

**GDF SUEZ Energy North America Testimony regarding:  
House Bill 5505 An Act Concerning Electric Rate Relief**

GDF SUEZ Energy North America owns and operates approximately 1,500 MW of generating capacity in New England, including 245 MW in Connecticut. It is also the parent of GDF SUEZ Energy Resources NA, a competitive retail electricity supplier in Connecticut serving approximately 100 commercial and industrial customers, including municipalities and state entities, allowing them to efficiently and sustainably grow their organizations in CT and in turn play a major role in job retention and creation. Through both our generation and retail businesses we directly employ around 100 people in the State.

GDF SUEZ NA appreciates the opportunity to provide comments in opposition to House Bill 5505. We object most specifically to the portions of the legislation that would:

- 1. Establish a Connecticut Electric Authority**
- 2. Put Connecticut's distribution companies in the role of portfolio manager for the state's supply resources**
- 3. Impose a tax on perceived "windfall" profits earned by companies owning electric generating plants in Connecticut, including their in and out-of-state affiliates**

Section 7 and Section 9 collectively would create a Connecticut Electric Authority and empower such an entity, among other things, to:

- *Own and operate electric power plants and may provide financial assistance, including low-interest loans to encourage the development of necessary electric generation facilities by the electric distribution companies or private entities, provided electricity generated at such facilities shall be sold through electric the electric distribution companies or the Connecticut Municipal Electric Energy Cooperative for us by Connecticut consumers at cost of serves with a reasonable rate of return*
- *Enter into contracts with electricity generators, suppliers and consumers and such other persons as necessary*
- *Order an electric distribution company to submit a proposal to build generation under a cost-of-service regime*

Each of these activities is extremely capital intensive and carries substantial financial risk for Connecticut ratepayers. In addition to the challenges and costs associated with staffing such an entity with the experienced and highly specialized workforce required to effectively conduct these tasks, it would cost the State billions of dollars to fully capitalize such an Authority to provide it with the collateral needed to construct and operate the generating facilities proposed in House Bill 5505. It is unwise public policy to expose Connecticut ratepayers to these substantial

financial risks, especially considering the State is faced with a current budget deficit of \$500 million, with estimates of future years' deficits in the billions.

In addition, the fluctuation in energy prices over the last few years provides an excellent example of the financial peril ratepayers could face under a system envisioned under House Bill 5505. It is likely an Energy Authority would have committed to large, very expensive contracts in an effort to protect ratepayers from what then were dramatically escalating power prices. This would have created millions of additional dollars of stranded costs in light of the dramatic drop in energy prices over the last 18 months.

By contrast, competitive generation companies that are developing and operating generation projects and participating in existing energy markets bear all 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 also objects to Section 17 which would put the regulated electric distribution companies in charge of procuring power supply to provide service to ratepayers.

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 shareholder who bore the brunt of bad decisions. In fact, in a March 2005 press release, NU state 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. House Bill 5505 would bring the utilities back into this business, but with ratepayers, not their shareholders, absorbing the cost of any wrong decisions. Again, the current competitive model does not expose ratepayers to what could amount to billion-dollar risks.

Further, with regard to the language contained in Sections 29, we believe that meaningful consumer protection improvements are most effective when resulting from proper regulatory review and solicitation of stakeholder input. Such reviews, when conducted in neighboring states were done with the clear objective of accurately identifying and quantifying meaningful gaps in consumer protections, tailoring remedies to the specific challenges identified, and, in the end, enhancing the competitive retail electricity market. As proposed here, they are burdensome and inappropriate and risk restricting customer choice.

In addition, the imposition of the switching restrictions in Section 30 would limit customer migration, thereby denying them the ability to take advantage of any price changes. For instance, had the proposed two-year minimum stay on utility standard service already been in effect, thousands of ratepayers would have been prevented from taking advantage of the relatively recent drop in energy prices.

Finally, a "windfall" profits tax, as outlined in Section 36, would unfairly penalize competitive energy producers and chill investment in all industries in Connecticut that would fear similar treatment from legislators that deemed their profits as "excessive." Targeting not only

businesses that own generation in the state, but their affiliates, as well, sends a strong signal that Connecticut does not welcome private investment in energy investment and sets back much of the progress which occurred through passage of the 2005 Energy Independence Act and the 2007 Act Concerning Electricity and Energy Efficiency.

GDF SUEZ NA's unique renewable portfolio underscores why such a proposal is misguided. As the largest owner of hydro-electric generation in Connecticut, we are obviously dependent on rainfall. House Bill 5505 would have grabbed profits deemed "excessive" by an arbitrary state law during 2008, the all-time wettest year in Connecticut according to data from Bradley Airport, but would have provided no assistance in 2007 when we suffered through a significant drought in the last half of the year.

GDF SUEZ strongly urges the Committee to reject House Bill 5505 so that private companies' shareholders, and not the State's ratepayers, continue bear all the financial risks associating with the existing energy markets. Further, we urge the Committee to reject the windfall profits tax as not only would it go a long way towards ending any future private investment in energy generation infrastructure in Connecticut, but it would send a chilling signal to other private industries that Connecticut is not a business-friendly state.

I would be happy to answer any questions you may have.

Thank you.

Submitted by:

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GDF SUEZ Energy North America

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