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Energy and Technology Committee

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Senate Bill 1007 - An Act Concerning The Governor's Recommendations On Revenue

NRG Energy, Inc. ("NRG") appreciates the opportunity to provide comments on Senate Bill 1007 An Act Concerning the Governor's Recommendations on Revenue. My name is Jon Gordon, Manager of External Affairs for NRG. NRG is a competitive wholesale generator in Connecticut with power plants located in Montville, Middletown, Norwalk, Devon, Cos Cob, Torrington and Branford. In total, NRG operates over 2,000 MWs in Connecticut, which, in real terms, equates to enough power to serve nearly 1/3 of the state or over 1.4 million households.

NRG opposes the generation tax proposed in Section 37 of Senate Bill 1007, which will increase costs to Connecticut ratepayers and places Connecticut based electric generation at an economic disadvantage when compared to out of state generation. With a generation tax in effect in Connecticut, out-of-state generators will increase their power production for the region to replace higher priced power produced by Connecticut generators. Other states will benefit from the increased state income tax, property tax, jobs and economic multiplier effects provided by their local electric generation resources. As Connecticut plants operate less, plant owners will have less money to cover fixed costs and to maintain or create new jobs. The economic viability of many of Connecticut's older electric generation sites which are already at risk due to more stringent environmental regulation and other cost increases will be further exacerbated with the proposed generation tax.

Electric generation plants are critically important to the infrastructure of the State of Connecticut, and Connecticut now faces an historic choice for the future of its energy supply. A substantial amount of the existing generation capacity in the region is reaching the end of its economic useful life, and will face significant capital upgrade costs to remain in compliance with environmental requirements. It is just a matter of time before almost 2,500MW of Connecticut based electric generating capacity will need to retire and be replaced. There is a powerful desire to implement new technologies to lower the carbon intensity of the electric generation industry, further improve overall environmental performance, and maximize the efficiency of energy production and consumption. Natural gas, used in combined cycle generation plants, is the most efficient and cleanest fossil fuel technology, has lower overall costs than all currently-available forms of renewable energy, and can save the state's consumers millions of dollars compared to other technology options. The imposition of a generation tax is in direct conflict with these objectives.

Connecticut, like much of the rest of the region, has seen a marked decline in the manufacturing sector in recent decades, and high unemployment in recent years associated with the broader economic downturn. In the face of all of these realities, Connecticut has the opportunity to substantially lower the carbon intensity and improve the overall environmental performance of its electric generation fleet, support investment, jobs and economic development within the state, and produce the lowest-cost energy supply by implementing a plan to repower the existing fossil generating units in Connecticut with clean and efficient natural gas combined cycle plants, augmented with renewable energy sources where they are available.

Maintaining and re-using the existing Connecticut electric generation sites provides multiple benefits for all Connecticut residents:

- The existing sites are fully integrated in the regional transmission grid and in many cases no transmission upgrades are required to repower
- The sites are well-accepted as a part of the community
- Low fuel-cost baseload power in Connecticut will reduce congestion and electrical losses and stabilize local energy market prices
- Generation on existing sites creates valuable construction and operations jobs and keeps the economic benefits of these manufacturing enterprises within the state

The proposed generation tax runs counter to these critical objectives and puts even greater pressure on in state power generation already facing significant economic challenge. Imposing this tax on Connecticut generators sends an anti-business message at the exact time that states need to retain and attract new businesses. Further, no other state has a broad-based electric generator tax. This tax would provide a clear indication that the state may not offer the regulatory certainty and business environment necessary to ensure successful long-term investments. Sending such an anti-business message to existing and potentially new or relocating businesses, particularly to those that often times provide the largest tax base to the towns and cities in which they operate, is simply bad public policy that may ultimately prevent future development and job creation in the state.

NRG urges the Committee to not support Section 37 of SB 1007 and the proposed tax on Connecticut electric generators. Thank you for providing NRG the opportunity to provide this testimony.