

via e-mail

Mr. Chris Nelson ( [chris.nelson@po.state.ct.us](mailto:chris.nelson@po.state.ct.us) )  
Mr. Chris James ( [chris.james@po.state.ct.us](mailto:chris.james@po.state.ct.us) )  
Bureau of Air Management  
Department of Environmental Protection  
79 Elm Street  
Hartford, CT 06106

February 12, 2007

Re: PSEG introductory comments to Connecticut on State implementation of the  
Regional Greenhouse Gas Initiative

Gentlemen:

Thank-you for your invitation to provide guidance to CT before the RGGI meeting  
scheduled in Hartford on February 15, 2007 and before CT embarks on rulemaking to  
enable RGGI.

PSEG is aware of the New York pre-proposal to pursue a 100% open auction process at  
the start of the RGGI program and we are very concerned with this unprecedented and  
risky action. We are also aware of the pressures this brings to other states to pursue a like  
minded track and we encourage CT not to replicate this unsound and untested  
environmental policy.

The rationale for this New York approach, as detailed in the pre-proposal, appears to be  
grounded in the assumption by NY state that generators will have "excess revenues" if  
the allowances are allocated directly to the generators. This excess revenue windfall, as  
some have called it, is a conclusion arrived at by parties that are not in the business of  
providing energy and energy services in a dynamic, complex and competitive energy  
marketplace. I assure you, that PSEG and generators in the RGGI region are extremely  
concerned about the RGGI initiative and the possible negative impact on our business,  
system reliability, and electric rates for our customers. I can also assure you that PSEG  
views this 100% hold back of allowances with an open auction to any bidder; at the  
inauguration of a new and untested program, as extremely risky. We believe this one  
element may greatly exacerbate leakage, may greatly increase the transport of pollutants  
from non-RGGI states into the RGGI region in the same timeframe that the RGGI states  
are striving to meet ambient air quality goals; it could maximize the cost of the RGGI  
program to consumers, and possibly impede the development of a national program that  
PSEG has been supporting for many years.

In summary, PSEG welcomes the opportunity to work with CTDEP on possible  
alternatives to a 100% open auction. We believe that in the face of an upsurge of national  
attention on climate change, policy warrants a moderate approach that can harmonize  
with a national program as quickly and efficiently as possible is the best course for CT.

Please contact me with questions and clarifications,

Daniel Cunningham  
Environmental Policy Manager, PSEG  
(973) 430-6307