COMMENTS OF GDF SUEZ ENERGY NA
ON RAISED BILL NO. 6507
AN ACT CONCERNING THE ELECTRIC CONTRACT
PROCUREMENT PROCESS

GDF SUEZ Energy North America (GDF SUEZ NA), the new owner of FirstLight Power Resources, Inc. (FirstLight), a Hartford based company, owns or operates approximately 1,768 MWs of generating capacity in New England. It is also the parent of SUEZ Energy Resources NA, a competitive retail electricity supplier in Connecticut serving approximately 100 commercial, industrial, and governmental institutions including municipalities and state entities.[1] GDF SUEZ NA appreciates the opportunity to provide comments in opposition to Raised Bill No. 6507, which would end retail competition for customers with a maximum demand of less than five hundred kilowatts as of January 1, 2010 and allow utilities to offer fixed-price default service products to larger customers.

Customer choice has benefited a significant number of Connecticut businesses as well as municipal, county and state government institutions. According to KEMA, a leading consulting firm analyzing retail electricity markets, following the expiration of rate caps and subsequent movement toward market-based electricity rates, non-residential customers in Connecticut have experienced high levels of switching (approximately 66% through mid-2008) - including businesses with maximum demands under 500 kilowatts who have affirmatively chosen competition.

Results from a January 2009 survey of 600 New England residents across all six states by the New England Energy Alliance found that 78% favor consumer choice in the purchase of electricity. Returning to mandatory utility standard service or expanding utility product offerings to include fixed-price products for larger customers would eliminate the innovative and risk managed options sought by consumers and offered by competitive electricity suppliers, options whose costs and risks are borne by investors, not Connecticut's ratepayers.

Furthermore, Raised Bill No. 6507 must be viewed in conjunction with Raised Bill No. 6512 which would put the regulated electric distribution companies in charge of procuring power supply to provide service to ratepayers by requiring a "transition from sole reliance on full requirements generation service contracts for standard service supply to a procurement process in which the distribution company manages a portfolio of electric generation supply resources..."

Northeast Utilities made a well publicized exit from this very business when in 2005 it determined that the risks overshadowed the returns to its shareholders when it was the shareholders who bore the brunt of bad decisions. In fact, in a March 2005 press release,

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[1] With more than 175MW and approximately 875,000 annualized MWh, SUEZ Energy Resources NA provides a comprehensive suite of energy products including electricity, demand response, and renewable energy-based products. Nationwide, SUEZ Energy Resources NA serves over 30,000 accounts and approximately 7,300MW with customers ranging from 50kW to over 200MW.

NU stated that the wholesale merchant energy sector in the power pools between Maine and Maryland was becoming increasingly competitive and that the company's wholesale marketing business would be unable to attain the profit margins necessary to generate acceptable returns and cash flows. The only reason that the electric distribution companies would be willing to enter into this business now is if the ratepayers, not their shareholders, will bear the brunt of their wrong decisions.

California also attempted to institute a similar concept and those state run procurement activities resulted in billions of dollars of over-market contracts and years of costly litigation related to those contracts. It is very likely that the electric distribution companies would have committed to large, very expensive contracts within the last few years, in an effort to protect ratepayers from escalating power prices. This would have created millions of additional dollars of stranded costs in light of the recent dramatic drop in energy prices over the last six months.

The legislature should also be reminded that the claims by the regulated utilities that they are able to build electric power plants at lower cost than the competitive generation companies were exposed as false by the Cost of Service RFP, conducted a year ago by the DPUC in accordance with Section 52 of Public Act 07-242, An Act Concerning Electricity and Energy Efficiency. The results of that RFP showed that the two bids submitted by Connecticut Light & Power (CL&P) were the most expensive and the fifth most expensive of all of the proposals submitted to the DPUC. United Illuminating, which no longer possessed any expertise in building generation, paired up with NRG, a competitive supplier that had the sites and the expertise, and was awarded several of the winning contracts.

By contrast, competitive generation companies that are developing and operating generation projects and participating in the energy markets bear all of the risk associated with those activities and must carefully manage costs in an environment of rapidly escalating construction and operating costs in addition to managing the market risks. These companies, not ratepayers, are ultimately responsible for any cost overruns and market risks associated with these activities.

GDF SUEZ NA strongly urges the Committee to reject Raised Bill No. 6512 so that ratepayers are not once again burdened with the significant risks and costs associated with conducting the procurement, construction and operational contemplated by Raised Bill No. 6512.

Submitted by:

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