COMMENTS OF EQUIPOWER RESOURCES CORP.
ON PROPOSED SUBSTITUTE BILL NO. 1138 (LCO 4767)
AN ACT CONCERNING CONNECTICUT'S CLEAN ENERGY GOALS

EquiPower Resources Corp. (EquiPower), a Hartford based competitive power generation company established in May, 2010, owns, manages and operates highly efficient, natural gas fueled power plants with a capacity of 5,700 megawatts (MWs) in 5 major geographic regions of the country. In New England, EquiPower has 1,792 MWs of generating capacity, 1,360 MWs of which are located in Connecticut. EquiPower is the second largest generator of electricity in the State. We offer testimony today on Proposed Substitute Bill No.1138 (LCO 4767), An Act Concerning Connecticut's Clean Energy Goals.

Albert Einstein is quoted as saying that "insanity is doing the same thing over and over and expecting different results." Once again, there is a bill before you that purports to benefit Connecticut electricity consumers but that will, in fact, not only do nothing to decrease the electric bills of consumers in this State, but will instead once again burden Connecticut consumers with unnecessarily inflated electric rates. Much has been written lately about the fact that electric rates in Connecticut have decreased 12% over the last two years. However, because of actions taken by the State, such as the Generation Tax, even with the recent reductions, which are largely the result of a decrease in the cost of natural gas, Connecticut continues to have the highest electric rates in the country. Connecticut has also lost ground against the other New England states as prices in Connecticut, on average, remain over 10% higher than the average prices in the rest of New England and are 22% higher than the prices paid by neighbors just across the state line in Rhode Island[1]. Connecticut has also lost ground on a national level as average prices in Connecticut are nearly 60% higher than the national average.

This Substitute Bill, which has been foisted on this Committee at the eleventh hour, would allow large scale hydroelectric power from a large, government-owned utility in Quebec, Canada, known as Hydro Quebec (HQ), to qualify as a Class I renewable resource. More importantly, this Substitute Bill would allow the electric distribution companies (EDCs) in Connecticut to enter into 20 year contracts for this electricity from HQ. While allowing large scale hydroelectricity from HQ to count as a Class I renewable resource is a mistake, allowing 20 year contracts with Connecticut EDCs for this electricity is completely unnecessary and far more dangerous. As explained in more detail below, this proposed legislation is just plain bad public

[1] US Energy Information Administration, Form EIA-826, Monthly Electric Sales and Revenue Report with State Distributions Report.

policy. Does it reduce electricity prices? No. Does it provide a long term reliable source of electricity? No. Does it add jobs in Connecticut and support those companies that have invested in power generators in Connecticut? No. Does it reduce overall emissions of air pollutants? No. What this legislation does is burden Connecticut taxpayers/ratepayers with unnecessary costs, puts jobs in Connecticut at risk, and makes Connecticut dependent on a long term, unreliable, foreign source of electricity. We ask this Committee to question the reasons for this late breaking change to the Proposed Bill including who actually benefits from the proposed legislation.

The Renewable Portfolio Standards (RPS) were adopted in Connecticut to encourage and support the development of nascent renewable technologies, such as solar and wind, and to a very limited extent small hydro due to its inability to compete on an even playing field, by providing subsidies. However, unlike solar, wind and small hydro power, large scale hydroelectric generation is one of the oldest technologies used to generate electricity and does not need a subsidy from the consumers of Connecticut. If electricity from the additional hydroelectric generation being developed by HQ is economic, consumers will choose to buy it, but they should not be forced to subsidize it through the RPS mechanism or any other means. In addition, there is some question as to the extent to which hydroelectric power generation is actually "renewable." For example, a study conducted in late 2010 which was commissioned by the proponents of the Northern Pass Transmission Project (NPTP) showed that delivery of energy by HQ via NPTP would drastically reduce exports to the Province of Ontario well below historical levels and in some years HQ would need to become a net importer from Ontario in order to make the energy deliveries to New England. Therefore, many question whether the energy that would be delivered from HQ would be truly "renewable" or whether it would simply be energy generated from fossil fuels in Ontario and repackaged by HQ in wrapping that is an off shade of "green."

Although HQ has not released a price for the electricity it proposes to sell, it will undoubtedly contribute to higher electricity rates here in Connecticut. More specifically, the price paid by Connecticut consumers for the power generated by HQ will include not only the cost to generate the power, which, according to press clippings from Quebec will be more than 10 cents per kilowatt hour, but will also include the cost of the transmission line needed to deliver that power to Connecticut. Last June, the New England Power Generators Association (NEPGA) released a report which showed that the cost of the new NPTP transmission line will be as much as the price at which electricity from generation sources within New England can be purchased. When the costs to produce the electricity from HQ are added to the costs of the transmission line needed to deliver it to Connecticut, the result is **nearly 14 cents/kilowatt hour, which is**

approximately three times the price of electricity that is generated by existing facilities in New England. The only parties that would benefit from these inflated prices that would be paid by Connecticut consumers would be HQ and Northeast Utilities, the entity that is trying to build the NPTP through New Hampshire.

When Connecticut deregulated its electric industry in the 1990s, the legislation provided that the EDCs sell their power generation assets at market prices and allowed those companies to recover the difference between the market price of those assets on the open market and the amount that those companies had invested in the assets - the stranded costs. Electric customers in Connecticut have just recently finished paying off more than $3 billion in such stranded costs, which were the product of cost overruns and uneconomic investments by the regulated monopoly EDCs. This Substitute Bill would once again allow those same companies, one of which is an affiliate of the entity that seeks to build the NPTP and significantly benefit from it, to enter into a 20 year contract, the risks of which would be borne by captive ratepayers in Connecticut. In addition, in recent years, customers of the EDCs who take Standard Offer Service from the EDCs have paid far above market rates for their generation supply because purchases made by the EDCs on their behalf were far more expensive than current supply cost due to the dramatic drop in the cost of natural gas. These examples of Connecticut customers paying for the investment mistakes of the EDCs should serve as a lesson and guide your vote against permitting the same EDCs to enter into a 20 year contract, with total revenues of approximately $6 billion, that will likely end up being very uneconomical for Connecticut consumers in the years to come.

In order to incentivize HQ to commit its precious, indigenous hydro resources on a long term basis to the State of Connecticut, a substantial premium above cost will almost assuredly have to be paid by Connecticut consumers. HQ is building these new hydroelectric facilities for its own long term needs and one day it will need this energy for its own customers in Canada. At that time, HQ will cease selling this power to Connecticut and once again consumers in Connecticut will be behind the eight ball even after suffering with higher electricity rates as a result of overpaying for the HQ energy for years. The proposed legislation is also very perplexing given the fact that HQ has publicly said that it does not need renewable subsidies, long term contracts and/or other types of subsidies.

Lastly, and perhaps most perplexing about this Proposed Bill, is the fact that while the State is recommending that Connecticut consumers bear the burden of providing subsidies to a foreign, government-owned company for reasons difficult to understand, it is also proposing to renew a very onerous and unfair tax that increases electricity prices from companies who invested in power generation, built companies and created jobs here in Connecticut without requesting any assistance from the State, and who did so at the risk of their investors and not Connecticut taxpayers/ratepayers. In addition, the Proposed Bill would create an unlevel playing field for the rest of us who compete to generate electricity and who have helped produce the lowest wholesale prices for electricity in New England in the past decade.

Your constituents need you to vote against this bill so that the consumers of Connecticut are not unnecessarily subsidizing or being strapped with the burden of long term contracts for large scale hydroelectric power generation from Canada.

Submitted by,

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