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May 31, 2012

Nicole Singh
Acting Executive Director
Regional Greenhouse Gas Initiative, Inc.
4th Floor, 90 Church Street
New York, NY 10007

RE: info@rggi.org

Comments on May 2012 Request for Stakeholder Comments on Program Review

Dear Ms. Singh:

Enclosed are Capital Power Corporation's (CPC) comments regarding the Regional Greenhouse Gas Initiative's (RGGI) request for comments on information released on May 21, 2012.

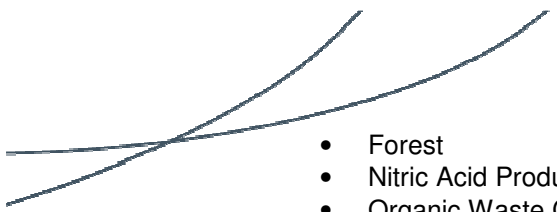
Background

CPC owns and operates three natural gas electricity generating facilities in the RGGI region: (a) the "Rumford Facility" located at Rumford, Maine, which has a nominal capacity of 265 MW, (b) the "Tiverton Facility" located at Tiverton, Rhode Island, which has a nominal capacity of 265 MW, and (c) the "Bridgeport Energy Facility" located at Bridgeport, Connecticut which has a nominal capacity of 520 MW.

Comments

1. Offsets:

- a. CPC recommends that existing or developed offsets protocol must generate verifiable offsets that provide additional Greenhouse (GHG) reduction beyond business-as-usual. When developing offset's protocol, the States should consider the supply of the offset, the cost of creating the offset, the fungibility of the offset with other environmental programs, and the barriers for the offset's developers to enter the RGGI offset market.
- b. To encourage and increase using offsets as a compliance mechanism to meet RGGI's declining GHG cap, CPC recommends:
 - i. increasing the amount of Carbon Dioxide (CO₂) offset-allowances eligible to be used for compliance to be at least 5.0% of the tonnes of CO₂ emissions for the control period;
 - ii. removing the stage one and two price triggers for simplicity; and
 - iii. adopting the Climate Action Reserve (CAR) protocols in all geographic areas within the United States of America. CAR establishes high quality standards for carbon offset projects, oversees independent third-party verification bodies, issues carbon credits generated from such projects, and tracks the transaction of credits over time in a transparent and publically accessible system. The recommended CAR protocols are:
 - Coal Mine Methane

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- Forest
 - Nitric Acid Production
 - Organic Waste Composting
 - Organic Waste Digestion
 - Ozone Depleting Substances
 - Rice Cultivation
 - Urban Forest
 - US Landfill
 - US Livestock

2. Cost Containment Reserve (CCR) – CPC recommends that:
 - a. all unused CCR allowances by the end of the year should be banked until 2018 when RGGI may be evaluated for the second time;
 - b. the CCR allowances should be sold in a separate auction 6 weeks after the quarterly auction and adjust the current auction timelines to allow for the 6 weeks period. If adjusting the quarterly auction timeline is not feasible then CPC recommends that selling the CCR allowances should take place in the next scheduled quarterly auction; and
 - c. RGGI states clearly that CCR allowances will be released, as indicated above, once the CO₂ price in the auction triggers the CCR.
3. Control Period
 - a. CPC recommends that the current three-year control period should be shortened. For example, the California Air Resources Board (CARB) requires regulated facilities to submit no less than 30% of the compliance obligation per year in the first two years of the control period and provide the remainder of the compliance obligation in the third year. RGGI can follow a similar approach to CARB's. The annual compliance provides a greater liquidity in the market, a more transparent price signal that is reflective of the emissions for the covered year, and a better matching of costs/revenues for finance purposes, over the current compliance control period.
 - b. CPC does not support lengthening the control period due to a trigger based pricing. Instead, CPC supports releasing additional allowances into the market. CPC suggests using the CCR approach or increase the number of offset-allowances eligible to be used for compliance from 5%, as suggested above, to 10%.

CPC appreciates the opportunity to comment. If you have any questions, please contact me at (780) 392-5172.

Yours truly,



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Capital Power Corporation