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**Testimony of
Jerry Bellikka
on behalf of
Capital Power Corporation**

**2013– SENATE BILL 1138
LCO 4767**

**CONNECTICUT GENERAL ASSEMBLY
JOINT COMMITTEE ON ENERGY AND TECHNOLOGY**

MARCH 19, 2013

Mr. Chairman, Madam Co-Chair, Honourable Members...

My name is Jerry Bellikka, Government Relations Manager for Capital Power, which owns and operates Bridgeport Energy Center in Bridgeport, a 500 M W Natural Gas Combined Cycle plant. We have invested more than \$350 million in our facility in southern Connecticut and employ approximately 100 full time employees and contractors. We are a member of the New England Power Generators Association, which is submitting a detailed brief on some of the areas of concern with this legislation. I will keep my comments general in nature.

Our concerns with the proposed amendments to SB 1183 are focused in a number of areas:

- 1) concerns with the stakeholder process.
- 2) assigning a 20 year contract without a competitive process
- 3) subsidizing out of state generators, while penalizing in-state resources
- 4) no identifiable need for additional capacity.

Stakeholder input

When The draft CES was released in October 2012 it was our understanding that some of the sweeping changes in policy would be addressed in a separate RPS study. It was also our understanding that the Department of Energy and Environmental Protection would engage stakeholders for input, not just when the technical session was held last November, but also at the stage the draft report was developed. Many of the stakeholders who pre-registered for the November 15 session in order to address their concerns and views on the RPS study and during the technical session were asked to hold their comments until the RPS Study process. The DEEP noted that it was “early in the RPS study process” but hoped to have a report done for the 2013 legislative session slated to begin in early January 2013. We saw the DEEP’s strong focus on stakeholder input in its proceedings and it was our hope that DEEP’s proces would continue with adequate time for meaningful stakeholder perspectives. In interactions with DEEP since that time, market participants were assured there would be adequate stakeholder input.

Four months after the DEEP technical session, stakeholders were still wondering when the RPS study would be done. And would it be done as a draft or a final version? Would there be stakeholder input as promised? As these questions were being asked, LCO 4767 emerged and was set for today's hearing. But the RPS study was released less than 24 hours ago. While public hearings have now been scheduled for April, the timing of this legislation leaves a number of questions about how those hearings will fit into the stakeholder process. Asking the Legislature to act on the significant policy changes suggested in LCO 4767 before the promised stakeholder review of the draft RPS study is problematic, to say the least.

Competitive Procurement

A key element to the success of the New England power market is the need for open and competitive procurement in order to secure generating capacity. The market is best served by having generators compete in an open and transparent process, when there is a determined need for additional generating capacity. Over the last several years, Connecticut has increased the generating capacity of the electricity market through open and competitive RFP's. These processes have successfully added a mix of generating options to the market. Our company, like other industry members here in Connecticut, has invested hundreds of millions of dollars here in Connecticut based on a market structure that was open and competitive. The prospect of awarding a long term contract to an out of state electricity producer, without the assurance of a competitive procurement process undermines investor confidence in this market.

Public Subsidies for out of state resources

As a generating company, we employ a mixture of fuel sources in our portfolio throughout North America. Renewable energy is a part of our fleet in 4 different markets so we understand the economics of renewable power. In each of the markets where we

have chosen to invest in renewables, we have invested in local generation. We create local jobs and support the local economy by using local suppliers whenever possible. When we invest in local infrastructure we pay local taxes and flow the benefits to the local economy. At a time when Connecticut is trying to attract businesses to the state and grow local jobs, it is difficult to understand why the government would consider going out of state or out of country for generating capacity. It is even more difficult to understand why an out of state producer would, potentially, be offered subsidies to produce jobs elsewhere. Providing subsidies to an out of market generator, while taxing generators who are located in the state, just doesn't make sense.

A successful RPS needs to provide a degree of regulatory certainty that rules and definitions are not subject to sudden or continual change. This allows contractual arrangements to be made in the market to meet the RPS requirements. Enticing firms to make investments and create jobs in Connecticut with a RPS program simply will not work if the program is modified in ways that undermine the reasonable expectations of investors after investments are made. Policy consistency and certainty is critical for long-term investments in any industry and especially true in one as regulated as electricity.

Identifying the need

At this point, ISO New England has not determined a need for additional large scale generating capacity to serve the NEPOOL market. In fact, there is a discussion with ISO-New England regarding regional requirements and the modification of the capacity market to provide for those generators to step in when the system is stressed. Generators could be financially rewarded for responding, and penalized for failing to be available. The burden is on local generators to respond and companies like ours are being asked to shoulder the economic risk, rather than have taxpayers exposed to those risks. The focus is on local capacity that is not addressed by any proposal to import

large scale subsidized power from out of market. But, while the ISO is looking at these options the Legislature would appear, through this legislation, to be proposing or maintaining hurdles to compete within the state. Rather than having the State make an arbitrary decision about the need for more generating capacity in Connecticut, we would suggest the question be pursued through the Independent System Operator New England (ISO-NE), the New England Power Pool (NEPOOL) and the Federal Energy Regulatory Commission (FERC).

Conclusion

Connecticut's new Comprehensive Energy Strategy focuses on Cleaner, Greener and Cheaper electricity throughout the state. Companies like ours have invested heavily in cleaner technologies like Natural Gas Combined Cycle generation that fits well within that model. We employ people here in Connecticut and we contribute to the local tax base and the local economy. But it seems like we face increasing challenges to our business from within the state. When you combine the Electricity Production Tax with all of the other taxes we pay, and stack it on top of the prospect of state subsidized power imports from out of the market without a competitive RFP, it becomes very difficult for generators to justify their investment in Connecticut. In the interests of providing a stable electricity market in Connecticut with a set of consistent rules for investors, I strongly encourage you to consider the implications of this legislation.

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