COMMENTS OF EQUIPOWER RESOURCES CORP.
ON BILL NO. 1007
AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE

EquiPower Resources Corp. (EquiPower), a Hartford based company, owns and operates 1,792 megawatts (MWs) of generating capacity in New England with 1,360 MWs of that total in Connecticut. EquiPower is the second largest generator of electricity in the state. EquiPower opposes Section 37 of Bill No. 1007 pursuant to which the electric generators in the state will be taxed 0.2 cents/kWhr for all electricity produced in the state.

EquiPower appreciates that the State of Connecticut faces very difficult choices to deal with unprecedented budget deficits but we believe strongly based on thorough analysis that the Section 37 tax will not achieve the results projected in the Governor's budget proposal. EquiPower has performed extensive internal analysis using the well known GE Maps production cost model to simulate the effects of this tax throughout New England.

This bill, which hopes to raise approximately $60 million annually from the state's generators, will fail to raise anywhere near that amount as the tax will largely be passed on to consumers and will cause negative ripple effects on state income taxes, property taxes, and employment through disadvantaging in-state generators. The state's electric rates are frequently quoted as being among the "highest in the contintental United States." This bill will make them even higher. The tax is also imposed on a very competitive sector of the economy that has a number of participants and assets on the verge of financial distress.

This bill will cause the state's electric generators to add 0.2 cents/kWhr to the prices that they charge for electricity to cover the tax required by this bill. These higher bids by the generators will increase the cost of electricity throughout New England including what is purchased by Connecticut distribution companies and the 586,000 homeowners and businesses who buy from independent electricity retailers. Our internal analysis estimates that Connecticut consumers will see 80-90% of the tax in increased electricity prices.

The tax will lead to higher cost, higher emitting, out-of-state generators being called on to generate more and the Connecticut generators, primarily those that burn natural gas, will generate approximately 10% less. The out-of-state generators will make up this reduction in generation from Connecticut generators which will lead to lower profits or even losses, and possibly the shutdown of generators and loss of in-state jobs. Cities and towns in which those generators reside will see lower property tax revenues and the state will see less income tax revenue as the Connecticut generators become less profitable. The income tax and property tax revenues that Connecticut will lose will accrue to other states. The tax will also have a chilling effect on future investment in generation in the state and business investment in general, especially since no other state in New England imposes such a tax.

EquiPower strongly urges the Committee to reject Section 37 of Bill No. 1007 which will have unintended consequences that will raise the rates paid by Connecticut electric consumers, produce a windfall for out-of-state generators at the expense of in-state generators, reduce the income taxes collected by the state and property taxes collected by some cities and towns, and not raise the new revenues that are being projected.

Submitted by,

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