



Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
Robert M. Garvin, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

October 30, 2002

To: Possibly Affected Persons

Re: Application of Wisconsin Electric Power Company; Wisconsin Energy Corporation; and W.E. Power, LLC; for a Certificate of Public Convenience and Necessity for Construction of Two Large Electric Generation Facilities, the Port Washington Generating Station, and Associated Natural Gas Interconnection Facilities to be Located in Ozaukee, Milwaukee, and Washington Counties

05-CE-117

Application of Wisconsin Gas Company, as a Gas Public Utility, for Authority to Construct a High-Pressure Natural Gas Line in Washington and Ozaukee Counties, Wisconsin

6650-CG-211

Application of American Transmission Company for a Certificate of Authority to Rebuild and Upgrade Certain Transmission System Facilities to Support the Port Washington Generating Station

137-CE-104

W.E. Power LLC (W.E. Power) proposes to develop a 1,090 MW intermediate load, natural gas combined-cycle electric generating facility at the existing Port Washington power plant site in the city of Port Washington. The two new 545 MW units would replace 320 MW of coal generation presently on the site, which is located on the Lake Michigan shoreline, just south of the harbor. The coal-fired generators and all related coal facilities would be removed from the site. W.E. Power would finance, construct, and own the Port Washington Generating Station (PWGS). WE Energies would operate the PWGS under a long-term lease arrangement. WE Energies is assisting with all aspects of designing, permitting, and constructing the facilities.

Two alternative layouts for the power plant on the Port Washington site have been proposed. One configuration maximizes the reuse of the existing infrastructure, including a portion of the existing building, the electric substation, and the cooling water intake and discharge facilities. The alternate layout would place the plant south of the existing facility, nearly perpendicular to Lake Michigan and parallel to the north face of the bluff which would need to be cut back to some extent. The existing cooling water intake and discharge locations could be used with the alternative layout, but the substation facilities would have to be rearranged.

WE Energies reports demand for electricity is expected to grow at an annual rate of 2.5 percent from 2002 through 2011. In addition, WE Energies states that firm sales to non-native wholesale customers are expected to increase by 286 MW during this period. Even after factoring in continued energy efficiency measures, demand-side management activities, and use of renewable energy sources, it believes that a substantial increase in electric generation resources will be required over the next decade to meeting this growing demand.

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The capital cost of the project, including the major power block equipment, plant mechanical and electrical equipment and materials, site work, construction labor and management, design and engineering, and project development, is expected to be about \$590 million dollars.

The proposed power plant and associated natural gas line are a Type II action under Wis. Admin Code ch. PSC 4.10(2). It consequently requires the preparation of an environmental assessment to determine whether an environmental impact statement is necessary under Wis. Stat. § 1.11. The Public Service Commission (PSC) and the Department of Natural Resources (DNR) jointly completed a detailed environmental analysis of the project and prepared an environmental assessment. In compliance with Wis. Admin. Code ch. PSC 4.20 (3), the PSC has made a preliminary determination that no significant environmental impacts on the human environment are likely to occur as a result of the construction and operation of this project. Therefore, the preparation of an environmental impact statement is not required.

Comments on the proposed project were solicited by the PSC in a letter dated May 15, 2002 and at a public scoping meeting, jointly sponsored by the DNR and PSC, held in Port Washington on May 22, 2002. Concerns about noise and traffic congestion during construction were two of the primary concerns of residents near the site and the city of Port Washington. The possible future use of the existing coal dock and water treatment ponds that are on the waterfront was also an issue of interest to the city and members of the public.

The applicant conducted a noise study in which it measured present background noise levels (ambient noise) with the existing coal-fired generators running and with the units turned off. The predicted noise levels associated with the new natural-gas fired combined cycle plant were then modeled to determine the resulting change in ambient noise. The modeling indicates that noise levels from the new plant would be lower than ambient levels when the coal generators are running. The plant would be designed so that noise levels during operation would increase no more than 3 dBA from the ambient noise levels (without the coal generators operating) at the nearest residences. Such an increase would be barely perceptible. A Conditional Use Grant issued by the city of Port Washington would limit noise levels from the new plant to current ambient noise levels and restrict noise from plant construction to the hours of 7 a.m. to 7 p.m.

Minimizing traffic congestion during demolition of the existing coal-fired units and construction of the new combined-cycle plant is also a subject of the Conditional Use Grant. It is expected that the applicant would develop a 30- to 40-foot wide paved access road from the bluff to the PWGS to provide truck and equipment access during demolition of the coal units.

No change is anticipated in the public access to the shoreline near the cooling water discharge outfall. People would be able to access this area for fishing during construction and after construction of the new natural gas-fired plant. The applicant plans to improve access, in the form of a bicycle or pedestrian path, to the lakeshore south of the plant as part of the project. Although portions of the existing coal dock would still be needed for intake and discharge

structures, the portion that is not needed could be restored to public uses consistent with the state's Public Trust Doctrine.

Construction of the proposed plant would result in many permanent and temporary changes at the plant site. For example, the two existing stacks would be replaced with four new shorter stacks; a temporary localized decrease in air quality may occur due to emissions from construction traffic and equipment and dust from excavating; and land on the bluff top currently leased for cropland would temporarily be used for storage of soil removed from the north bluff face. Some of the more major effects of the new power plant and its associated facilities are described below.

The applicant has proposed conceptual modifications to the existing cooling water intake structure in response to new rules regulating the design of cooling water intakes for existing facilities, drafted by the Environmental Protection Agency (EPA). The rules would require a substantial reduction in the impingement and entrainment of fish and invertebrates and verification monitoring to assure compliance.

The modification to the existing cooling water intake proposed by the applicant is a semi-circular porous dike structure consisting of large gravel to cobble-size rock that would be placed in front of the mouth of the intake channel. The dike would permit free passage of water, but act as a physical barrier to aquatic organisms. The design would be expected to be effective in excluding juvenile and adult fish, but its overall potential to screen fish eggs and larvae and to reduce impingement and entrainment to the levels required in the new draft rules is uncertain. Sedimentation along the outer edge of the dike could require periodic dredging. Other potential problems with the design, identified by EPA, include debris clogging, ice build-up, and colonization by fish and other aquatic life, such as zebra mussels.

The design and location of the dike could also isolate a portion of the public lakebed, cause loss of navigation or potential boating hazards near the dike, concentrate fish on the lakeside of the dike, and create habitat for invertebrates, zebra mussels, plankton, minnows, and other organisms. DNR has encouraged the applicant to consider other alternatives that would meet EPA's impingement and entrainment criteria and limit encroachment on public waters of the state.

Electric Transmission Line Improvements

The American Transmission Company's proposed transmission line improvements that are needed to connect the new plant to the transmission grid and dispatch power would all occur within existing transmission line rights-of-way and existing substation sites. The three rights-of-way that would be affected include two 4.8-mile corridors between the Port Washington Substation and the Saukville Substation and one 21.2-mile right-of-way containing the 138 kV double-circuit Port Washington-Range Line transmission line. (See Attachment 1) In all three

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corridors, the existing lattice tower or H-frame structures and wires would be removed and replaced with new structures and conductors.

Although the rights-of-way are highly disturbed, two plant species listed as special concern species, were found to reside in and at the edge of the right-of-way. These plants, slender sedge (*Carex gracilescens*) and Indian cucumber root (*Medolis virginiana*) would be avoided during construction. Butler's garter snake (*Thamnophis butleri*), a state-threatened species may occur in the vicinity of the proposed rebuilds. Impacts can be avoided by restricting construction activities in the area of concern while the snake is active. If this is not possible, an Incidental Take Authorization, would be needed from the DNR.

There are several known archeological sites, including burial sites and Native American village sites, along the proposed transmission line rebuilds. The Wisconsin Historical Society is recommending that a qualified archeologist monitor construction work adjacent to one site to ensure that any previously unidentified burial sites are not disturbed during construction. Because federal permits are required for the project, Section 106 of the National Historic Preservation Act may require a pre-construction archeological field survey of all areas to be disturbed by the project.

Natural Gas Pipeline

A new high-pressure natural gas pipeline, to be built by Wisconsin Gas Company (WGC) would be needed to connect the PWGS to existing ANR Pipeline Company pipelines at the Hartford gate station near the village of Jackson, Washington County. It would consist of 14 miles of 24-inch steel pipeline and about 2.5 miles of 20-inch steel pipeline. Construction of the pipeline would require a work space of up to 75 feet. A permanent easement of about 30 feet would be maintained over the pipeline. The two proposed routes head eastward from the ANR pipelines paralleling existing electric transmission line corridors for about 8.5 miles before joining and continuing east and north along roads and more transmission line rights-of-way to the power plant site. (See Attachment 2).

The primary land use along the proposed gas pipeline routes is agriculture. Construction of the gas pipeline would disrupt crop production during the year of construction and could result in decreased yields in subsequent years. Construction of the gas pipeline would also impact small areas of wetlands and forest.

An extensive evaluation was done of the potential impact of the proposed gas pipeline on the state and federally endangered Hine's emerald dragonfly (*Somatochlora hineana*). The DNR Bureau of Endangered Resources concluded that the dragonfly would not be affected by construction of the proposed gas pipeline.

The proposed gas pipeline could also affect the Butler's garter snake. If present, WGC may need to obtain Incidental Take Permits to allow construction. Based on experience with other large

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diameter pipelines, incorporating relatively minor construction conditions during construction of the proposed gas pipeline would adequately protect this species.

Although not known to be present directly on the proposed gas pipeline routes, an endangered butterfly and several rare plants are found in the general vicinity. WGC is conducting field surveys for these species and has agreed to incorporate any appropriate construction modifications deemed necessary by the DNR Bureau of Endangered Resources to protect any of these species, if present.

The construction of the proposed gas pipeline would result in short-term, localized increases in noise, vibrations, air quality degradation, odors, and erosion and run-off, all of which are expected to be minor.

In summary, although construction of the proposed natural gas-fired power plant, the electric transmission line improvements, and the 16-mile natural gas pipeline would result in local natural resource and community effects in the project area, none of these effects are expected to cause significant environmental impacts on the human environment.

At this time, the applicant has not committed to constructing the modifications to the existing cooling water intake that are described in the CPCN application. If the applicant makes substantial changes to the proposed project or new information or new circumstances come to light that have the potential to affect the quality of the human environment in a significant manner or to a significant extent not already considered in the environmental assessment, the PSC may prepare a supplemental environmental assessment for this project.

Copies of the environmental assessment are available upon request from the PSC. The document can be viewed on the DNR website at www.dnr.state.wi.us/org/es/science/pubs/eis/portwash.htm. Comments on the PSC's finding of no significant impact can be made to Kathleen Zuelsdorff, Public Service Commission, P.O. Box 7854, Madison, WI 53707-7854 or by phone at (608) 266-2730 (e-mail: kathleen.zuelsdorff@psc.state.wi.us). Comments must be received by November 15, 2002.

Sincerely,

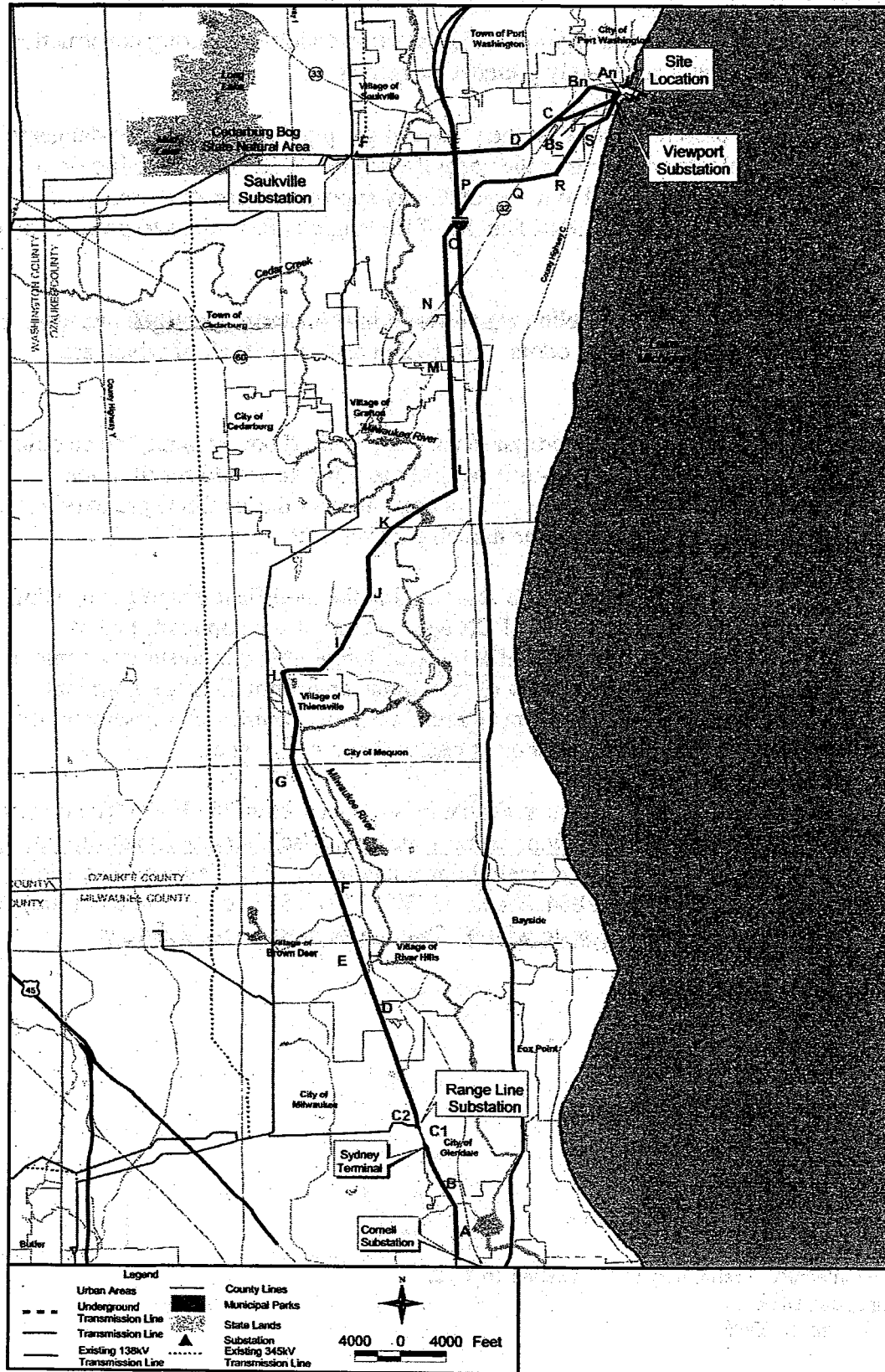


Kathleen J. Zuelsdorff
Environmental Coordinator
Public Service Commission of Wisconsin

KJZ:bap:G:\PTF\Letters\PW Preliminary Determination 10-30-02
cc: Lauren Hambrook, DNR
Michael C. Thompson, DNR

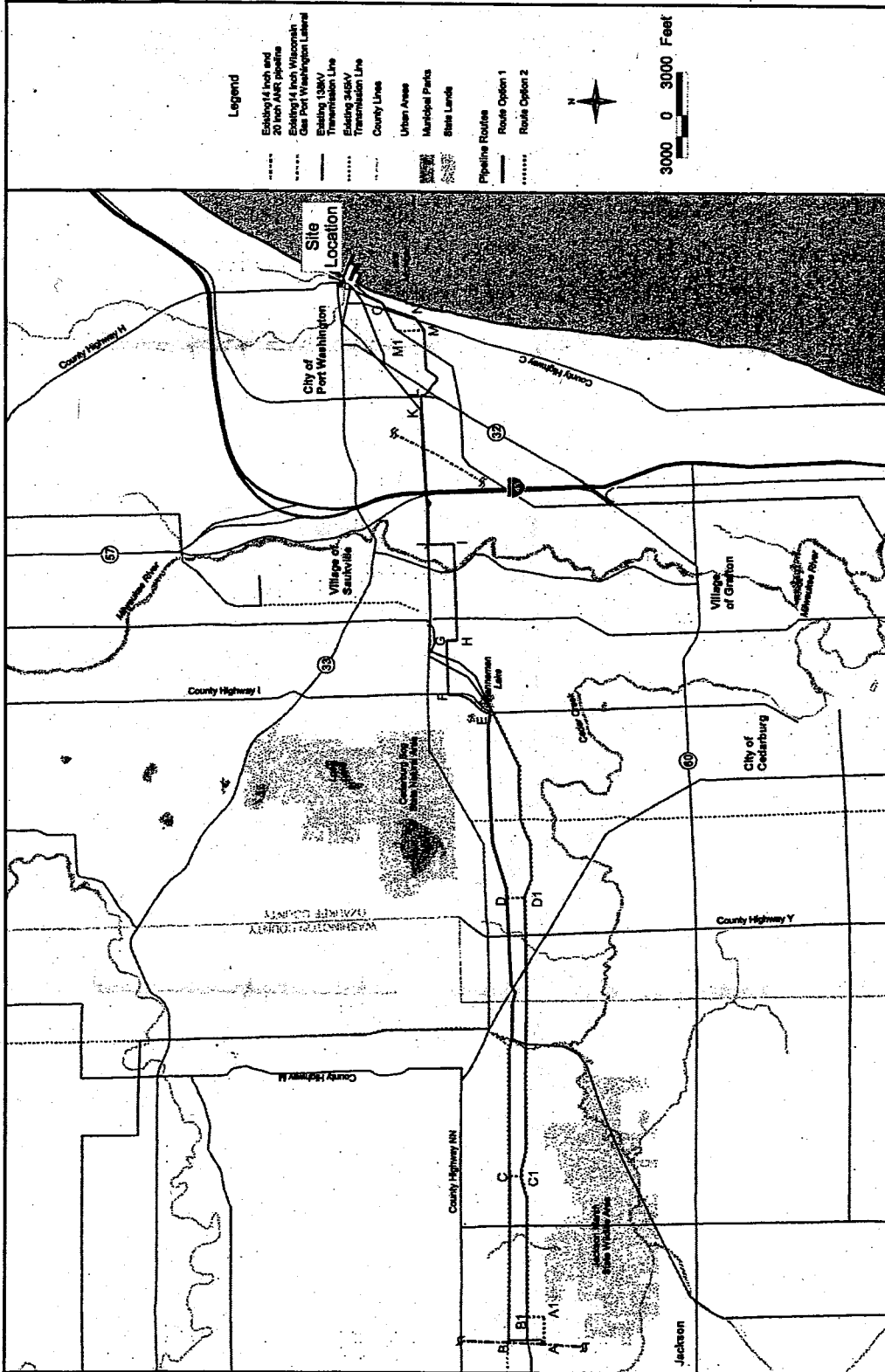
Attachment 1

Routes of Electric Transmission Lines That are to be Built



Attachment 2

Proposed Natural Gas Pipeline Routes



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