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February 8, 2008

Mr. Christopher Nelson
Connecticut Department of Environmental Protection
Bureau of Air Management
Planning and Standards Division
79 Elm Street
Hartford, Connecticut 06106-5127

Re: Comments of Dominion Nuclear Connecticut, Inc. on the State of Connecticut Department of Environmental Protection Request for Comments on R.C.S.A. Section 22a-174-31 – Control of Carbon Dioxide Emissions/ Carbon Dioxide Budget Trading Program and R.C.S.A. Section 22a-174-31a – Greenhouse Gas Emission Offset Projects

Dear Mr. Nelson:

Dominion Nuclear Connecticut, Inc. (“Dominion”) appreciates the opportunity to submit comments to the Connecticut Department of Environmental Protection (“the Department”) relative to the request for comments on Regulations of Connecticut State Agencies (R.C.S.A.) Section 22a-174-31 (Section 31) – Control of Carbon Dioxide Emissions/ Carbon Dioxide Budget Trading Program and R.C.S.A. Section 22a-174-31a (Section 31a) – Greenhouse Gas Emission Offset Projects. As the Department is aware, Dominion owns and operates the Millstone Power Station in Waterford, Connecticut.

Although the Millstone Power Station will not be subject to the Regional Greenhouse Gas Initiative (RGGI) requirements, these comments primarily focus on the recognition and promotion of nuclear uprates as a non-CO2 emitting energy source under the RGGI consistent with Section G(1) of the RGGI Memorandum of Understanding (MOU). Additionally, these comments address the proposed regional auction, to be held by RGGI, Inc., since Connecticut has stated that it is not promulgating auction rules at this time as it anticipates that it will participate in the regional auction.

Recognition for Non-CO2 Emitting Generation

As written, Public Act No. 07-242, "An Act Concerning Electricity and Energy Efficiency" (the Act) does not preclude the Department from providing nuclear uprates recognition under Connecticut's implementation of RGGI. Specifically the Act states that:

Sec. 93. (NEW) (Effective July 1, 2007) (a) The Commissioner of Environmental Protection shall adopt regulations, in accordance with chapter 54 of the general statutes, to implement the Regional Greenhouse Gas Initiative.

*(b) The Department of Environmental Protection, in consultation with the Department of Public Utility Control, shall auction all emissions allowances and invest the proceeds on behalf of electric ratepayers in **energy conservation, load management and Class I renewable** energy programs. In making such investments, the Commissioner of Environmental Protection shall consider strategies that maximize cost effective reductions in greenhouse gas emission. Allowances shall be auctioned under the oversight of the Department of Public Utility Control and the Department of Environmental Protection by a contractor or trustee on behalf of the electric ratepayers.*

(c) The regulations adopted pursuant to subsection (a) of this section may include provisions to cover the reasonable administrative costs associated with the implementation of the Regional Greenhouse Gas Initiative in Connecticut and to fund assessment and planning of measures to reduce emissions and mitigate the impacts of climate change. Such costs shall not exceed seven and one-half per cent of the total projected allowance value. Such regulations may also set aside a portion of the allowances to support the voluntary renewable energy provisions of the Regional Greenhouse Gas Initiative model rule and combined heat and power.

*(d) Any allowances or allowance value allocated to the **energy conservation load management program** on behalf of electric ratepayers shall be incorporated into the planning and procurement process in sections 51 and 52 of this act.*

*Sec. 51. (a) The electric distribution companies, in consultation with the Connecticut Energy Advisory Board, established pursuant to section 16a-3 of the general statutes, as amended by this act, shall review the state's energy and capacity resource assessment and develop a comprehensive plan for the procurement of energy resources, including, but not limited to, **conventional** and renewable generating facilities, energy efficiency, load management, demand response, combined heat and power facilities, distributed generation and other emerging energy technologies to meet the projected requirements of their customers in a manner that minimizes the*

cost of such resources to customers over time and maximizes consumer benefits consistent with the state's environmental goals and standards.

As proposed the regulations at Section 31 state the allowance allocations breakdown as:

- 91% (9,732,483 tons/year) of each annual CO2 base budget to the Connecticut Auction Account,
- 5% (534,752 tons/year) to the Combined Heat and Power (CHP)¹ Set-aside Account,
- 3% (320,851 tons/year) to the Consumer-side Distributed Resources (CDR) Set-aside Account, and
- 1% (106,950 tons/year) to the Voluntary Clean Energy Purchase Set-aside Account.

The Connecticut RGGI program should recognize and promote non-CO2 energy sources, like nuclear uprates, as a non-CO2 emitting energy source under RGGI. Since a nuclear uprate is from a “conventional” generating facility and could be considered as contributing to “load management,” nuclear facilities that complete uprates should receive allowances. Avoided emissions, including power generation from nuclear energy, are specifically recognized in the DOE 1605(b) guidelines². From a policy perspective, the federal government has found it appropriate to include nuclear energy and likewise Connecticut should acknowledge this as well. Therefore, we believe that the proposed regulatory Section 31(f)(3)(A) should be re-written (bolded) as follows in order to mirror the statutory language and intent:

(3) CO2 allowance allocations.

*(A) In accordance with the timing provisions of subdivision (2) of this subsection, the commissioner shall allocate **eighty seven and four tenths (87.4)** percent of each annual CO2 base budget to the Connecticut Auction Account, five (5) percent to the Combined Heat and Power (CHP) Set-aside Account, three (3) percent to the Consumer-side Distributed Resources (CDR) Set-aside Account one (1) percent to the Voluntary Clean Energy Purchase Set-aside Account and*

¹ CO2 allowances which are transferred to the Connecticut Auction Account from the CHP Set-aside Account, from the CDR Set-aside Account or from the Voluntary Clean Energy Purchase Set-aside Account shall be offered for sale at the next auction held following the transfer of such allowances.

² Federal Register, Volume 71, No. 77, April 21, 2006, page 20799.

three and six tenths (3.6) percent to uprated capacity from non-CO2 emitting conventional nuclear generating facilities.

RGGI Auction Rules or “Procedures”

The Department has publicly stated that Connecticut intends to participate in the Regional RGGI auction, thereby surrendering the majority of Connecticut’s RGGI allowance allocation to the entity conducting the regional RGGI auction. As such, Connecticut did not propose separate RGGI allowance auction regulations. Dominion urges Connecticut to ensure regional RGGI auction rules or “procedures” be developed in an expedited manner and published for public comment by the RGGI states. These auction rules or procedures should not only specify how the auctions will be conducted and by whom, but should also specify the governmental agency that will have jurisdiction to enforce regional auction rules or procedures and take action where appropriate.

When auction formats and procedures are ultimately adopted, it should be clear which government agency or entity will oversee the auctions and spot markets, whether auctions will be suspended or nullified if inappropriate activity occurs, and what penalties or sanctions will apply to those who do not follow the procedures. Decisions in these policy areas should be noticed for public comment prior to the auction commencement so that potential violations will be deterred and prospective bidders can not only have faith in the security of the auctions, but be aware of the rules that will be applicable to all participants.

Pilot Auctions

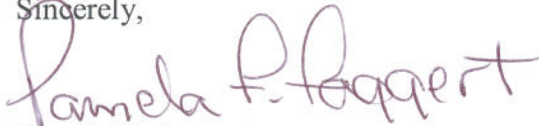
Dominion also strongly recommends that the RGGI states involve the owners of CO2 Budget Sources in a series of “pilot” auctions prior to the first “live” RGGI auction in 2008. This approach will facilitate learning by the CO2 Budget Sources as well as the RGGI states with different auction design elements; similar to the activities that took place prior to implementation of Standard Market Design (SMD) in the Independent System Operator of New England (ISO-NE) market.

The RGGI allowance pilot auctions would aid market participants as well as the RGGI states regarding how the auctions are likely to perform under varying rules and market conditions. This will serve to eliminate some of the uncertainty the CO2 Budget Sources and state regulators face with a near 100% RGGI allowance auction.

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Dominion appreciates the Department's consideration of these important issues and if you have any questions, please call Paula Hamel at 401-457-9234 or e-mail at paula.a.hamel@dom.com or Daniel Weekley at 860-444-5271 or e-mail at daniel.a.weekley@dom.com.

Sincerely,



Pamela F. Faggert

CC:

G. McCarthy, Commissioner
A. Gobin, Director Air Bureau
E. Hardy, Dominion
A. Price, Dominion
R. Griffin, Dominion
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