U.S. Senate Committee on Homeland Security and Governmental Affairs
Field Hearing
"The Impact of Federal Regulations: A Case Study of Recently Proposed Rules"

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Testimony of Bruce W. Ramme, Vice President – Environmental, WEC Energy Group

Good afternoon, Chairman Johnson.

My name is Bruce Ramme and I am Vice President of Environmental for WEC Energy Group. I am a registered professional engineer, and have spent most of my career in the electric utility industry. I joined the company in 1980 as a civil engineer in the transmission engineering division. During my 35 years with the company, I have worked in a variety of power plant and power system engineering roles. I was named to my current position in 2010 and am currently responsible for environmental compliance strategy and planning, mitigation and risk management, environmental permitting of new projects, compliance assurance and identification of new and/or enhanced means of benefiting the environment through business practices at our utilities.

WEC Energy Group is one of the nation's premier energy companies with deep operational expertise, scale and financial resources to meet the region's future energy needs. We are the eighth largest natural gas distribution company in the country and one of the fifteen largest investor-owned utility systems in the United States. We are headquartered in Milwaukee and have $29 billion of assets, 9,000 employees and 60,000 stockholders of record.

Our companies provide vital energy services to nearly 4.4 million customers in four states: Wisconsin, Illinois, Michigan and Minnesota. Our principal utilities are Wisconsin Electric Power Company and Wisconsin Gas Company doing business as We Energies, Wisconsin Public Service, Peoples Gas, North Shore Gas, Michigan Gas Utilities, and Minnesota Energy Resources. Of the six utilities that provide electric, gas and steam energy to our customers, two are in Wisconsin: We Energies and Wisconsin Public Service, headquartered in Milwaukee and Green Bay, respectively.

We are the largest electricity and gas provider in the state of Wisconsin, providing half the electricity and nearly 69% of the natural gas delivered to the residents of Wisconsin.

More than half of our generation comes from our eight coal plants, and more than 60% of the state's generation comes from coal. All but one of our coal plants are located in Wisconsin. Our seven Wisconsin coal plants are capable of producing over 5,000 megawatts of electricity and employ nearly 800 people.

Mr. Chairman, thank you for the opportunity to appear before you today and thank you for your leadership on this important issue. I also want to thank you for your leadership and perseverance in pursuing improvements to the federal permitting process and other regulatory reforms, and for keeping us safe here at home.

I'm going to focus my remarks today on the Clean Power Plan because of its significant impacts, but I would also be happy to respond to questions about the Waters of the U.S.

As you know, EPA issued the final rule for the regulation of greenhouse gas (GHG) emissions from existing electric generation units a little over three months ago, on August 3, 2015. Both We Energies and Wisconsin Public Service filed comments in response to EPA's proposed rule and both utilities also participated in a joint Wisconsin utilities' filing.

We were pleased that EPA appeared to respond to some of our concerns by moving the interim target from the year 2020 to 2022, by including a safety valve that will allow a unit to operate for 90 days outside the permit limit in emergencies, and by making trading a little more feasible. But, we remain very concerned about some key issues in the EPA final rule, including the amount of uncertainty that has been introduced.

No Recognition for Early Action

We are very concerned that EPA did not recognize the voluntary actions we undertook prior to 2012 which is EPA's baseline year. Nor did EPA recognize the $12 billion we have invested since 2003 to proactively upgrade our systems and significantly improve the environmental performance of our generating units.

We Energies and Wisconsin Public Service have been leaders in reducing emissions, and we believe EPA should recognize these initiatives. As I mentioned, since 2003, we have invested more than $12 billion in new and upgraded technology. Some of our initiatives include:

- Investing more than $1 billion in renewable energy, including three large wind farms and a new biomass plant;
- Investing more than $1.5 billion in state-of-the-art emission control technologies to new and existing units;
- Adding new generation, repowering an older, less efficient coal plant to a combined cycle natural gas plant, and converting a coal-fueled cogeneration facility to natural gas;
- Investing in electric and gas distribution system upgrades; and
- Investing in energy efficiency for our customers.

As a result of these early actions, the new coal-fueled units at our Oak Creek and Weston sites and the new natural gas-fueled units at our Port Washington and Wrightstown sites are among the most efficient in the country.

Over the past fifteen years, we increased our generation capacity by more than 40% while reducing emissions of SO2, NOx, mercury and particulate matter by more than 80%. Our CO2 emissions also decreased to a level that is below the year 2000.

Not only are we not receiving credit for these past actions, but we are actually being penalized for the early, voluntary action. For example, states that have delayed investments in

renewables, energy efficiency, or new efficient generation are better positioned to comply with the Clean Power Plan. In other words, states that waited and took no early, voluntary action are rewarded.

2012 Is Not A Representative Baseline Year

In the final rule, EPA retained 2012 as the baseline year to calculate state-specific emission rate goals. 2012 is NOT a representative baseline year – the economy was still recovering and natural gas prices were unusually low; together, these factors resulted in a significant reduction in the use of our coal generation.

As I mentioned earlier, we were pleased that EPA provided an additional two years to meet the interim target. As a result, Wisconsin's interim 2022 target is a little less stringent. However, like the national goal, Wisconsin's *final* rate target actually increased from 34% to 41% below 2005 levels. And, Wisconsin's target is still higher than the national goal of 32% below 2005 levels.

Increased Gas Plant Operations

One of the two main components in EPA's rule is a set of guidelines to help states develop their plans for meeting the goals using a series of three "building blocks" to determine the Best System of Emission Reduction (BSER). The second Building Block calls for operating existing gas plants more often. This re-dispatch of existing gas plants is technically feasible, but

will fundamentally change the operation of our nation's energy markets from the current practice of economic dispatch to environmental dispatch. Economic dispatch is based on least cost to our customers. Moving away from economic dispatch to environmental dispatch will lead to increased costs to our customers.

Our Port Washington Generating Station is a 1,150 megawatt natural gas-fueled plant. Originally, the Port Washington plant was a 225 megawatt coal-fueled plant that had operated at that same site since the 1930s. The current Port Washington gas-fueled plants were placed in service in 2005 and 2008, and are now the most thermally efficient generating units in Wisconsin. In 2013, these very efficient units at Port Washington operated at about 35%, which is just less than half the 75% capacity factor that EPA calls for in the final Clean Power Plan. Increasing the capacity factor at Port Washington will impact natural gas supply and will increase costs for our customers.

Conclusion

EPA's greenhouse gas rule is complex and far-reaching, and will significantly change the electric utility industry. There is a great deal of uncertainty in terms of what states can do, how interstate trading will work, how certain renewables like biomass will be treated, how the renewable incentives will work, how new combined cycle natural gas plants will be treated, and how the reliability safety valve will work.

One thing is certain … costs will increase for our customers.

As you know, we build things in Wisconsin. Wisconsin has a large manufacturing base and many of those industries and companies rely on electricity to help them manufacture their products. An increase in their electricity costs could have an impact on their competitiveness not just in the U.S. but abroad as well.

Unfortunately, I do not have current cost estimates to provide to the Committee at this time. We, along with the other utilities in the state are modeling our systems and have contracted with the Electric Power Research Institute (EPRI) to model the Clean Power Plan and its impact on Wisconsin utilities and our customers; preliminary results should be available next year. EPRI is an independent, nonprofit organization that conducts research, development and demonstration relating to the generation, delivery and use of electricity for the benefit of the public. EPRI brings together scientists and engineers as well as experts from academia and the industry to help address challenges in electricity.

Mr. Chairman, thank you again for the opportunity to testify before the Committee and for your leadership on this important issue.

I am happy to respond to any questions you may have.