



Testimony before the  
CT General Assembly Energy & Technology Committee

On

Raised Bill #5505: An Act Concerning Electric Rate Relief

By

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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 Dan Weekley, Managing Director of Northeast Government Affairs for Dominion Resources. Today I will be providing comments opposing RB-5505, specifically sections 36 & 37.

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 27,500 mw's in the mid-Atlantic, northeast and mid-western portions of the country. We are also proud to serve approximately 5.5 million retail electric and natural gas customers.

### **Millstone Background**

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 roughly \$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.



## **Raised Bill-5505**

Now turning to RB-5505 sections 36 & 37: Regrettably this is a familiar proposal. For the 5<sup>th</sup> year in a row this is a once again reformulated "*Windfall Profits Tax*." For the benefit of the committee, previous concepts included;

- ❖ Application of the flawed tax policy for in-state or out-of-state generation alike that provides electrical supply into Connecticut
- ❖ Contract with our state utilities for long-term supply or we will tax you, and
- ❖ In 2009, once again sell at our desired price but this does not preclude us from taxing you anyways

The previous years version of this tax focused on nuclear and coal generating plants, RB - 5505 broadens this negative approach even further to include all forms of generation and what is even more appalling; it even includes renewable forms of electricity which the state has been aggressively trying to encourage.

**For obvious reasons, Dominion strongly opposes this bill.**

We consider these types of regressive proposals as really disappointing in a market that is finally starting to show the progress that many envisioned years ago. In the last 2-weeks, both the NY and New England ISO's have published reports that noted significant drops in wholesale power prices in 2009. NY alone indicated a 48% decline in wholesale prices! New England and New York are not alone in this reduction of wholesale prices; the PJM operating region also saw significant declines in pricing. It is also further interesting to note that in MA, NStar Chairman and CEO Tom May recently noted a 30% reduction in supply rates when compared to what residential ratepayers paid at the end of 2008.

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**

- ❖ Reduction and almost elimination of power generation RMR (Reliability-Must-Run) contracts
- ❖ Additional electric generation projects in varying stages of progress across the state and region



- ❖ A repeatedly successful regional auction addressing carbon that has “forced ” credit prices close to the designated minimum level
- ❖ Significantly declining supply contracts to the investor-owned utilities which is to the benefit of all customers
- ❖ Electric capacity auctions that are close to the floor price due to the strong emergence of demand-side management (DSM) programs. In the capacity auction DSM is compensated similar to actual generation.

### **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 the Federal Government and multiple states across the country (MD, NY, VT as examples) have looked at generator or other types of specific energy taxes as a way to reduce rates and no state 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-5505 is without question a 5<sup>th</sup> 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 now mechanism to add costs later
- ❖ Further hurt ratepayers in the medium 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 giant 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. Dominions 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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