



Testimony before the
CT General Assembly Energy & Technology Committee
On
Raised Bill #6514: An Act Concerning Lowering Electric Costs
and Supporting Energy Efficiency

February 24, 2009

Chairman Fonfara, Chairperson Nardello, Ranking members Witkos and Williams and other members of the Energy and Technology Committee thank you for providing this time for the public to comment; I am Daniel A. Weekley, Managing Director of Northeast Government Affairs for Dominion Resources. Today I will be providing comments opposing RB-6514.

Dominion owns and operates the Waterford-based 2100 megawatt Millstone Nuclear Power Station, as well as three (3) additional fossil-fueled generating stations here in New England. The total generating capacity of all four (4) stations is roughly 4900 mw. Across the United States, Dominion directly owns and operates approximately 27,000 mw's in the mid-Atlantic, northeast and mid-western portions of the country. Dominion has no significant non-US assets.

Specifically here in Connecticut, we purchased the Millstone facility back in 2001 under a state-sanctioned auction process. Dominion agreed to buy the facility and all associated property for approximately \$1.3 billion (\$1,300,000,000). You may recall, due to the complexity of the sale, the process included several state agencies, including the Department of Public Utility Control (DPUC), the Office of Consumer Counsel (OCC) and the Attorney General's (AG's) office.

As we have testified before the legislature on many occasions, Dominion shareholders, not Connecticut ratepayers, have invested almost \$500 million (\$500,000,000) on top of the acquisition price solely to gain greater efficiency and reliability at Millstone. These investments are clearly working due to the fact the station is roughly 30% more reliable today than it was under the previous state regulated jurisdiction. This increased output is roughly the equivalent of building an additional 650-megawatt plant. Millstone today is among the most reliable and is without the question the most important generating resource in New England.

In 2006, I informed the E&T committee that we intended to increase the output of Millstone by approximately 75-megawatts. I am proud to announce this "uprating" was completed in late November 2008.

Now turning to RB-6514: The basic premise of this bill for the 4th year in a row is intended to coerce Connecticut's nuclear and coal power generation facilities into long-term contracts at prices dictated by the state. RB-6514 is even worse than previous versions in that one section actually



indicates that even if you sell to us at our dictated price, this does not preclude us from taxing you anyway.

By way of background, previous versions of this bill also left open the concept of trying to tax out-of-state generators bidding on the utilities' Standard Offer contracts at a time when many were trying to lure more bidders into the process.

Considering the condition of the regional and national economy, how can the state really believe it is in the best interest of all parties to send the message to the business community: "*Sell us your product at our dictated price or we will seize it through taxes anyway*"? How does this energy taxation philosophy fit into our goal of both building new generation while at the same time expanding our "Green Economy" investment?

For obvious reasons, Dominion strongly opposes this bill.

While the energy market in Connecticut/New England is clearly not perfect, many believe the state has made significant progress in recent years. When one considers the positive signs of an energy market moving forward, why would the state even consider throwing the progress of previous years away? Examples of this progress include:

Examples of Progress

- ❖ Completion of the Southwest CT transmission line projects that were previously forcing ratepayers to pay no-residual value fees through FMCC (Federally Mandated Congestion Charges)
- ❖ Reduction of power generation RMR (Reliability-Must-Run) contracts
- ❖ Additional electric generation projects in varying stages of progress across the state
- ❖ A uniformly accepted successful regional capacity auction that "forced" prices to the designated minimum level
- ❖ Fairly stable supply contracts to the investor-owned utilities
- ❖ Regionally, supply contracts that are trending downward due to lower fuel prices (RI, ME and NY)

Direct and/or Longer-Term Contracting with Utilities

As we have repeatedly testified, Dominion's Millstone Power Station sells almost 100% of its energy output via forward-looking bilateral contracts. We do not actively participate in the "day-ahead" or "spot" markets here in New England.



We have maintained this contracting approach since when we purchased Millstone back in 2001. We have been open to the idea of contracting directly with the State's utilities based upon "willing seller to willing buyer" negotiations. This concept was reviewed and endorsed by the CT General Assembly in 2007 via Public Act 242. We continue to believe that direct contracting offers a viable alternative so utilities and municipal energy authorities can purchase power "directly from the source."

Punitive Energy Taxes across the US

Committee members should be aware that multiple states across the country have looked at generator or other types of specific energy taxes as a way to reduce rates, and no state (except for Illinois which has a totally different deregulation/supply position) has embraced this idea because they have all come to the same conclusion: *No matter how well-intentioned, energy taxes immediately and directly hurt the end consumer!*

RB-6514 is without question a 4th generation version of a clearly flawed taxing scheme that will:

- ❖ Immediately hurt ratepayers through immediate rate increases – supply contracts will have to go up now because there is no mechanism to add costs later
- ❖ Further hurt ratepayers in the intermediate and longer-term because who would be willing to invest in generation development in this type of anti-business development atmosphere (chilling affect)
- ❖ Decreasing supply at a time when progress is finally being seen is clearly a step in the wrong direction

We find it discouraging that other states in the country are discussing reducing energy taxes as way to help both the economy and the ratepayers but yet Connecticut continues to pursue this idea which is a guaranteed rate increase for all consumer classes.

Conclusion

In summary, we should be looking for ways to reduce prices to all consumer classes rather than pursuing ideas that will increase prices in the immediate and longer term without benefit. Dominion remains committed first and foremost to continue operating Millstone in a safe and reliable manner while working with all stakeholders in Connecticut/New England in a collective fashion to reduce energy prices.

Thank you again to all the members of the General Assembly for the opportunity to provide comments. I look forward to working with all parties in these and other associated issues in the future.

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