

**BEFORE THE
STATE OF CONNECTICUT
JOINT ENERGY AND TECHNOLOGY COMMITTEE**

March 1, 2011

Testimony of Daniel Allegretti

For

Constellation Energy

On

Raised Bill No. 1081 (LCO 3637)

Senator Fonfara, Representative Nardello, members of the Committee, good afternoon and thank you for the opportunity to be here today and to testify. My name is Daniel Allegretti and I am a Vice President for energy policy with Constellation Energy. I have had the privilege and honor to appear before this committee on numerous occasions in the past and am pleased to be here again today. For the benefit of those who are new to the committee, let me mention that Constellation Energy is a "Fortune-500" energy company based in Baltimore, Maryland. Here in Connecticut, we are one of the leading providers of electricity as both a supplier of standard service to Connecticut's distribution companies and as a direct retail seller of electricity to Connecticut businesses. Our businesses also include the provision of energy efficiency, demand response services and a growing business developing and operating solar generation facilities.

Constellation opposes Raised Bill No. 1081. Raised Bill 1081 is a classic example of snatching defeat from the jaws of victory. By any reasonable assessment, the development of combined heat and power systems under the current Class III resource portfolio requirements is a runaway success. The supply of Class III certificates has outstripped the demand under current conditions. In other words, these systems are being constructed and installed without the need for Class III certificate prices to be any higher than they are today. In fact, market conditions appear to support construction of these systems at price levels below the current \$10/MWH price floor. Increasing the quantity requirements for Class III certificates in the short run will not have any material effect on supply. Even if developers wanted to respond to higher prices, the lead time to develop additional facilities would not increase the supply in the near term. What will occur in the next few years under this bill, is higher electricity prices. Increased Class III requirements mean that standard service prices and retail supply offers will be more expensive, putting Connecticut at a further cost disadvantage to neighboring states. In short, the effect of this bill will be to enrich already successful developers of combined heat and power systems at the expense of other businesses and consumers. Both this Committee and the administration have made reductions to the price of electricity in Connecticut a clear goal. Adding price incentives to a market that is already expanding without additional incentives needlessly raises prices. For these reasons we urge the Committee not to pass this measure.

Should the committee choose to increase Class III requirements going forward, however, we urge at a minimum for a delay until January 1, 2014. This will coincide with the expiration of the current standard service contracts and with many retail contracts as well. It will allow sufficient time for suppliers, developers and most importantly customers to adjust to the new requirements and to plan for new supply to meet them without creating near-term scarcity. It also avoids negatively impacting settled expectations under current standard service and retail supply agreements.