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Energy and Technology Committee

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SB 188 - An Act Concerning Certain Electric Utility Powers and Investments

NRG is pleased to provide the following comments on draft bill SB 188 - An Act Concerning Certain Electric Utility Powers and Investments. My name is Ray Long. I am Director of the Northeast Region for NRG Energy, Inc. NRG is a competitive wholesale generator in Connecticut with power plants located in Montville, Middletown, Norwalk, Devon, Cos Cob, Torrington, and Branford. We operate over 2,000 MWs in Connecticut, enough power to serve over 1.4 million households.

NRG opposes Section 2 of the draft bill, which would allow the utilities to own and operate generation without any determination of need, with no restrictions as to amount and with no opportunity for competition. Similar language was proposed in bills before this Committee in 2006 and 2007, and the language was specifically rejected as part of the overall debate which took place in those years in favor of other solutions (discussed below) which allow the utilities to develop generation. In short, the Legislature has already provided for utility-owned generation, but with certain protections.

Over the past five years, the legislature has fully vetted many options to meet Connecticut's need for new generation. In 2005, the legislature passed the Energy Independence Act, which among other things created a competitive process for procuring peaking and baseload generation. Utilities were authorized to participate in this process

and chose not to do so. In 2007, the legislature passed a comprehensive bill that included a competitive process currently underway to develop cost of service peaking generation, which could be developed by the utilities if their projects are in the best interests of ratepayers. Both utilities and competitive suppliers are participating in this process before the DPUC. Indeed, NRG is participating in this process through a joint-venture with UI.

Put simply, there is no place for new legislation that provides additional opportunities for utility generation without a competitive process that ensures that the lowest cost generation is procured and that requires no determination of need. The legislation drafted by this committee and passed in 2005 and 2007 has these protections for the state's consumers.

The Legislature's actions are being implemented now and include a process to plan and develop new, needed resources:

1. The 2007 Energy Act created a process for new peaking generation. Bids are being submitted by March 3rd by both utilities and other generation developers who are competing on price for a cost of service arrangement with the DPUC. The DPUC is expected to make a decision about whether to award any of the submitted projects in July.
2. The 2007 Energy Act created an integrated resource process to identify and procure CT's generation needs going forward. This process is underway at the CEAB. Identified resource needs are to be competitively bid and both utilities and other generators are allowed to participate.
3. Additionally, new generation is being developed in CT based on changes in the wholesale market. NRG, for example, is adding 40 MW of peakers to the Cos Cob plant in Greenwich. These new units will come on line this summer in time for the peak season.

In essence, the utilities have ample opportunities to develop generation in CT and as a result no further legislation is needed. The Legislature has deliberated over this issue for the past 5 legislative sessions and has developed processes that are working to ensure

that CT builds the generation that is needed, does not favor any one company (whether utility or otherwise), and safeguards consumers by demanding that only the lowest costs projects are selected. The utilities should remain focused on participating in the current processes established by the legislature as well as completing the Middletown-Norwalk and Glenbrook Cables transmission projects to reduce congestion costs associated with current supply/demand constraints, while also providing the conduit for integrating future generation capacity that will be built within the State.

This legislation is not a technical change.

The language in Section 2 was removed from the General Statutes by the 2005 Energy Independence Act (EIA).. The discussions that yielded the EIA focused squarely on the issue of whether to authorize the utilities to develop generation. The EIA specifically set up a process at the DPUC which allowed the utilities to participate in a competitive RFP for new generation. The utilities both supported this language. The compromise language that became the EIA never would have been reached if the utilities were allowed to build generation anywhere in the state. The language before you today in SB 188 seeks to do just that.

Some of the proponents of the bill say it merely restores a prior law and serves only to allow our utilities to build power plants out of state, as was done in the 1970s and 80s. While that intention may be relatively benign, as written SB 188 clearly allows CT utilities to generate anywhere ("within or without the state"). The proviso that limits sales in no way limits where utilities can generate. The old limiting language that restricted sales except as authorized by charter or statute operated to ensure that when UI owned part of Millstone that didn't mean it could infringe on CL&P's exclusive retail franchise in Waterford. SB 188 would authorize the utilities to build generation anywhere in CT, or even outside the state, and pass the costs through to ratepayers with no determination of need or assurance that the cost is the least cost.

If this legislature deems it wise policy to authorize our utilities to generate power out of state, NRG would be happy to work with the other stakeholders to ensure that the new law does not undo all of the careful and difficult work performed on this issue over the past several years.

Additional Competitive RFP processes are going forward

We urge the legislature to reject SB 188 and allow the 2007 Energy Act to work. RFPs for intermediate, baseload and peaking generation that result in long term contracts or other payment mechanisms for investment in generation are the keys to getting the cleanest and most efficient and cost effective generation for Connecticut Ratepayers. The state can pick the projects based on need and ratepayer benefit. Competitively bid processes are the only ways to insure that ratepayers get only the lowest priced, most efficient generation. If utilities choose to compete in this process, there must be a level playing field for utilities and competitive generators. Such a level playing field is essential to ensure that consumers will know how much they are paying and avoid stranded costs. In this way, the state will be able to select projects on the basis of their impact on reliability and consumer costs, and Connecticut will get the benefit of knowing it has chosen the best priced offer for the type of generation needed. A law giving one company or one class of companies the ability to develop generation outside a competitive process is inefficient and not in ratepayer's best interest. Not only does this encourage the construction of ratepayer subsidized generation that may be unnecessary and beyond the identified needs, but Ratepayers cannot be assured that the lowest cost capacity is constructed when a competitive RFP process is not employed.

As in the past, NRG stands ready to work with you to address these issues and move Connecticut forward. Thank you for providing NRG the opportunity to provide comments today.