

**Generators for Clean Air  
1700 Pennsylvania Avenue, N.W.  
Washington, DC 20006**

October 12, 2007

Senator Barbara Boxer  
Chair, Committee on Environment  
& Public Works  
United States Senate  
Washington DC 20510

Senator James M. Inhofe  
Ranking Member, Committee on  
Environment & Public Works  
United States Senate  
Washington DC 20510

Dear Senator Boxer and Senator Inhofe:

We are writing as members of Generators for Clean Air (GCA) to express our strong support for the inclusion of a ceiling on allowance prices (typically referred to as a safety valve) in federal legislation that would cap greenhouse gas emissions. GCA members represent a significant cross section of the electric power sector, and we support a reasonable safety valve for a number of reasons, most importantly, the protection it would provide for our customers.

GCA is a diverse group of twelve (12) electricity generators: Allegheny Energy, American Electric Power, DTE Energy, Duke Energy, Edison International, MidAmerican Energy Holdings Company, PNM Resources, PPL Corporation, Reliant Energy, Salt River Project, Wisconsin Energy, and Xcel Energy. All are committed to the development of a workable program to reduce greenhouse gas emissions.

These companies serve 44 million customers and have operations in 36 states representing all regions of the country. Some GCA companies operate in rate-regulated states; others operate in unregulated electricity markets. The collective generating capacity controlled by the members of GCA constitutes approximately one-fifth of all U.S. electric generating capacity and one-third of coal-fired capacity. Approximately half of GCA's generating capacity is coal-fired; the balance consists of natural gas, nuclear and renewable energy. Our members include some of the largest renewable energy suppliers in the country. Some companies have announced plans to construct IGCC units. Others have undertaken projects to demonstrate carbon capture and sequestration technology on existing coal-fired units.

The impact of an economy-wide cap-and-trade program on our customers will depend on a number of factors, including the availability and cost of next generation technologies. If low- and zero-carbon technologies (including carbon capture and sequestration) are commercially available and economical, as we hope they will be, program costs will be substantial but manageable. If, however, projections about availability and cost prove to be overly optimistic, a safety valve would protect our customers and the economy by ensuring that allowance prices remain stable.

Also, we believe a safety valve would facilitate investment in new technology. Without a safety valve, lenders are more likely to require substantial risk premiums to compensate for uncertainty caused by potentially volatile allowance markets. A safety valve would not be a disincentive to invest in carbon capture and sequestration and other cost-effective measures if it is set at a level that maintains an economic incentive for research, development and deployment of new technologies.

For these reasons, GCA respectfully urges you to consider including a reasonable safety valve in cap-and-trade legislation. We hope our comments are helpful and we would appreciate the opportunity to meet with your staff to discuss these issues further. We can be reached by contacting Paul Bailey, GCA's executive director, at 202-393-5055.

Sincerely,

[Original copies signed by Paul Bailey]

On behalf of Allegheny Energy, American Electric Power, DTE Energy, Duke Energy, Edison International, MidAmerican Energy Holdings Company, PNM Resources, PPL Corporation, Reliant Energy, Salt River Project, Wisconsin Energy and Xcel Energy

Copy to:

Senator Joseph I. Lieberman, Chair  
Subcommittee on Private Sector and Consumer Solutions to Global Warming and Wildlife Protection

Senator John Warner, Ranking Member  
Subcommittee on Private Sector and Consumer Solutions to Global Warming and Wildlife Protection