COMMENTS OF EQUIPOWER RESOURCES CORP.
ON SENATE BILL NO. 843
AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET

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 Senate Bill No. 843, An Act Concerning Revenue Items to Implement the Governor's Budget.

Two years ago the Legislature passed and the Governor signed legislation that put in place the only tax on electrical generation production in the nation as a part of the "shared sacrifice" that was needed to solve the State's $3 billion annual budget deficit. The generation tax was then and is now an arbitrary, onerous and unfair tax that discriminates against a single industry without any justification and is regressive in that it taxes production regardless of a company's profitability. There are numerous negative consequences that have resulted from this tax. For example, the generation tax has hit natural gas generators the hardest based on the way that electricity prices are set in New England and the relative profitability of these generators. Natural gas generation represents the youngest, most efficient, and lowest emitting fossil fuel generating facilities in the U.S. and New England. They are the baseload power plants of the future, especially as New England debottlenecks the gas pipeline constraints in the next few years. The generation tax has also put generators located in Connecticut at a competitive disadvantage compared to those in other New England and surrounding states that are not subject to the tax, thereby making Connecticut generators less profitable and reducing the income taxes paid to the State and potentially leading to a reduction in the property taxes paid to municipalities. This tax has also led to increased air emissions throughout the Northeast because less efficient gas, oil and coal generating units outside of Connecticut run more than the more efficient natural gas generators in Connecticut whose marginal costs are higher due to this significant added tax burden.

In addition to the harm that this tax has had on Connecticut generators and the environment, the tax has also caused electricity prices to be higher than they otherwise would be for consumers in Connecticut and throughout New England. As noted by the Attorneys General of Massachusetts and Rhode Island in their recent letter to Connecticut legislative leaders, this tax increases electricity prices in other states at a time when consumers and businesses are struggling. Much has been written about how electricity prices in the

Connecticut have dropped by 12% during the last two years. However, without this tax they would have fallen even further. As a result, Connecticut has lost ground against the other New England states as prices on average remain over 10% higher and, for example, 22% higher than neighbors just across the state line in Rhode Island[1]. Connecticut has also lost ground on a national average as prices are nearly 60 percent higher. It is difficult to understand the common sense of a tax that increases electricity prices when Connecticut has nearly the highest prices in the U.S. and has stated as one its highest priorities to reduce such prices.

When this generation tax legislation was passed in 2011, the Administration and the Legislature through approval of the budget promised that it would sunset in June of this year, and the legislation clearly stipulates that end date. Businesses made decisions and investors made commitments based on that promise. The promise to Connecticut businesses and consumers will be broken and the harmful impacts of the tax will continue unless this Committee and the Legislature act to remove this new generation tax from Senate Bill No. 843. Businesses that operate in Connecticut and those that might consider investing here are watching closely to see if the State can be counted on to stand by its commitments. I can speak with authority on this issue as my Company has created over 50 highly compensated jobs during one of the worst recessions in U.S. history, with the prospects of doubling its headcount in the next couple of years. We asked for no handouts from the State, just policies that foster a fair and equal playing field from which to compete in a very competitive business. We continue to get asked by our investors, which are largely institutions such as state pension funds and university endowments (some of which are located in Connecticut), why are we headquartered in a state that has exacted such an arbitrary, onerous and unfair tax, and broken its promise to end that tax. I can assure you that this question is nearly impossible to answer in support of Connecticut despite the State's many attributes. I ask that this Committee do what is needed to fulfill the State's promise by removing this new generator tax from Senate Bill No. 843.

Submitted by,

Jim Ginnetti
Senior Vice President
External Affairs and Markets

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

Attorney General
Martha Coakley

Attorney General
Peter Kilmartin

February 7, 2013

The Honorable Donald E. Williams
Senate President Pro Tempore
Legislative Office Building, Room 3300
Hartford, CT 06106

The Honorable Martin M. Looney
Senate Majority Leader
Legislative Office Building, Room 3300
Hartford, CT 06106

The Honorable John McKinney
Senate Minority Leader
Legislative Office Building, Room 3400
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The Honorable Brendan Sharkey
Speaker of the House
Legislative Office Building, Room 4100
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The Honorable Joe Aresimowicz
House Majority Leader
Legislative Office Building, Room 4110
Hartford, CT 06106

The Honorable Larry Cafero
House Minority Leader
Legislative Office Building, Room 4200
Hartford, CT 06106

Re: <u>Reauthorization of the Generator Tax; Impact on Ratepayers Throughout New England</u>

Dear Senate President Pro Tempore, Speaker, and Leaders:

We are writing today to express our ongoing concern with a tax that the State of Connecticut assessed on electricity generators in 2011 and to express our strong desire that Connecticut not reauthorize this tax in 2013. We were disappointed that the Governor included such a proposal in his Fiscal Year 2014-15 budget released this week.

As you may be aware, a 2011 ISO New England study found that because all generators reap a windfall as a result of higher prices caused by the tax on Connecticut generators, New England ratepayers were likely to pay approximately $58 million more to purchase electricity because of the tax, and that approximately 75% of the higher energy costs resulting from the tax were likely to be borne by ratepayers outside of Connecticut. In essence, the ratepayers of our states and others are bearing the burden of higher energy market prices that are the direct result.

New England's relatively high electricity costs are an economic drag on each of our states and New England as a whole. Our Offices work every day to oppose unnecessary and inappropriate electricity rate increases to protect the ratepayers of our states. As our commercial and industrial ratepayers attempt to compete with other businesses across the country and the world, high electricity costs hurt their ability to keep jobs and bring new jobs to the region. Meanwhile, our residential ratepayers are still feeling the effects of the recession and higher electricity costs makes it harder for them to afford other basic needs.

We are sympathetic to Connecticut's budget challenges as our individual states are also looking for creative means to address our challenges. But Connecticut's generator tax is inappropriately raising the rates of our states' families and businesses in order to benefit Connecticut's coffers. We urge you to not reauthorize this tax.

Thank you for your attention.

Cordially,

Martha Coakley
Massachusetts Attorney General

Peter F. Kilmartin

Peter Kilmartin
Rhode Island Attorney General

Cc: The Honorable Dannel P. Malloy, Governor of Connecticut