DYNEGY COMMENTS ON CONNECTICUT RAISED BILL 224
AN ACT CONCERNING THE CAPACITY AND CRITERIA FOR CERTAIN RENEWABLE ENERGY GENERATION FACILITIES

Dynegy is the owner of the Lake Road Generating Plant in Dayville and the Milford Power Generating Plant in Milford. We are one of the largest power generators in the nation, the largest competitive generator in New England, and we produce the second highest total megawatt hours (MWhs) of electricity in the State of Connecticut each year (behind only the Millstone nuclear facility).

We are here today to provide our comments to the Committee on Raised Bill 224, An Act Concerning the Capacity and Criteria for Certain Renewable Energy Generation Facilities. Raised Bill 224 would significantly increase the amount of renewable generation that the Electric Distribution Companies (EDCs) (Eversource and United Illuminating) can own from a current limit of thirty (30) MWs to two-hundred (200) MWs.

As we will discuss, this Bill is completely unnecessary, will place increased risk on consumers and would benefit only the shareholders of the EDCs. For these reasons, it should be rejected by this Committee.

Nearly twenty years ago, this Legislature voted to restructure the electric industry in the State by allowing the EDCs to divest their owned generation without financial loss. This Legislature took that step primarily due to the cost overruns experienced by the EDCs when they built generation, along with the poor operating performance of their generation after it was built. This industry restructuring allowed the EDCs to sell off their generation and collect more than $3 Billion of stranded costs, which was what the EDCs had spent minus the value of the generating plants when they were sold. Connecticut consumers finished paying off those stranded costs just a few years ago. Since the time the EDCs sold their generation, all of the risks of cost overruns and poor operating performance in the electric generation business has been borne by competitive generators, like Dynegy, who are not guaranteed recovery of their investments or a financial return on those investments.

This Raised Bill would allow the EDCs to try their hand to a greater degree in once again building and operating electric generation, a task that fills no defined public need and benefits only the utility shareholders by guaranteeing them a rate of return on that generation. And as stated above, the original intent of restructuring the power industry was to shift risk from captive customers to private investors.

Fortunately, this Committee has the benefit of recent experience in another New England state to help guide it in its evaluation of this bill. In 2006, Eversource's New Hampshire EDC, Public Service Company of New Hampshire (PSNH), asked the New Hampshire State Legislature for approval to spend $250 million to install scrubbers[1] on their coal plants for emission control. By the time the project was finished, the total cost ballooned to $420 million, a cost overrun of nearly 70% above the $250 million

[1] A scrubber is a form of flue gas desulfurization, which removes sulfur dioxide (SO_2) from the plant's exhaust stack.

estimate. That investment turned out to be very poor, even if it were built at the lower price, because coal generation in New England is now far more expensive than that from natural gas plants and coal plants run very rarely. However, the captive electric customers in New Hampshire are paying and will continue to pay for the investment, including the $170 million of cost overruns.

Fortunately, there are many companies like Dynegy that are willing and able to build the power generation to meet the State's needs, and without putting the risks of cost overruns on Connecticut's homeowners, small businesses and large industries as the Connecticut EDCs would.

In summary, this Legislature restructured the power markets to drive the lowest costs for Connecticut's consumers, including the shifting of investment risk from the utilities to private companies like Dynegy. The advantages of the restructured markets are clear, and should anyone need a history lesson they should look no further than the PSNH example, where customers were forced to bear nearly $200 million in cost overruns on a utility-built project. This Committee should reject Raised Bill 224 and prevent Connecticut consumers from suffering a similar fate.

Presented by:

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On behalf of Dynegy

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