



Testimony before the
CT General Assembly Energy & Technology Committee

On

Proposed Bill #5699

By

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Chairwoman Nardello, Chairman Fonfara, Ranking members Witkos and Hoydick and other members of the Energy and Technology Committee thank you for providing time for the public to comment; I am Dan Weekley, VP Government Affairs for Dominion Resources. Today I will be providing comments opposing Proposed Bill-5699.

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 has invested roughly \$600 million (\$600,000,000) on top of the acquisition price to gain greater efficiencies and reliability at the Millstone facility. 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 in the state. Millstone today is among the most reliable and is without question the most important generating resource in New England.



Proposed Bill-5699

Now turning to PB-5699, regrettably this is a familiar proposal, bill calls for a 50% tax via state's definition of ROE above 20%. **For the 6th year in a row this is a once again a 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
- ❖ In 2009, once again sell at our desired price but this does not preclude us from taxing you anyways which was a *defacto* "imminent domain" attempt
- ❖ In the 2010 version all generation was included even renewable generation which the state/region is trying to promote

PB-5699 even takes this flawed policy a step further to include a "sweepback" provision, which calls for taxation back to 2009. New tax policies such as this are hard to grasp when considering the immediate negative impact to the ratepayers as well as the State trying to position itself as "open for business."

For obvious reasons, Dominion strongly opposes this bill.

Dominion strongly supports the goal of this committee and that of Governor Malloy of reducing energy costs for all consumers but proposals such as PB-5699 and PB-6026 are not only contrary to the goal; they are exactly opposite and will cause rate increases in both the short and longer term planning horizons.

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 all the progress of previous years away?

Examples of Progress

- ❖ Significantly declining supply contracts to the investor-owned utilities and alternative providers which is to the benefit of all customers
- ❖ According to ISO-New England, generation/supply in the day-ahead market for 2010 is down roughly 40% from its peak in mid-2000 timeframe close to levels of 10-years ago!



Dominion™

- ❖ A repeatedly successful regional auction addressing carbon that has “forced” credit prices close to the designated minimum level
- ❖ 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.
- ❖ Lastly and probably most important, natural gas fuel price predictions over the long-term are flat or modestly lower. Very important component of electricity pricing in New England because roughly half of our generation is fueled by natural gas.

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 our acquisition of 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, NH, 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!***

PB-5699 is without question a 6th 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 are limited mechanisms 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 both help the economy recover and the immediate positive impact to ratepayers, but 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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