



Connecticut **Business & Industry** Association

February 8, 2008

Mr. Paul Farrell  
Hearing Officer  
Department of Environmental Protection  
79 Elm Street  
Hartford, CT 06409

Dear Mr. Farrell

The Connecticut Business and Industry Association (CBIA) is supplying this testimony in conjunction with the public hearing held on February 8, 2008 regarding the Department of Environmental Protection's (DEP) proposed regulations implementing the Regional Greenhouse Gas Initiative (RGGI).

**CBIA OPPOSES THE PROPOSED REGULATIONS  
IN THEIR CURRENT FORM**

CBIA has participated in numerous meetings, forums conducted by the DEP over the past several years. During that time, we have communicated our concerns to the DEP many times—most recently in writing via letters dated Feb. 13 and June 1, 2007.

**The proposed regulation, as currently drafted, constitutes a nearly complete dismissal of the concerns raised by the business community throughout the RGGI process.**

Time and again we have emphasized the need to move cautiously in this area given the program's potential impacts on energy prices, reliability and even the potential for increasing air pollution in Connecticut due to a potential incentive for generating more energy out-of-state -- including upwind states with power plants far less "clean" than our plants.

**These issues that are of great concern to the business community have consistently been seen as unlikely scenarios by the DEP, not worthy of substantive regulatory acknowledgement.**

The DEP's Notice Of Intent To Amend The Regulations of Connecticut State Agencies, published January 8, 2008 states that the proposed regulations "are consistent with the RGGI Memorandum of Understanding . . . , recommendations made in the Connecticut Climate Change Action Plan 2005, and as directed by section 93 of Public Act 07-242.

But the Memorandum of Understanding says nothing about holding an open auction. Public Act 07-242 does call for an auction of 100% of the CO2 allowances, but it is silent as to timing, the option to phase in such an auction, and whether such an auction should be open to entities beyond the power generation units that will need them. The Climate Change Action Plan 2005 also says nothing about an open auction. What it does say is that the CO2

allowance price for the RGGI region will be over \$7 per metric ton in 2010 and 30% higher than that in 2015 at the end of the first compliance period.

Connecticut's allowances under the program are expected to be over 10 million tons per year. Cutting the Climate Change Action Plan's estimated allowance cost by half (to be highly conservative), the auction proposed under the DEP's RGGI regulation would generate well over \$30 MILLION in 2010 and increasing to over \$40 MILLION by 2015 **for a conservative total of:**

**NEARLY \$200 MILLION OVER THE FIRST 5 YEAR PERIOD!**

And under the proposed regulations, \$15 million of that would go to the DEP for administering the program.

While we have asked the question many times, we will again, as part of this formal hearing process that requires the DEP to respond to the comments submitted, ask:

**WHERE WILL THIS MONEY WILL COME?**

**We think we know – it will come from electric rate payers in the state of Connecticut – already paying the highest energy prices in the continental United States.**

CBIA, as part of the formal record of this hearing, again asks the DEP to reconsider the path it has chosen for RGGI implementation, consistent with our previous comments (copies of which can be provided if the DEP would like).

We also request that the regulation be modified to clarify that the DEP, in conjunction with the Department of Public Utility Control, will issue an annual report assessing the implementation of the RGGI program, including a full accounting of all money received including where they were receive from, how those revenues have been distributed, how public agencies spent that money, the impact on electricity prices in Connecticut, the amount of greenhouse gases not emitted to the environment thanks to the RGGI program and the impact on the average annual temperature of the earth's atmosphere.

Additionally, the regulations should specify that when a comparable federal program is adopted and implemented, this regulation will sunset.

Thank you for this latest and final opportunity to comment to the DEP's on its proposed regulations for implementing RGGI.

Sincerely,



Eric J. Brown  
Associate Counsel