# TESTIMONY OF
# CONSTELLATION ENERGY
# IN OPPOSITION TO
# RAISED BILL NO. 5365
# AN ACT CONCERNING ELECTRIC DISTRIBUTION COMPANIES

DANIEL ALLEGRETTI
VP – ENERGY POLICY

MARCH 4, 2010

Good afternoon, and thank you for the opportunity to testify in opposition to Raised Bill 5365. My name is Daniel Allegretti and I am a vice president for energy policy with Constellation Energy. Constellation is a leading provider of retail electric service to Connecticut businesses and a leading wholesale supplier of standard service supply to Connecticut electric companies.

The bill before you represents a major change in the role of electric distribution companies in Connecticut. Today, distribution companies earn a regulated return on their energy delivery assets but are not engaged in the construction, ownership and operation of electric generation facilities. In fact, over the last decade or so the regulated distribution companies have divested their electric generation assets and have recovered their costs associated with those plants through a combination of asset sale proceeds and through regulated "CTC" charges assessed on all Connecticut consumers. Under this bill distribution companies would be empowered to make new generation investments and to look to their captive distribution customers to pay for those investments along with a regulated profit margin. Such a change of course could hardly be suggested at a more inopportune time. Consider the following:

- Connecticut has under construction or in advanced development over 1000 MW of new, clean generation capacity, without the need for regulated recovery from captive ratepayers.
- Connecticut's current renewable portfolio standards have been met successfully, displacing millions of tons of $CO_2$ emissions.

- Over 280,000 Connecticut customers and approximately half the electricity consumed are now served by alternate suppliers.

In short, Connecticut's restructured electricity markets are delivering lower emissions, more reliability, more renewable resources and expanded customer choice and are doing so without putting captive customers at risk for investment losses. By contrast, allowing electric distribution companies to re-enter the regulated generation development business has a number of potential negative consequences:

- As more and more customers switch to competitive supply, regulated generation investments by the utility must either be recovered from a smaller and smaller pool of customers or else paid for by customers who buy their electricity elsewhere and see no benefit from the regulated generation.
- Companies who were willing to invest and put their own money at risk in new generation assets in Connecticut will be crowded out and discouraged from doing so. This means jobs and capital that would have flowed into Connecticut will go elsewhere.
- Connecticut consumers will be saddled with utility investments rather than free to choose the least cost supply for their electricity needs, making Connecticut businesses less competitive and raising the cost of power for Connecticut residents.

Raised Bill 5365 provides no real benefit and puts Connecticut customers on the hook for utility investments without any protection that the investments are needed, least cost or paid for by those who benefit. For these reasons the bill should rejected.