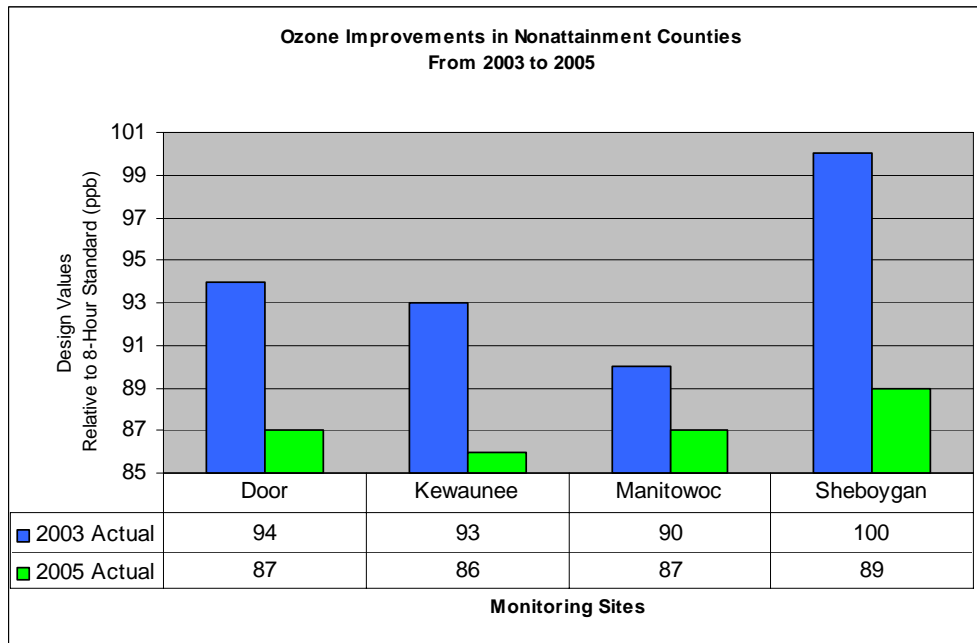
Keeping in mind the 85 ppb compliance threshold, you can see that three of four monitors in Milwaukee County are meeting the ozone standard in 2005 (green bars), and the Bayside monitor is very close to compliance.



Similarly, the following graph shows significant improvements in measured ozone concentrations at other monitoring locations throughout southeastern Wisconsin. The only green bars above the 85 ppb compliance line are in Ozaukee and Kenosha Counties, and both sites are very close to meeting the standard.



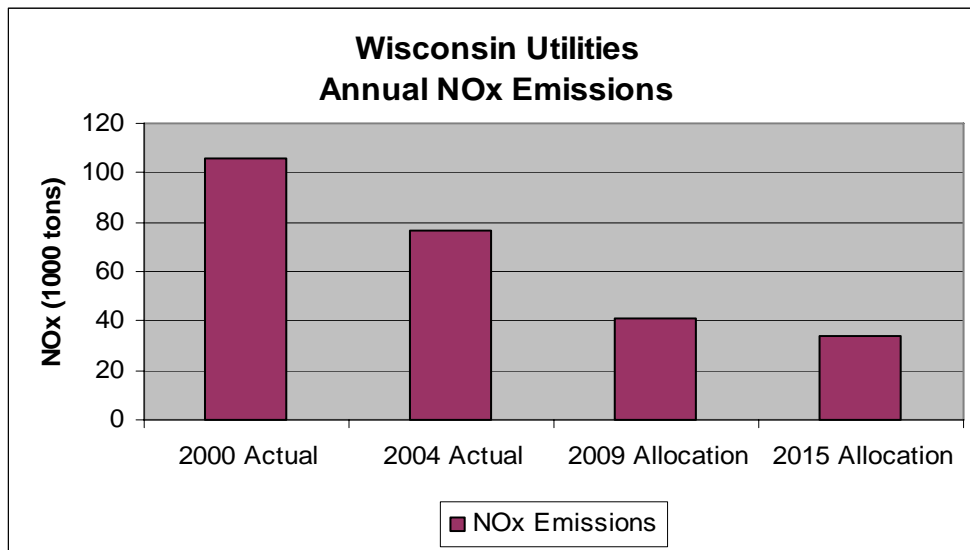
The chart below, which represents nonattainment counties in northeastern Wisconsin, demonstrates evidence of substantially improved ozone levels.



Although the three charts above portray the improvements in observed ozone levels using 2003 and 2005 “design values” as the benchmark, it is important to realize that this data represents

monitored ozone concentrations during the five-year period between 2001 and 2005. The past five years demonstrate that Wisconsin is on a glide path toward meeting the federal 8-hour ozone standard.

B. Clean Air Interstate Rule. In addition to the substantial NO_x reductions that have already occurred, we can expect to see profound utility NO_x reductions as a result of implementation of the federal Clean Air Interstate Rule (CAIR) in Wisconsin. The chart below represents utility NO_x emissions in Wisconsin since 2000, including the EPA's reduction targets for the years 2009 and 2015 under the CAIR rule. With the first phase of CAIR implementation in 2009, the chart shows that Wisconsin will achieve a reduction in utility NO_x emissions of more than 50% in the ten years leading up to the 2010 ozone attainment deadline.



Considering the significant reductions we can expect in future years from CAIR, as well as sizable reductions in mobile source emissions due to existing federal mandates, profound NO_x emission reductions in the years ahead are an indisputable fact. Taken together with Wisconsin's historic trends in reduced emissions and lower ozone levels, we believe the evidence points to the conclusion that our state will meet the federal ozone standard when the model CAIR rule and existing mobile source reductions take effect – without the need for further controls.

We thus take issue with statements in the report which conclude that further “beyond-CAIR” reductions will be required and that it is unclear whether Wisconsin utilities will reduce NO_x emissions under the CAIR rule. Preliminary estimates from our discussions with utilities indicate that approximately \$1.5 billion will be spent to comply with CAIR, including controls related to fuel switching, installation of scrubbers, installation of baghouses, burner upgrades, selective catalytic reduction (SCR) and wet flue gas de-sulfurization. Collectively, these controls are estimated to impact more than 13,000 MW of generation in Wisconsin.

We therefore believe the comments in the report relative to Wisconsin utilities' role in CAIR reductions are misleading and inappropriate. In addition, any characterization of air quality and our ozone attainment status should include a summary of the progress already made and an

acknowledgement of the expected progress due to “on the books” reductions through CAIR and mobile source controls.

C. Clean Air Mercury Rule. The report also makes a number of statements with respect to the Clean Air Mercury Rule (CAMR) that fail to accurately portray the interplay between state litigation and Wisconsin’s rulemaking. The report notes that Wisconsin joined a multi-state lawsuit challenging the CAMR, however, this fact is irrelevant to the DNR’s obligation to conform the NR 446 mercury rule to the federal CAMR. Specifically, NR 446.029 requires DNR to conform the state-only mercury rule to the federal mercury emission standard within 18 months of promulgation by EPA. The rule further specifies:

The standard adopted by the department may not be more restrictive in terms of emission limitations than the federal standard. The administrative requirements of the standard adopted by the department relating to baseline calculations, monitoring, recordkeeping and reporting shall be the same as the federal standard.

This obligation to conform NR 446 to the federal CAMR is independent of pending litigation, so the report’s reference to the lawsuit is not relevant for the purposes of the current rulemaking. The report also states that EPA is reconsidering the CAMR, and concludes that the outcome of that reconsideration may affect the shape of Wisconsin’s rule. This statement is no longer true. On May 31, 2006, the EPA announced that their reconsideration of the CAMR was complete, and no substantive changes would be made to the rule. Thus the characterization in the report with respect to EPA’s reconsideration of CAMR is no longer factually accurate, and should be removed.

D. Particulate Matter. The report incorrectly concludes that Wisconsin must address other “attainment issues” related to the Clean Air Act, including particulate pollution and haze. This is a misleading and inaccurate statement. With respect to particulate pollution, Wisconsin continues to meet the federal ambient air quality standard for both fine and coarse particles on a statewide basis. As such, Wisconsin has no obligation to address “attainment issues” for particulate, and this statement in the report should be removed.

E. Regional Haze, Visibility and BART. The statement in the report that Wisconsin has a duty to address “attainment issues” with respect to visibility impairment is factually wrong. Wisconsin has no “nonattainment” designations with respect to visibility standards, so the report’s reference to visibility impairment as an attainment obligation should be stricken.

We also have some concerns to references in the report with respect to Best Available Retrofit Technology (BART). BART is a technology-based emission limitation intended to address regional haze that might apply to certain sources depending upon when they were built, their emission levels, and whether they have a modeled impact on visibility in EPA-designated Class I areas. Wisconsin owes the EPA a State Implementation Plan (SIP) for BART this September describing how facilities subject to BART will meet this requirement.

However, for the purposes of this report, it should be noted that the EPA has been very clear that utilities are exempt from BART requirements if they are located in a state that adopts the cap and

trade programs for NO_x and SO₂ emissions under the model CAIR rule (69 Federal Register 32702). Because Wisconsin has an obligation to adopt the model CAIR rule, Wisconsin utilities will meet the BART requirements through CAIR without the need for additional mandates or controls. Any discussion of BART, visibility impairment or regional haze in the report should note this important point. Further, statements in the report which allude to uncertainty with respect to the application of BART to utility sources should be removed.

II. The policy recommendation to require IGCC as BACT for new coal plants is unwarranted and ill-advised.

The report recommends requiring consideration of IGCC as a Best Available Control Technology (BACT) in the air permitting process for new coal-fired power plants. Because this recommendation exceeds federal law requirements, it is inconsistent with §285.60(8), Wis. Stats., which prohibits the DNR from promulgating a rule or taking any other action that conflicts with the federal Clean Air Act (CAA).

The CAA defines BACT in §169(3), in relevant part, as:

*. . . an emission limitation based on the maximum degree of reduction...which the permitting authority...determines is achievable for such facility through application of production processes and **available methods, systems, and techniques**, including fuel cleaning, clean fuels, or treatment of innovative fuel combustion techniques for control of each such pollutant. (emphasis added)*

In a letter dated December 13, 2005, the EPA concluded that IGCC does not meet the definition of BACT because it would significantly alter the nature of the project, as opposed to being an available “method,” “system” or “technique.” With respect to BACT, the letter makes the case quite explicitly:

EPA’s view is that applying the IGCC technology would fundamentally change the scope of the project and redefine the basic design of the proposed source...Accordingly, consistent with our established BACT policy, we would not require an applicant to consider IGCC in a BACT analysis for a SCPC unit.

Based upon the EPA’s unambiguous interpretation of the CAA, requiring IGCC as BACT would clearly conflict with federal law, and would therefore be prohibited in Wisconsin by §285.60(8), Wis. Stats. Our organizations are fundamentally opposed to requirements that exceed federal law because they increase the cost of doing business in Wisconsin, making our state less competitive in the national and global marketplace. We cannot remain competitive from an economic development standpoint if we make Wisconsin a less desirable place to conduct commerce by unnecessarily increasing the cost of electricity.

In addition to the considerable legal and financial reasons to reject this policy recommendation, there is virtually no meaningful environmental benefit to requiring IGCC as BACT in Wisconsin. Figure 5-1 in the report shows the environmental impact of supercritical pulverized coal (SCPC)

versus IGCC generation. A review of the data in that chart for NO_x, the pollutant most relevant to Wisconsin because of its role in ozone formation, shows there is very little difference between SCPC and IGCC. The minimal emissions difference does not justify the substantial cost of IGCC technology, especially given the fact that BACT analyses require the consideration of economic cost factors.

Figure 5-1 shows fewer emissions for coarse particulate (PM 10) and carbon monoxide (CO), however, the report correctly notes that CO is “less significant” and coarse particles are “already very well controlled.” As such, there is no meaningful incremental benefit from an environmental standpoint associated with IGCC for CO and PM 10 that would justify the considerable expense of requiring IGCC technology.

With regard to sulfur dioxide (SO₂), Figure 5-1 shows a significant difference in SO₂ emissions between SCPC and IGCC. However Figure 5-1 does not appear to reflect SO₂ emission limitations under the federal Acid Rain program that would limit SO₂ emissions from SCPC plants. Nor does the chart appear to account for expected SO₂ reductions (32%) at existing coal-fired power plants when the federal CAIR rule is implemented. In any case, Wisconsin’s SO₂ emissions are well below the ambient air quality standard, so costly SO₂ emission reductions are unwarranted.

Because it would unlawfully exceed federal law, and because it would increase the cost of doing business and make Wisconsin less competitive with no net environmental benefit, we oppose recommendation 6, and urge that it be removed from the final report.

III. The policy recommendation to establish CO₂ caps would conflict with state law, and dramatically increase the cost of electricity.

The report boldly asserts that carbon dioxide (CO₂) is a greenhouse gas that “causes global warming.” Although most scientists who specialize in climate research recognize a relationship between CO₂ and climate, the number of climatologists who believe there is a positive correlation between manmade CO₂ emissions and increased temperatures is much smaller. The report’s statement belies the significant differences of opinion among qualified scientists with respect to global warming.

The report goes on to speculate that “Congress may take action to regulate carbon dioxide emissions in the near future.” We disagree with this prediction, and do not believe that speculation about what the United States Congress will or will not do is a legitimate basis upon which to set regulatory policy in Wisconsin.

On the contrary, the United States Congress has passed a number of bills specifically prohibiting the EPA from enforcing the CO₂ emission reductions contained in the Kyoto Protocol [PL 105-276 (1998); PL 106-74 (1999); PL 106-377 (2000)]. The United States Senate also sent a clear message on Kyoto by resolving 95-0 to urge the President against signing any agreement that would harm the U.S. economy or that exempts the emissions of developing nations.

Most recently, a federal court judge dismissed a multi-state lawsuit seeking to establish CO₂ emission limitations on utilities. The lawsuit, to which Wisconsin's own attorney general was a party, was thrown out on September 15, 2005, on the basis that Congress has not authorized regulation of CO₂ emissions, and the federal court rejected the lawsuit's goal of rewriting federal law by the judiciary.

Congress has specifically decided against regulating CO₂ emissions, and the EPA has ruled that the CAA does not allow for the regulation of CO₂ emissions (68 Federal Register 52,925).

As such, it is clear there is no current statutory authority that would allow for a CO₂ emission limitation in our state because Wisconsin has no ambient air quality standard for CO₂, nor is CO₂ otherwise considered a regulated pollutant under Wisconsin law.

The only path available under existing statutory authority for DNR to impose CO₂ emission limitations or performance standards would be for DNR to first establish an ambient air quality standard under §285.21(1)(b).

This provision was changed by 2003 Wis. Act 118 to require DNR to undertake a rigorous public health risk assessment that includes an analysis showing Wisconsin citizens are "subjected to levels of the air contaminant that are above recognized environmental health standards."

The fact that there is no evidence that anyone in Wisconsin is subject to CO₂ emissions above an existing CO₂ health standard is a fatal flaw in the report's analysis of need.

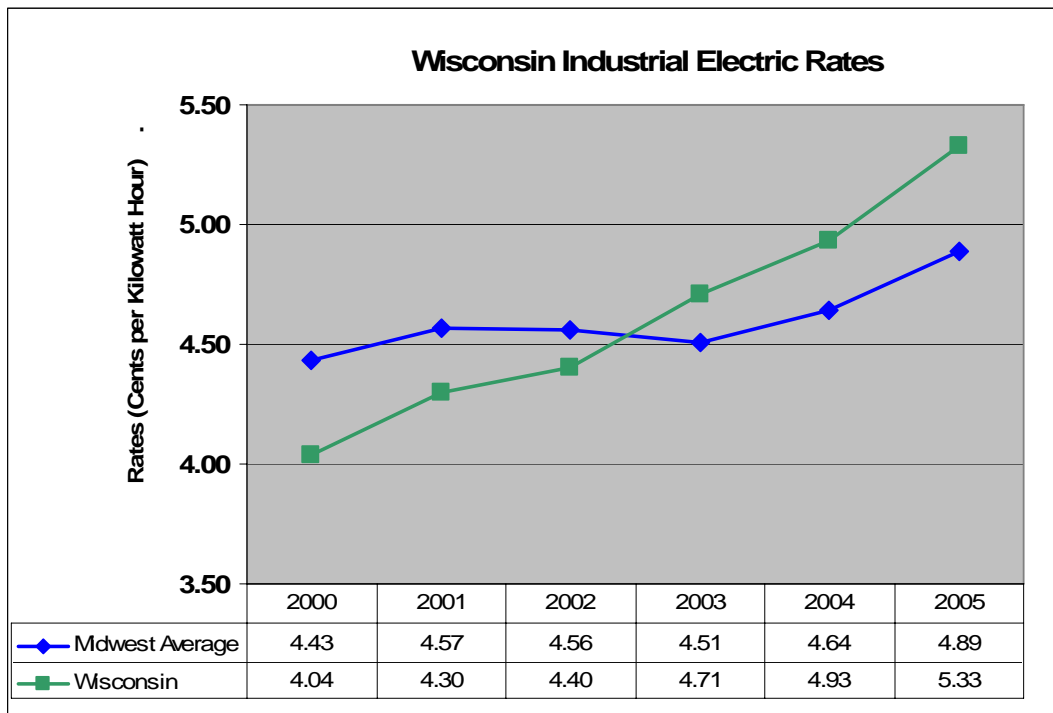
Moreover, in the past, DNR acknowledged the state could not show any need to require the regulation of CO₂. In rejecting a petition from environmental groups to establish a CO₂ ambient air quality standard and a related cap on CO₂ emissions, DNR found that "the DNR lacks the technical expertise and resources to undertake the studies which would be a prerequisite to establishing an acceptable ambient concentration of carbon dioxide to qualify as the basis for an ambient air quality standard." (Sec. Hassett memo to the Natural Resources Board, Aug. 25, 2003.)

Because there is no state CO₂ standard, and DNR acknowledges it could not justify establishing such a standard, the only means to require IGCC for CO₂ purposes would require the Legislature to enact a new statutory program providing authorities to regulate CO₂.

We would certainly oppose any legislative proposals to establish a "state-only" global climate change program. In addition to the inability of Wisconsin to meaningfully impact climate change, being an "early adopter" of CO₂ capture technology risks reliability problems and higher utility costs.

On the latter point, we are already alarmed over the current trends in commercial and industrial electric rates.

As the chart below shows, disproportionately higher electricity costs are putting us at an increasing competitive disadvantage.



Beyond the statutory issues cited above, there are practical reasons why a mandatory cap on CO₂ emissions is ill advised. Figure 5-4 demonstrates that there is essentially no difference between SCPC and IGCC with respect to CO₂ emissions. Utilization of carbon dioxide capture technology may be marginally less expensive to deploy for IGCC compared to SPCP, but the report offers no solid evidence that a greater level of CO₂ reductions will occur.

Furthermore, there has never been a CO₂ capture technology employed at an IGCC plant, which raises uncertainty about effectiveness. The report also notes that carbon dioxide capture would significantly increase the cost of electric generation (over \$75/MWh) for both SCPC and IGCC, which is a bad outcome for ratepayers. Finally, there is uncertainty and significant additional cost associated with transporting and sequestering captured carbon dioxide.

Capping CO₂ emissions is highly speculative, is inconsistent with Wisconsin law, dramatically increases the cost of electricity, and would lead to uncertainty because CO₂ capture is an unproven technology relative to IGCC. For these reasons, we oppose recommendation 7, and urges that it be removed from the report.

IV. Conclusion.

Wisconsin's air quality continues to show dramatic improvement. We believe our state will meet the federal ozone standard when expected reductions from the federal CAIR and mobile source rules take effect.

Meeting the federal ozone standard is the only attainment issue that Wisconsin is obligated to address – we meet the ambient air quality standard for all other air pollutants. Because IGCC does not offer a meaningful difference in NO_x emissions compared to SCPC, there is no air quality rationale that would support requiring IGCC in Wisconsin.

The policy recommendations related to BACT and CO₂ regulation would exceed federal requirements, be inconsistent with state statutes, and make Wisconsin businesses less competitive in the marketplace by unnecessarily and avoidably increasing the cost of electricity. It is also worth noting that IGCC does not enjoy an environmental advantage over SCPC with respect to CO₂ emissions, yet there is a good deal of uncertainty with respect to employing CO₂ capture at IGCC plants. For these reasons we recommend removal of policy recommendations 6 and 7 in the report.

Addendum 2

**Wisconsin Must Consider New
Nuclear Power Plants for New Generation**

Wisconsin businesses are dependent on a range of affordable and reliable energy resources. WIEG, WMC & WPC strongly believe in a diversified energy mix in Wisconsin to help ensure Wisconsin does not become overly dependent on one type of power plant or to marketplace price volatility.

Our organizations strongly believe that any discussion of the future of Wisconsin's ability to domestically generate baseload electricity *must* contemplate repeal of Wisconsin's virtual moratorium on the construction of new nuclear power plants. IGCC is an exciting, new technology that may help Wisconsin meet its electricity needs in a cost-effective and reliable manner. It is also quite expensive and construction of an IGCC facility in Wisconsin could, potentially, place dramatic, upward pressure on electric rates. As such, it would be quite unfortunate for Wisconsin to consider implementation of such a new, expensive technology without fully considering *all* of our available options.

Nuclear energy is a proven and existing energy source with many positive benefits, not the least of which is its clean air emissions profile. Unfortunately, for over 20 years, Wisconsin has had a virtual moratorium on the construction of new nuclear power plants. Having a law in Wisconsin that does not even allow Wisconsin to effectively consider this viable, carbon-free energy source is short-sighted and could put us at a serious competitive disadvantage in the future. Wisconsin must remove this moratorium.

New nuclear power plants should be considered as an energy source in Wisconsin, subject to the same strict economic and environmental scrutiny as other fuel sources such as coal, natural gas and oil. Repeal of the virtual moratorium on new nuclear power plants would be a clear and unambiguous signal that Wisconsin is serious about considering *all* options to ensure our businesses have access to affordable, reliable electricity and, importantly, is interested in maintaining a diverse energy portfolio.

Repealing the moratorium statute would have no immediate consequences. In contrast, moratorium repeal will, for the first time in over twenty years, expand available electricity generation fuel options, subject to PSC-controlled certification. Policymakers would accordingly be permitted to *consider* nuclear generation among the other options available to serve the current and future load growth among Wisconsin's residential, agricultural, commercial and industrial customers. This is particularly important as Wisconsin utilities consider implementation of IGCC technology.

Addendum 3

**Customer Responses to Energy Prices
Must Be a Consideration**

Chapter 8 in the draft report does a good job of describing the economic development benefits of IGCC (or any other large-scale utility construction project). These benefits include construction jobs plus operations and maintenance employment with multiplier effects. However, one important piece of economic development analysis is not identified in this chapter.

WIEG, WMC and WPC have concerns that the Commission needs to anticipate customer response to rate increases. New infrastructure projects come at a cost, which is paid for by the ratepayers. IGCC is an expensive capital expenditure which in turn might actually dampen the need for new construction.

In the discussion of the IGCC report and in matters such as the new draft Strategic Energy Assessment, the Commission should consider price variables and recognize that some Wisconsin customers will respond either by using less energy or leaving the state.

The Commission cannot view projections of energy demand as static or one-directional because price increases may well cause businesses to modify their behavior. To the extent that certain key industries in Wisconsin simply cannot afford the increases and elect to shift production to other states or simply close down, not only will industrial load fail to grow but the commercial and residential loads dependent on basic industrial activity also decline.

To fully present and appreciate these implications, the final IGCC report should consider the impact of rate increases on customers and their likely response to various rate increases so that decision makers can fully understand the range of risk involved with the new technology.