



NUCLEAR ENERGY INSTITUTE

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September 26, 2005

Mr. Franz Litz
Senior Attorney, NY DEC
President, RGGI SWG
625 Broadway, 14th Floor
Albany, NY 12233-1500

RE: Comments on the RGGI Package Proposal and MOU Drafts

Dear Mr. Litz:

On behalf of the U.S. nuclear energy industry, the Nuclear Energy Instituteⁱ has been pleased to participate in the ongoing Regional Greenhouse Gas Initiative (RGGI) discussions over the past two years. NEI appreciates the opportunity to comment on the RGGI Revised Staff Working Group Package Proposal (RGGI package proposal) released August 24, 2005, and provide thoughts on the drafting of the RGGI Memorandum of Understanding (MOU).

RGGI Package Proposal

Clearly, the expanded use of nuclear energy will lower the electric sector's future emissions of carbon dioxide (CO₂) from levels otherwise forecasted in the same way as expanded use of other non-emitting technologies.

NEI feels strongly that all non-emitting generation sources should receive the same treatment in any program aimed at reducing greenhouse gases. In short, additional nuclear energy should be treated just like additional renewable capacity.

The RGGI package proposal recognizes the vital role of non-emitting technologies in the suggested Public Benefit Purpose allowance set-aside and possibly in the Regional Strategic Carbon Fund allowance set-aside. NEI neither supports nor opposes the use of or size of such allowance set-asides. That said, NEI recognizes

ⁱ NEI is the organization responsible for establishing unified nuclear industry policy on matters affecting the nuclear energy industry, including regulatory aspects of generic operational and technical issues. NEI members include all utilities licensed to operate commercial nuclear power plants in the United States, nuclear plant designers, major architect/engineering firms, fuel fabrication facilities, materials licensees, and other organizations and individuals involved in the nuclear energy industry.

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that the RGGI package proposal currently does provide for potentially equal treatment of all non-emitting generation technologies within the descriptions of the set-asides.

Though not explicitly identified in the description of public benefit purposes, as “renewable energy technologies” are, nuclear energy is a technology that “will reduce emissions of carbon dioxide from power generation,” a criteria set out in the RGGI package proposal for inclusion in a public benefits set-aside program.

Each state, however, will individually define the eligibility criteria for receiving allowances from the state’s Public Benefit Purpose set-aside, if this set-aside exists. To simplify and provide balance to the description of public benefits purposes, the phrase, “promote renewable energy technologies“ should be replaced with, “promote new non-emitting generation capacity.”

In the spirit of the RGGI package proposal, NEI strongly recommends that each state continue to treat all non-emitting technologies equally when implementing RGGI. If any allowance set-aside program is part of RGGI, all new non-emitting generation capacity should be eligible to participate in the set-aside.

New Hampshire’s NOx Budget set-aside (New Hampshire Code of Administrative Rules Env-A 3200, section Env-A 3207.12), which treats all non-emitting generating systems equally, should be used as a template for all allowance set-asides.

The purpose and uses of the Regional Strategic Carbon Fund are still not clear and should be better defined. NEI recommends that all non-emitting technology projects at all stages of research, development, demonstration and deployment be eligible for funding from this proposed regional set-aside.

RGGI MOU Drafting

As the participating states work to draft a MOU, technology neutrality should be a theme. The RGGI program is supposed to control CO₂ emissions from the electric generation sector, not to promote any one technology. To achieve CO₂ stabilization and eventual reduction, many technologies will be needed that will include demand side management, end-use energy efficiency, renewable generation, carbon sequestration, nuclear energy, and new generation technologies yet undefined.

The MOU should avoid statements with partial lists of technologies that may be promoted by compliance with a carbon cap. However, the MOU should acknowledge the major technology assumptions behind carbon cap calculations – one of which is the continued operation of all the Northeast’s nuclear capacity.

NEI once again reminds all participants and stakeholders in RGGI that the modeling used to help shape this proposed package assumes all nuclear power plants in the region apply for and receive operating license renewals.

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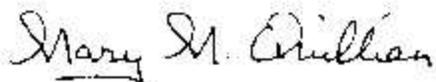
The Electric Power Research Institute (EPRI) funded and recently released modeling runs (performed by ICF Consulting using RGGI Staff Working Group assumptions) that demonstrate future scenarios with reduced regional nuclear capacity. Under a CO₂ cap similar to that proposed in the RGGI package proposal, dependence on natural gas increases and the price of CO₂ allowances doubles when less than a third of the nuclear capacity is retired. Yet over 54 percent of the region's nuclear capacity is scheduled to retire by 2020 unless those plants seek and receive 20 year license renewals.

The continued operation of all the nuclear plants in the region, which collectively are the region's largest source of electricity, is vital to achieving the CO₂ caps set in the RGGI package proposal in the most economic way possible.

It is only appropriate that any final MOU between the RGGI states acknowledge the role of the operating nuclear power plants and support their continued operation.

If any state representative or stakeholder would like to discuss these comments further, please contact me at 202-739-8013 or mmq@nei.org. Thank you.

Sincerely,



Mary M. Quillian

- C: Paul G. Afonso, Chairman, Massachusetts Department of Telecommunications & Energy
- Donald W. Downes, Chairman, Connecticut Department of Public Utility Control
- William M. Flynn, Chairman, New York Public Service Commission
- Jeanne M. Fox, President, New Jersey Board of Public Utilities
- Michael D. Harrington, Commissioner, New Hampshire Public Utilities Commission
- James Volz, Chairman, Vermont Public Service Board
- Brent Dorsey, Director of Corporate Environmental Programs, Entergy Corp.
- Ronald Drewnowski, Director of Environmental Strategy and Policy, PSEG Services Corp.
- Pamela F. Faggert, Vice President and Chief Environmental Officer, Dominion Corp.
- Yolanda Pagano, Director of Climate Policy and Programs, Exelon Corp.
- John Quinn, Engineer, Constellation Energy Group
- D. Lynn Smallridge, Environmental Analyst, FPL Group
- Daniel A. Weekley, Director of Northeast Government Affairs, Dominion Corp.