



May 22, 2006

Mr. Franz Litz, Chairman  
Regional Greenhouse Gas Initiative  
State Working Group  
c/o New York Department of Environmental Conservation  
Albany, New York

RE: FPL Group's Comments on the RGGI Draft Model Rule

Dear Mr. Litz:

FPL Group appreciates the opportunity to comment on the Regional Greenhouse Gas Initiative Draft Model Rule. To preface our comments, however, we would like to reiterate our position on reductions of greenhouse gases. FPL Group recognizes that the concerns over climate change are significant and this is an issue with the potential to significantly impact our industry and company. We see there is a strong trend toward mandatory regulation of CO2 emissions and we view that multipollutant emissions reductions including CO2 (greenhouse gas) regulation is important in order to achieve certainty for our industry with regard to future regulation and its impacts to growth. FPL Group does not prefer the implementation of regional mandatory greenhouse gas reduction programs but rather a nationwide program consistent with our philosophy.

FPL Group believes a successful greenhouse reduction program must contain provisions that encourage wanted behavior and do not harm those who already exhibit that wanted behavior.

Having made the statements above, FPL wishes to make the following comments regarding elements of the Regional Greenhouse Gas Initiative program.

***Early Reduction Credits.***

Early reduction credits should be additional to the cap. In the development of the program it was explicitly stated this would be the case to avoid the delay of reductions that could be achieved before the onset of the program.

***Allowances.***

If a greenhouse gas reduction program contains an allowance allocation provision, FPL's philosophy insists on an equitable distribution of allowances that is fuel neutral and includes allocations to all non-emitting generation types. We believe that non-emitting generation, including nuclear, hydro and renewable are

an integral part of a greenhouse gas reduction strategy in the U.S. and these electric generation sources should be rewarded with CO2 credit allocations. We also believe that mandatory reductions must include a reasonable reduction goal that is intensity based and recognizes the occurrence of shifts in type and location of electricity generation in various regions in the U.S. FPL urges the states to revise the Memorandum of Understanding to establish an intensity-based cap with an updating baseline for allowance allocations.

***Set asides.***

The 25% set aside for the Consumer Benefit or Strategic Energy Purpose Account should include guidance language that restricts the amount of the funds in the account that can be used for the administration of the state's component of the CO2 Budget Trading Program. Without some limit, it is possible that very little, if any, of the set aside will ever reach programs designed to promote energy efficiency, develop carbon abatement technologies, encourage non-carbon-emitting energy technologies, or for mitigation of electricity ratepayer impacts as is intended in the Memorandum of Understanding and Model Rule.

***Offsets.***

FPL believes there is no environmental reason to restrict the amount or the geographic location of offset projects and that using the restrictions to attempt to reduce leakage is a flawed approach. Since CO2 emissions mix in the atmosphere globally in about one month, it makes no difference if a reduction comes from a project within or from outside the RGGI region. The restrictions should be eliminated to allow the most cost-effective projects to be developed. Additionally, FPL believes that once a project has been approved for RGGI CO2 credits, the credits should not cease if a law or regulation changes so as to require the project. The project should be grandfathered. Having this potential to lose the expected credits will hinder development of new projects without any environmental reason to do so.

FPL also encourages a specific process be developed to consider additional types of offset projects. The process should include a limit on the amount of time the authorizing entity has to review the application. Again, restricting the offset program to the few types of projects currently identified places on undue hardship of generators who are trying to provide the much-needed electricity to the region.

***Offset Additionality.***

New offset projects should only be required to meet the regulatory additionality test. Attempting to create a financial additionality test is purely subjective and has no bearing on the environmental benefits of a project.

***Withdrawal from RGGI.***

The Model Rule should contain language for the states' use in developing their regulations which allows the states to withdraw from RGGI with 30 days notice as

is agreed upon in the MOU. This is a safety valve that was offered to the governors as an enticement to sign the MOU and it should be preserved in the regulations.

***Sunset Provision.***

The Model Rule should include a sunset provision in the event a national CO2 reduction program is implemented. Failure to do so could result in a severely fragmented set of rules with multiple requirements at the federal and state level. Multiple programs will further disproportionately increase costs for the consumers in the region. A federal program should include language recognizing early reduction credits, offsets and banked allowances under RGGI to be used in that federal program.

***Review of Modeling Assumptions.***

FPL Group encourages each state considering enacting RGGI legislation to conduct a very detailed review of all the data, assumptions and methodology used in the RGGI modeling. Each should evaluate its tolerance to the risk associated with the economic repercussions of flawed or overly optimistic assumptions being used.

If you have questions regarding any of these comments, please contact me at the numbers below.

Respectfully submitted,



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cc: The Honorable John Baldacci, Governor of Maine  
The Honorable Jon S. Corzine, Governor of New Jersey  
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The Honorable George E. Pataki, Governor of New York  
The Honorable Mitt Romney, Governor of Massachusetts  
The Honorable Robert L. Ehrlich, Governor of Maryland