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September 22, 2010

Mr. Jonathan Schrag
Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Delivery: Email to info@rggi.org

Subject: Comments on Proposed Integrated Planning Model (IPM) Assumptions and Model Inputs

Dear Mr. Schrag:

Mirant Corporation ("Mirant") appreciates the opportunity to submit comments to the Regional Greenhouse Gas Initiative ("RGGI"), Inc. on issues and assumptions related to development of a reference case for analysis of electricity and the carbon dioxide (CO_2) allowance market using the Integrated Planning Model ("IPM"). Mirant subsidiaries own six fossil fired generating stations in the RGGI region subject to state RGGI implementation regulations, which include Mirant Bowline in New York, Mirant Canal and Mirant Kendall in Massachusetts, and Mirant Chalk Point, Mirant Dickerson, and Mirant Morgantown in Maryland.

Mirant appreciated attending the stakeholder meeting hosted by RGGI Inc. on September 13, 2010. As a result of attending the meeting and reviewing the documents provided prior to and after the meeting Mirant would like to provide feedback on several areas relative to the ICF International ("ICF") IPM modeling efforts.

Process Transparency and Schedule

Based on the information released to date, it is unclear as to when the base case and sensitivity modeling runs will actually occur. We request RGGI Inc. to maintain a high level of transparency as the preparation work for the IPM model runs and 2012 RGGI program review develops by releasing a proposed detailed schedule with milestones and providing opportunity for public comment prior to making critical decisions. We would certainly like to see the inputs and results of the modeling in order to provide further comments in greater detail at that time.

Modeling Process

In terms of applying the modeling results, we are interested in understanding how RGGI plans to incorporate the results. Is the model being used as a predictive tool, and therefore would the results of the model runs simply be adopted, or is there a CO_2 price / emissions limit expectation toward which RGGI and ICF anticipate that the model will be driven? For example, does the model output determine the limits based on an iterative CO_2 price or does the model solve for a price based on an undisclosed limit?

Sensitivities to the Model Run

We would like to see more specifics on addressing sensitivities such as economic growth and load growth. There should be a mechanism to allow for some annual variability to the CO_2 limit (cap) plus or minus a certain percentage to account for short-term variability in emissions due to economic conditions and weather variability.

- What occurs if the load levels return to the pre-recession levels?
- How are higher gas prices in anticipation of greater restrictions on shale gas going to be reflected?
- What may be the impact of any delay in the implementation of federal EPA programs, such as the Clean Air Transport Rule, Hazardous Air Pollutants, Maximum Achievable Control Technology, Best Available Retrofit Technology, and revisions to the oxides of nitrogen (NO_x) Reasonably Achievable Control Technology, all of which will be taking place just prior to and beyond 2014?

Regional Energy and Peak Demand

RGGI Inc. indicated that it is leaning towards “ISO projections, adjusted for efficiency as provided by the states” for the IPM assumptions regarding regional energy and peak demand. As seen from the additional slides provided at the stakeholder meeting, ISO New England is shown to have negative demand growth, which is primarily driven by the aggressive energy efficiency investment policies expected to be implemented in Massachusetts, as required by state statutes. Other states show decreased demand growth when adjusted for energy efficiency. We request that RGGI Inc. direct ICF to run a sensitivity case which does not adjust for energy efficiency investment, so the public can understand the magnitude of the impact of this investment on the modeling results, in the event this investment does not materialize.

Generation Mix in the RGGI Region

RGGI Inc. indicated in the stakeholder meeting and slide presentations that they are leaning towards the IPM assumption of “only coal with carbon capture can be built in the RGGI region” and that “nuclear can be built on an economic basis at existing plant sites.” Does RGGI assume that merchant nuclear is economically viable and could RGGI provide some insight into that conclusion? Similarly, how are the long-term renewable portfolio standards goals going to be modeled?

Leakage

As indicated in the stakeholder meeting, ICF stated that it did not account for leakage as part of the modeling assumptions. However, ICF indicated that they could adjust the model to respond to leakage. The original RGGI IPM modeling done for RGGI Inc.'s 2008 leakage report generally projects an increase in imports, with associated emissions leakage in the cap scenarios relative to the business-as-usual cases. There is no reason to believe that leakage will not continue and that it would increase if prices were higher in the future. In addition, RGGI should examine the impact of tighter limits or higher costs on total air quality in the RGGI region and neighboring states. Since leakage remains an important concern in RGGI program implementation, we request that RGGI Inc., direct ICF to account for leakage under any future base case or sensitivity model runs and to report the amount of leakage and NO_x and SO_2 output expected under the various model scenarios.

Pollution Control Costs

During the stakeholder meeting, ICF indicated that EPA had just released a new cost for flue gas desulfurization of $500/kW. However, RGGI, Inc. was "leaning" towards using an average value of approximately 425/kW based on a 2004-2006 number of approximately $300/kW released by EPA. We request that RGGI Inc. raise the "leaning" cost closer to the new EPA cost for flue gas desulfurization of $500/kW or greater, which is consistent with the EPA analysis and the expectation that smaller coal units will be affected by the next stage of control implementation.

If you have any questions, or require additional information, please contact me at 617.529.3874.

Sincerely,

Shawn Konary
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Mirant New England/New York

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