

**Testimony from GDF SUEZ Energy North America on:
Senate Bill No. 1 (LCO 4531)
An Act Concerning Connecticut's Energy Future**

GDF SUEZ Energy North America (GSENA) is the owner of FirstLight Power Resources, Inc. (FirstLight), which owns or operates approximately 1,500 MWs of generating capacity in New England and employ approximately 70 people in Connecticut. Our Connecticut portfolio consists of 250 MW of capacity and we are the largest owners of hydro-electric generation in the State. We also have a retail electricity end to our business, serving power to approximately 100 commercial and industrial customers including municipalities and state entities.

As a member of both the New England Power Generators Association (NEPGA) and the Retail Energy Supply Association (RESA), GSENA supports the constructive comments submitted by both of those organizations regarding S.B. 1. GSENA would also like to offer its own comments on several sections within this proposed legislation.

Some proposals within the bill are forward-thinking, most notably the attempt to better centralize and streamline the development of energy policy in Connecticut and the desire to link more directly energy and environmental policy in the State. However, we believe there are other provisions that, if enacted as currently written, will negatively impact both the wholesale and retail energy markets in Connecticut as well as put upward pressure on the price customers pay for energy in Connecticut.

DEEP:

GSENA supports the creation of the Department of Energy and Environmental Protection (DEEP) contained within Section 1, which essentially merges the existing Department of Environmental Protection (DEP) and the Department of Public Utility Control (DPUC). As owners and operators of renewable energy infrastructure both in and beyond Connecticut, GSENA understands how energy and environmental policy more often than not work hand in hand. Further, as has been discussed in a variety of forums, energy policy has not necessarily had one "home" in the State. This legislation

helps ensure that the General Assembly does not continue to receive “mixed” messages from various state agencies in terms of how Connecticut ought to move towards its energy future.

RPS:

Extensive changes to the current Connecticut RPS laws, which Section 8 (a) (26) would authorize, is an area GSENA would urge extreme caution. The language would qualify *all* hydropower, regardless of size or environmental impact, as a Class I renewable energy resource in the State. GSENA would like to remind the Committee that this provision opens Class I up to foreign-imported hydro-electric power.

One of the purposes of any RPS is to establish a reliable local market for renewable energy credits that is attractive to potential developers looking to qualify new facilities or invest in upgrades that would help qualify existing facilities. Making all types of hydro eligible for Class I would essentially eliminate this incentive and implementing the regulation so quickly (by July 1, 2011) would damage the regulatory certainty any successful RPS program needs. Further, any local jobs and tax revenue associated with the construction and eventual operation of renewable generation facilities could be lost due to this provision. GSENA recommends that the legislature establish a prudent review of which local hydropower assets meet acceptable renewable and environmental standards. Finally, it may be wise to delay any change to current RPS standards before thoroughly reviewing Rutgers University’s study on the Connecticut RPS, as authorized by the Connecticut Energy Advisory Board (CEAB).

ISO Issues:

Section 73 would require the new DEEP to complete a study of the impact on CT ratepayers and New England of the operation of the Independent System Operator New England (ISO-NE), including an assessment of whether Connecticut should join another Regional Transmission Organization (RTO) or simply try to administer the wholesale energy market on its own. GSENA believes that even contemplating such a review could have damaging, unintended consequences.

For instance, the Committee should be aware that Maine undertook a similar, expensive, and lengthy process that ultimately resulted in the State simply declining to leave ISO-NE. Reviews such as these also are the type of regulatory uncertainty that may give potential energy investors major pause. If it is unclear what RTO and under what rules a particular generating unit must abide by, it is highly unlikely any investor could justify making any major energy infrastructure investment in Connecticut. However, we do understand that the Committee and the General Assembly have concern with existing ISO-NE market rules, so in the event that a study does commence, we would ask that the process for review is transparent and available for the public to follow. All costs, especially the specific impact on rates, should be disclosed before, during, and after any decisions impacting Connecticut's RTO is made. Finally, GSENA asks that the review consist of a study of the entirety of Market Rule 1, not simply the single market clearing price, to ensure that the State understands how each section relates to another before reaching any conclusions.

Retail Issues:

GSENA also has extreme reservations about some of the retail-related provisions contained within this legislation. For instance, Section 66 would authorize the state's distribution companies to engage in "active portfolio management" activities, which both utilities abandoned around the advent of competitive markets. Energy procurement is very risk-intensive and utility managed portfolio in our view shifts this risk away from investors and onto utility ratepayers. The current "full requirements" auction allows suppliers to bid a price for power and then absorb any cost overruns resulting from changes in energy prices. On the other hand, utilities can attempt to pass these excess costs onto captive ratepayers, which was the case recently in New Hampshire. In our view, there is not any evidence that the utility managed portfolio procurement could achieve lower or even equal rates for customers than those currently provided by retail suppliers and being that it is accompanied by increased risk to the ratepayer, there is no reason it ought to be implemented.

Finally, while GSENA understands the Committee's desire to implement laws that protect customers, we believe that some of the provisions contained within this bill do not achieve their intended consequence and would only serve to both inconvenience and bother consumers. Specifically troublesome are provisions contained within Section 54 (2) which attempt to regulate door-to-door electricity sales. GSENA believes this section, which would apply to all customers with a demand of 100 kW and under, underestimates the sophistication of many small businesses in the state. Many small businesses have embraced the competitive market and understand that pricing energy is simply part of their day-to-day business. Thus, classifying those entities alongside a resident who may be hearing about retail energy from a salesperson at their front door does not seem appropriate. Further, it seems that mandating a timeframe in which businesses must engage in discussions regarding their electricity bill, which Section 54 does, would serve only to frustrate consumers, rather than assist them.

GSENA thanks the Committee for the opportunity to testify and urges the members to consider its comments, as well as those proffered by NEPGA and RESA, when reviewing the bill. S.B. 1 contains many elements that, if implemented, will have major ramifications for Connecticut and its ratepayers for years to come. This Committee, as well as the General Assembly, should not move forward with this bill without a full understanding of the consequences of all provisions contained in this bill, many of which will put upward pressure on Connecticut ratepayers for years. I would be happy to answer any questions you may have.

Submitted by:

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GDF SUEZ Energy North America
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