Testimony from GDF SUEZ Energy North America on:
Governor's Bill No. 1007 (LCO 3601)
An Act Concerning the Governor's Recommendations on Revenue

` GDF SUEZ Energy North America is the owner of FirstLight Power Resources, Inc. (FirstLight), which owns or operates approximately 1,500 MWs of generating capacity in New England. Our Connecticut portfolio is approximately 250 MW of largely hydo-electric capacity, making us the largest owners of this non-greenhouse gas emitting 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.

GDF SUEZ Energy North America appreciates the opportunity to testify in opposition to Section 37 of Governor's Bill No. 1007, which would impose a tax of two-tenths of one cent on each kilowatt hour of electricity generated by Connecticut facilities. If approved, this legislation would make Connecticut the first and only State in the nation to impose such a tax and would have a number of negative unintended consequences, the foremost of which would be upward pressure on residents' and businesses' electric rates.

Generators are essentially manufacturing a product, electricity, that will eventually be sold to customers. Just like any other manufacturer, generators will incorporate this new tax into their product and pass along this cost to their customers. Whether it is competitive electric suppliers like us buying power to serve our end-use customers or the utilities procuring for standard service, this tax means that energy bought for use by Connecticut customers will be higher. Competitive retailers may look to incrementally more expensive out of state generation sources that do not have such a tax to buy their power, however, due to a number of factors, bringing power into Connecticut brings with it additional costs such as transmission congestion expenses. Thus, either way one looks at it, Connecticut electricity customers are going to see additional costs with this tax; however, if it creates displacement of CT generation with non-CT generation, the additional costs will not be accompanied with tax revenues.

This tax, which early estimates say would result in approximately $58 million in revenue is also unreliable and our portfolio helps demonstrate why. We are quite dependent on weather, specifically, rainfall, as water is our fuel source. Years such as 2008, the wettest year on record at Bradley International Airport, were successful for the company while 2010, an extremely dry year, was much less so. Returns from this tax are based on the number of kilowatt hours generators run and in our view it is poor public policy for the State's ability to balance its budget to depend on Mother Nature.

In addition, certain generating units may run less if this proposal is enacted. Connecticut generators will incorporate this tax into their daily bids into ISO-New England and this may result in the units being deemed too expensive to run. In that case, they would be replaced by out-of-state generators, some of whom may not be as environmentally efficient. Connecticut generators who do not run will therefore make less profit, hindering their ability to hire more people as well as lowering their overall property tax values. With Connecticut

municipalities already scrambling to make ends meet, damaging the value of generation facilities, many of who are some of the largest taxpayers in their locality, is not a wise policy choice.

Companies that invest significant dollars into generation assets more often than not look long-term to recoup their investment. The tax proposal proposed in Bill 1007 will certainly give pause to other companies looking to invest in generation infrastructure in Connecticut. If this is the only state not only in New England but the entire country with such a tax, it is highly likely that investors will look elsewhere to spend their capital and create jobs. Further, this tax sends a chilling message not only to the generation sector but to other industries that may fear similar treatment. This anti-business message is not the type of signal Connecticut wants to send in these challenging economic times.

Finally, it is rather alarming that, if this generator tax were passed into law, this would mark the second straight year the General Assembly used charges seen in electricity rates to help balance the state budget. As most of you are aware, last year legislation was approved that securitized some of the stranded costs related to deregulation that had been scheduled to drop for customers in the Connecticut Light & Power territory in 2010 and in the United Illuminating territory in 2013. Despite a decrease in rates beginning this January, driven primarily by generation costs dropping significantly over the past two-plus years, Connecticut ratepayers continue to face a higher financial burden than many other states with their electricity costs. This tax would only add to that.

GDF SUEZ Energy North America ask the Committee to reject Section 37 so Connecticut generators are not put at a disadvantage from their counterparts in the remaining 49 states and the State's ratepayers are not once again forced to help balance the State's budget.

Submitted by:

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