



September 20, 2010

Regional Greenhouse Gas Initiative, Inc.

90 Church Street, 4th Floor
New York, NY 10007

Re: Proposed development of a "Reference Case" for analysis of electricity and CO₂ allowance markets.

To Whom it May Concern:

NextEra Energy Resources appreciates the opportunity to comment on RGGI, Inc.'s (RGGI) proposed development of a "Reference Case" for analysis of electricity and CO₂ allowance markets. NextEra Energy Resources, a subsidiary of NextEra Energy, Inc., is the nation's leading producer of renewable energy from the wind and the sun. NextEra Energy Resources has a growing portfolio of facilities with more than 18,000 net megawatts of generating capacity. NextEra Energy Resources' portfolio includes more than 100 operating projects in 26 states and Canada. Approximately 95 percent of its electricity is derived from clean or renewable sources, including wind, solar, hydro, natural gas and nuclear energy. Primarily a wholesale power generator, NextEra Energy Resources operates power plants and sells the output to utilities, retail electricity providers, power cooperatives, municipal electric providers and large industrial companies.

NextEra Energy Resources operates 2,143 megawatts of fossil fuel-fired electric generation in the RGGI region that is subject to the program. As such, the Company has a keen interest in the 2012 RGGI program review called for under the original Memorandum of Understanding executed by the participating states in December, 2005.

Provided below are comments and questions that NextEra Energy Resources has regarding the Integrated Planning Model (IPM) assumptions that were presented at the recent RGGI Stakeholder meeting on September 13, 2010. Generally speaking, NextEra Energy Resources believes that the assumptions that RGGI is leaning towards for inclusion in the Reference Case modeling are reasonable and consistent with other IPM modeling exercises in which NextEra Energy Resources has participated. However, we have identified certain assumptions that NextEra Energy Resources believes could be improved upon. In addition, we have identified certain assumptions that have such a large impact on the IPM modeling results, and are subject to such relatively large degrees of uncertainty, that NextEra Energy Resources believes that sensitivity analyses should be performed. NextEra Energy Resource's specific questions and comments on the IPM modeling assumptions being formulated for the RGGI Reference Case are provided below. As requested during the recent stakeholders' meeting, our comments are set forth by category, as presented during the meeting.

CATEGORY 'A' ASSUMPTIONS

Cost and Performance of New Generation

What is the assumed real rate of escalation with respect to the overnight capital costs of new capacity additions assumed in the model? Underestimating the cost of new entrants, particularly zero or low emission units could underestimate the impact of the policy cases that are run with the model.

Firmly Planned Generation and Retirements

NextEra Energy Resources does not believe that *any* unit retirements should be hard-wired into the model, even those that may have been announced by their owners, since economic conditions may unexpectedly change by the time planned retirements actually occur. Overestimating the retirement of existing units in the RGGI region, particularly non-emitting nuclear units, would likely tend to overestimate the need to build new fossil fuel-fired electric generation and associated CO₂ emissions associated with the Reference Case. Overestimating the retirement of existing electric generating units in the region could underestimate the impact of the policy cases that are run with the model.

On this basis, NextEra Energy Resources recommends that the continued economic viability of *all* units in the RGGI region should be determined as an *outcome* of the IPM modeling, and not hard-wired into the model. The retirement of the Vermont Yankee Nuclear Power Plant in 2012 and the Indian Point Nuclear Plant, when the federal licenses for its two units are scheduled to expire in 2013 and 2015, respectively, are good candidates for the performance of sensitivity analyses.

CATEGORY 'B' ASSUMPTIONS

Gas Prices

Fuel price assumptions, and natural gas price assumptions in particular, can significantly affect the IPM modeling results. RGGI is leaning towards using NYMEX Henry Hub natural gas price projections through 2024 and then transitioning to the use of AEO 2010 projections after that date. NextEra Energy Resources recommends that RGGI transition to AEO 2010 projections much sooner, specifically in 2013, since forward prices in the long-term are thinly traded and very volatile. An early transition to a recognized set of natural gas projections (i.e., AEO 2010) will help avoid criticisms of model assumptions when the forward prices inevitably change.

In addition, NextEra Energy Resources suggests running sensitivities using gas prices that are +\$2 and -\$1 from Reference Case prices.

Regional Energy and Peak Demand

NextEra Energy Resources believes that the Reference Case assumptions that RGGI is leaning towards in terms of average annual energy growth (i.e., ISO projections adjusted for energy efficiency as provided by the RGGI states) are unrealistically low as a result of overly optimistic adjustments for energy efficiency by the states. We recommend that the ISO projections be used for the Reference Case assumptions and that the ISO projections with the states' adjustments for energy efficiency be used in a sensitivity analysis.

CATEGORY 'C' ASSUMPTIONS

No comments.

CATEGORY 'D' ASSUMPTIONS

No comments.

CATEGORY 'E' ASSUMPTIONS

Reserve Margins and Local Reserve Requirements

NextEra Energy Resources recommends that demand response initiatives that have cleared in capacity auctions for PJM, New England ISO and New York ISO be counted towards satisfying reserve margins in the RGGI states. Underestimation of the impact of demand response on reserve requirements in RGGI states could result in the premature addition of clean supply and an underestimation of the impact of the policy cases that are run with the model.

In the IPM model, how do imports into the region (e.g., Hydro Quebec, New Brunswick, Pennsylvania) contribute towards meeting reserve requirements in the region? Underestimation of the capacity imports to RGGI states could result in an underestimate of the impact of the policy cases that are run with the model.

PROCESS COMMENT

NextEra Energy Resources requests that RGGI release an estimated timeline/work plan for the IPM modeling. Specifically, we are interested in understanding when the Reference Case assumptions will be finalized and if stakeholders will have another opportunity for review and comment. In addition, we are interested in the timeline for the Reference Case modeling and sensitivity runs once the assumptions are finalized.

NextEra Energy Resources looks forward to continuing work with RGGI on developing the Reference Case and other aspects of the 2012 program review. If you have any questions on the comments above, please do not hesitate to contact me.

Respectfully submitted,



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