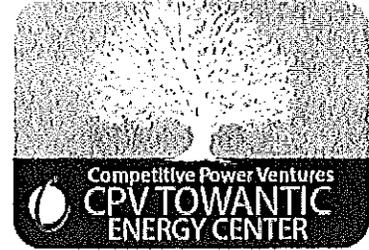




Competitive
Power Ventures



TESTIMONY OF BRAITH KELLY

ON BEHALF OF

COMPETITIVE POWER VENTURES, LLC and CPV TOWANTIC, LLC

2015 – Senate Bill 566

JOINT COMMITTEE ON ENERGY AND TECHNOLOGY

February 19, 2015

I. Introduction

Thank you for the opportunity to testify on Senate Bill 566 – Concerning Electric Generation Facilities. My name is Braith Kelly and I am the Senior Vice President of External Affairs for Competitive Power Ventures, LLC (“CPV”). CPV is a leading North American electric power generation development and asset management company headquartered in Silver Spring, Maryland, with offices in Braintree, Massachusetts, Houston, Texas, and San Francisco, California. The company currently has over 8,000 MW of conventional generation and renewable projects in various stages of development across North America as well as more than 7,400 MWs of natural gas generation and wind power under management.

CPV is currently developing the CPV Towantic Energy Center (“Towantic”), an 805 MW combined-cycle generating facility in Oxford, Connecticut. Towantic will utilize the most advanced natural gas turbine and environmental control technology available. When complete, the facility will be one of the cleanest and most efficient conventional electric generating projects in the world.

II. CPV’s Position

As the developer of the most advanced development project in Connecticut, CPV has a unique perspective on the proposed bill. As I understand it, the bill seeks to amend the general statutes “to establish a time period of usefulness and expiration of environmental compatibility and public need.”¹

In CPV’s experience however, a Certificate of Environmental Compatibility and Public Need (“Certificate”) is already issued by the Connecticut Siting Council (“Council”) with an expiration date. If construction is not complete within four years after initial issuance, or four years after appeals regarding the Certificate have been resolved, the Certificate will void. The Certificate Holder has the opportunity to file a request for an extension of the construction deadline with the Connecticut Siting Council. The Council has the authority to either approve or reject extension requests after careful consideration. The expiration date currently applied to a

¹ Senate Bill 566 – Concerning Electric Generation Facilities

Certificate is an appropriate mechanism to prevent a project from remaining dormant indefinitely without Council oversight. However, any attempt to eliminate the Council's authority to extend a Certificate regardless of circumstances is misguided and would be detrimental to the development of electric generating projects and customers that rely on reliable and affordable electric service.

III. Reasons for Extensions

The extension of a Certificate is not a new or uncommon occurrence. It is perfectly within reason for the developer of an electric generation facility, electric transmission facility, or telecommunications facility that experience delays to request an extension from the Council. Development of such capital-intensive projects is a complex and time-consuming endeavor in which there are many obstacles that must be overcome before a project can come to fruition. Towantic's initial construction deadline of May 2005² has been reviewed and appropriately extended by the Council on several occasions. For instance, in 2003, Towantic requested and received an extension from the Council of its Certificate to coincide with the appeal deadline for Department of Environmental Protection air emissions permits. The existence of the air emissions permits appeal, of which Towantic had to resolve before commencing construction, affected neither the environmental compatibility nor the public need for the project. When Towantic's previous owner, Calpine Corporation, filed for bankruptcy and ultimately decided to sell the project in 2007, the Council approved an extension request to allow for the transaction to occur. The transfer of ownership of the project affected neither the environmental compatibility nor the public need for the project. The Superior Court agreed with the Council's decision and dismissed an appeal of the construction deadline extension³. Finally, Towantic requested and received an additional extension of the Certificate in 2010 to initiate a new commercialization strategy necessitated by shifting market conditions. Towantic's efforts to bring the project forward in the most economic and beneficial manner possible once again affected neither the environmental compatibility nor the public need for the project.

² Four years from the resolution of Certificate appeals

³ *Town of Middlebury v. Connecticut Siting Council*, CV 07-4013143 (Nov. 1, 2007).

IV. Extensions Validated

The Council's decisions to extend Towantic's Certificate have been validated by several events over the past year. First, the Connecticut Department of Energy and Environmental Protection's 2014 Draft Integrated Resource Plan ("IRP") identified a regional power need of 1,700 MW of new resources by 2024 in order to maintain reliable electric service⁴. Power is procured on a regional basis, and therefore a regional need is a Connecticut need. However, public need is necessitated not just by reliability, but also by economics. Because power is procured on a regional basis, a regional shortfall will impact Connecticut ratepayers regardless of the adequacy of in-state generation. According to the Energy Information Administration's most recent publication on average residential rates, Connecticut's average residential electric rate of \$19.87/kw-hour was the highest of any state in the contiguous United States during November 2014, a 9% increase over November 2013⁵. A looming capacity shortfall would only exacerbate the already high rates that Connecticut ratepayers face. It is for this reason that the IRP proposed that the Department may need to pursue action within state authority to procure new generation if the regional grid operator, ISO-New England, failed to attract new generation in its annual forward capacity auction⁶.

Fortunately, thanks in large part to the Council's decision to extend Towantic's Certificate, CPV was able to quickly respond to the call for new resources and bid the CPV Towantic Energy Center into the February 2015 capacity auction. The project was ultimately selected by ISO-New England to provide electric generation capacity beginning in the 2018-2019 delivery year. By design, selection in the auction is an indication that the resource is needed by an efficient market. Without Towantic, the auction would have procured the same amount of capacity, but at a higher price. Beyond capacity auction savings, Towantic is estimated to provide an average

⁴ 2014 Integrated Resource Plan for Connecticut Draft for Public Comment – Page iii.

⁵ EIA Electric Power Monthly with Data from November 2014 – Table 5.6.A

⁶ 2014 Integrated Resource Plan for Connecticut Draft for Public Comment - Page vi.

of \$147 million in annual energy savings to Connecticut ratepayers by displacing the need to dispatch less efficient generation resources⁷. The ability to extend the construction deadline of the Certificate with the Council's approval played a direct role in Connecticut and New England's ability to have a generation project in the advanced stages of development that could respond expeditiously to help maintain reliable service at the lowest cost to ratepayers for the foreseeable future.

V. Benefits of Towantic

Beyond the project's positive impact on reliability and ratepayers, Towantic is expected to have very significant economic benefits for the State of Connecticut. The University of Connecticut's Connecticut Center for Economic Analysis ("CCEA") recently published a study on the economic impacts of the CPV Towantic Energy Center. CCEA estimates that construction and operation of the facility will increase the personal income of Connecticut residents by \$7.9 billion between 2015 and 2040⁸. Beyond the 500 construction jobs and 25 permanent positions at the actual facility, CCEA estimates "peak employment in the construction phase of more than 2,300 positions, with sustained jobs approaching 1,800."⁹ None of this would be possible if Towantic's certificate had a steadfast expiration date that could not be extended with Council approval under any circumstance.

VI. Conclusion

The current jurisdiction to review and make determinations on Certificate of Environmental Compatibility and Public Need applications is correctly under the authority of the Connecticut Siting Council. The Connecticut Siting Council maintains the requisite technical and economic expertise to make important Certificate extension decisions, such as is contemplated in the proposed bill. It follows that the appropriate entity to review and make the determination on Certificate extension requests continues to be the Council. CPV does not believe there is any

⁷ CPV Towantic Late-Filed Exhibits – Connecticut Siting Council – 2J

⁸ CCEA Economic Impact Analysis of CPV Towantic, LLC's Construction and Operation of an 805 MW Electricity Generation Facility in Oxford, CT – Table 4 – Page 19

⁹ CCEA Economic Impact Analysis of CPV Towantic, LLC's Construction and Operation of an 805 MW Electricity Generation Facility in Oxford, CT – Page 20

reasonable basis for stripping the Council of its authority to make these decisions. A one-size-fits-all approach that imposes a strict expiration date on a Certificate is not only inappropriate, but would hinder the development of electric generation projects to the detriment of those that rely on reliable and affordable electric service. Developers cannot reasonably be expected to invest tens of millions of dollars and countless man-hours to develop needed new resources if the investment has a shelf-life that cannot be extended under any circumstance. The current Certificate approval and extension process has worked for many years, and will continue to work for many years to come.