**Testimony of Kevin R. Hennessy**
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**The Connecticut Business & Industry Association**
**Before the Energy & Technology Committee**
**March 15, 2011**

My name is Kevin Hennessy. I am assistant counsel for the Connecticut Business and Industry Association (CBIA) for energy & technology matters. CBIA represents approximately 10,000 member companies in virtually every industry. They range from large, global corporations to small, family owned businesses. Approximately 90 percent of our member companies have fewer than 50 employees. All of our members are energy consumers and rely on energy for their respective day-to-day operations.

Thank you for the opportunity to comment on the following bill:

- **SB-1176**, AAC Electric Rate Relief

**SB-1176,** *AAC Electric Rate Relief*, punishes oil, nuclear and coal electric generating facilities by imposing a per kilowatt hour tax on their output. The quarterly tax is one half of one mill for oil-fueled generation (.05 of a cent), two cents on nuclear generation and one-half of one cent on coal-fired generation multiplied by the net kilowatt hours of electricity generated. The new tax on coal-fired facilities only applies during the months of January, February, June, July and August.

Adopting an electric generators tax is bad public policy. It will put upward pressure on electric rates, stunt economic development and job growth and continue to weaken Connecticut's and the region's fuel source diversity.

Like all businesses, electric generators incorporate all costs, including taxes, into the price for their product. This means that an electric generator tax will increase the cost of electricity for customers. Connecticut already pays artificially high rates for electricity. Connecticut's business and residential ratepayers do not need additional policies that will put upward pressure on electric rates.

Enacting an electric generators tax will discourage investment in Connecticut. Currently, our generation needs are adequate. However, what happens when plants retire, our demand increases or generators decide to close in Connecticut in order to avoid these new taxes? The policy in this bill could dissuade electric generators from investing in Connecticut which will reduce economic development benefits and increase electric rates.

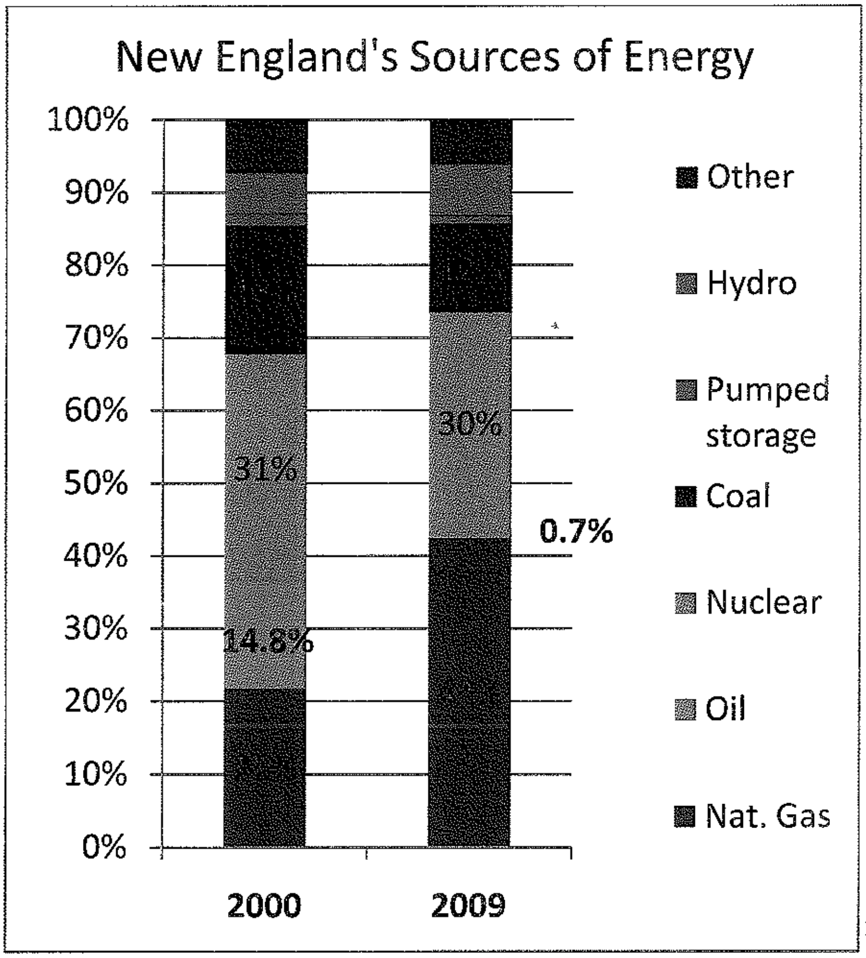
Additionally, even though this bill is aimed at electric generators, it could have far-reaching and negative impacts on other industries too. Businesses analyze multiple factors when determining where to invest, including what governmental policies are in place. It would be reasonable for industries to consider Connecticut a risky place to invest when Connecticut penalizes certain electric generators that it deems as low-cost and too profitable. Other industries would rightfully wonder if they could be the next target for such a proposed tax.

Finally, New England's sources of fuel for electric generation have drastically changed over the past decade (See Exhibit A). There has been a significant decrease in oil and coal generation and a similarly large increase on natural gas generation. This is good for environmental considerations – reduced emissions. However, for economic considerations, the future is ominous. The region relies heavily on natural gas for electric generation. Any spike in the global markets (i.e. another Hurricane Katrina scenario) and our costs for electric generation will rise dramatically.

The key protection against such a jump is fuel source diversity. **SB-1,** *AAC Connecticut's Energy Future,* recognizes this. Section 32 calls for the DEEP commissioner to diversify the state's energy supply. That is a good thing from a consumer's perspective. It helps hedge against any price spikes to certain fuel sources. Unfortunately, this bill, **SB-1176,** *AAC Electric Rate Relief,* is counter to this directive. This bill punishes oil, nuclear and coal generators via new generator taxes. That means we will likely have less oil, nuclear and coal generation moving forward and an energy supply even more reliant on natural gas. This is not a good scenario for electric ratepayers concerned about potential increases in electricity costs.

For the aforementioned energy policy and economic development reasons, CBIA strongly opposes **SB-1176** and urges the committee to reject this bill.

# EXHIBIT A



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[1]ISO-NE Regional Update, Wholesale Markets & State Energy Policy Seminar, December 14, 2010.