

Joint Application of Wisconsin Electric Power Company and Wisconsin Gas LLC
To Conduct a Biennial Review of Costs and Rates
Test Year 2013
Docket 05-UR-106
JJW-3

JJW-3-4:

For the design modifications to allow the Facility to burn a mix of fuel types and the additional costs identified above (in JJW-3-3), please explain why they:

- a. Should not be viewed as an unapproved modification of the approved project and
- b. Should be viewed as reasonable and prudent costs approved by the Commission.

Response: Wisconsin Electric objects to this request on the grounds that it asks the company to provide a legal analysis. Under Wis. Stat. 804.01(2)(c)1, a party is not required to provide a legal analysis in response to discovery. Subject to the objection and without waiving any rights with regard to the objection, Wisconsin Electric responds as follows:

See the response to JJW-3-1 and JJW-3-2 regarding the various documents that support the decision, at that time, to allow for the mixing of fuel types.

Also, due to U.S. EPA's different emission standards under the then-proposed (and subsequently vacated) Clean Air Mercury Rule for bituminous and subbituminous units, advancements in mercury emission control and increased volatility in the price of eastern bituminous coal in 2004-2006, Wisconsin Electric requested that We Power make modifications to the Project to accommodate burning a mix of fuel types, including changes to various system and equipment which impacted the physical dimensions of building, foundation and infrastructure. These modifications were not outside the scope of the construction of OCXP but rather design changes that would typically occur during construction. The enhancements were done in the 2006 timeframe during construction because to do so after the project was constructed would have been substantially more expensive. The modifications were done through We Power's contractor Bechtel.

Wisconsin Electric continued to evaluate the design enhancements and their value to its ratepayers after the Company began operation of the OCXP facilities—including the changing price of sub-bituminous and bituminous coal—that also indicated that significant savings could

be achieved through fuel mixing. The Company undertook additional analysis which suggested that additional fuel blending be tested.

In March 2012, the Company filed an Air Pollution Control Construction Permit Application with the DNR, the purpose of which is to allow for the physical and operational changes needed to provide fuel flexibility. The issuance of this permit by the DNR will allow the company to achieve cost savings estimated between \$25-\$50 million per year. In addition, Wisconsin Electric is committing to significant reduction in emissions rates for all major pollutants.

Answered by: Gary Krieser and Catherine Phillips

Date: May 14, 2012