

**GDF SUEZ Energy North America Testimony on
Proposed Substitute Bill No. 1138 LCO No. 4767
An Act Concerning Connecticut's Clean Energy Goals**

Good morning. My name is John Shue and I am Vice President of Operations - New England for GDF SUEZ Energy Generation North America, NA. Our parent company, GDF SUEZ Energy North America (GSENA), maintains a strong portfolio of energy-related businesses including power generation, retail electricity sales, the importation, storage, and delivery of liquefied natural gas (LNG), and renewable energy development.

GSENA's diverse New England generation fleet includes both run-of-river and traditional hydro-electric facilities, pumped storage hydro-electric facilities, natural gas powered facilities, and a solar farm. Our company is the largest owner of hydro-electric generation in Connecticut with facilities located primarily on the Housatonic, Shetucket, and Quinebaug Rivers representing hundreds of millions of dollars in investment and with direct employment of approximately forty people in the State.

I am offering testimony today regarding concerns we have with Bill No. 1138 which was filed late last week. GSENA's initial examination of this legislation concludes that a number of its provisions would negatively impact our facilities and our ability to compete in the renewable energy market, in addition to potentially harming the renewable energy marketplace both in Connecticut and New England.

As an owner of hydro-electric facilities in Connecticut that has invested significant capital dollars ensuring these aging units remain operational, we are troubled that this bill not only fails to give proper incentives to existing hydro units in the State to qualify as a Class I resource, but, as written, would actually eliminate the eligibility of three of our facilities. Until now, these facilities were either receiving Class I Renewable Energy Credits dollars or were in line to qualify based on planned investment and upgrades.

Furthermore, by creating a new Class I tier that basically provides a subsidy for large-scale, state-owned hydro resources in Canada, Connecticut is considering a policy path that rewards projects outside of the country at the expense of in-State or even in-region projects. In short, Connecticut will be paying more for Canadian hydro-power than hydro-power generated right here in Connecticut.

Also of concern is a provision that would yield the right to determine which hydro facilities qualify as Class I renewable energy based on a review from an out-of-state, non-governmental agency, the Low Impact Hydropower Institute (LIHI). According to its website, not a single member of its staff, Governing Board or Advisory Panel is from Connecticut, and its offices are not even in New England, they are based in New Jersey.

While GSENA appreciates the bill's, and LIHI's, intent to identify and provide incentives to environmentally friendly hydro-units, it should be pointed out that the goals of LIHI certification and those of the State's RPS program do not always run hand-in-hand. LIHI is concerned only with certifying environmentally sound hydro-electric facilities based upon established criteria while an RPS program has a multi-pronged goals that include providing consumer subsidies to support emerging renewable energy sources, encouraging economic development in the renewable energy sector, stimulating future investment in renewables, and reducing emissions.

Moreover, there may not be enough benefit from CT Class I REC certification to justify the costly investments, such as the installation of fish ladders, that are required to meet LIHI standards. In many

cases, some improvements that would be required to qualify for LIHI are even outside our immediate control. Because of the way in which LIHI criteria are established, projects could be disqualified not due to decision they may make as an operator, but due to decisions made downstream or upstream regarding the operations of a competitors' projects.

We would also question why Class I contracted tier renewable energy sources do not have to meet LIHI standards before qualifying for RECs. Again, the bill is rewarding a Canadian source of power at the expense of domestically produced energy.

As you may be aware, even a minor alteration to the State's RPS qualifications and requirements can have major market and financial implications for a variety of stakeholders. These implications are only multiplied when evaluating the sweeping RPS changes contained within this legislation, especially in regards to biomass.

First, the bill contemplates retroactive biomass changes which will wreak havoc on the many investment decisions companies are making right now to qualify for CT RECs and to improve the environmental characteristics of their plants. Millions of dollars are potentially in play and with these proposed changes companies must meet a moving target which does nothing but discourage investment in the future. In addition, the characteristics of qualifying biomass fuel are likewise a moving target – in this bill sustainability is not well defined, nor is old growth timber stands.

And contemplated future changes regarding offsetting RGGI credit for fuel transportation do not seem to capture that transportation of fuel and power generation are two distinct operations within the biomass industry. Among the questions this produces: Who must purchase the RGGI credits? How is that reconciled within the RPS construct?

Finally, while GSENA certainly appreciates the opportunity to testify before the Committee today, we are nevertheless very concerned with the limited amount of time given for public discussion and limited stakeholder input on these important public policy issues.

The Connecticut Department of Energy and Environment Protection (CT DEEP) even stated in its draft Comprehensive Energy Strategy (CES) that any major changes to the RPS would be examined in a separate RPS Study. Communications with the CT DEEP indicated there would be an opportunity for a robust stakeholder comment period. With the draft Study just coming out today and the Plan scheduled to be finalized in less than two months, there simply will not be the level of input needed to produce thoughtful legislation.

GDF SUEZ Energy NA urges the Committee to examine much more closely many of provisions contained within Bill No. 1138 and evaluate the potential harm they could cause to in-state and in-region resources and the ability for companies to make sound financial decisions regarding renewable energy.

Thank you for the opportunity to testify. I am happy to answer any questions you may have.

Submitted by:

John Shue
Vice President, Northeast Generation
GDF SUEZ Energy North America
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