

**NEPGA - New England Power Generators Association**  
**RESA – Retail Energy Supply Association**  
**NRG Energy**  
**Milford Power Company**  
**Direct Energy**  
**First-light Power**  
**AES Thames**

## **Utility Generation = Higher Energy Costs**

New energy legislation in Connecticut must provide critically needed electric reliability at the lowest possible cost. Any new legislation should recognize that competitive market forces have brought and will continue to bring the most cost-effective power to Connecticut ratepayers. Competitive processes where all players are treated the same and are able to participate on a level playing field is the best way to protect ratepayers from any future financial risk. The following four key points are essential to consider in regard to any future changes to Connecticut's energy restructuring law:

- No changes are required for Connecticut's transmission and distribution companies (utilities) to participate in the electric generation market – they can do it now
- Utility owned generation will not result in lower electric prices – in NH rates have been 8% higher on average since 1998
- Electric competition has helped to mitigate high electric prices
- Competitive generation will continue to deliver the lowest electricity prices for consumers

### **No changes are required for Connecticut's transmission and distribution companies (utilities) to participate in the electric generation market**

- The 1998 restructuring law permits utilities to participate as competitive generators. Northeast Utilities participated in generation through its Select Energy affiliate, but exited the business in 2006. Northeast Utilities is seeking ratepayer guarantees through rate based operations in order to participate in generation going forward.

### **Utility owned generation will not result in lower electric prices**

- Today's generators are producing power for less than the utilities did 8 years ago.
- Utilities have touted the NH 'hybrid' model as benefiting ratepayers. Since the beginning of restructuring in 1998, Connecticut retail electric rates on average have been 8.3% lower than NH rates and ratepayer savings in Connecticut (when compared to NH rates) would have been \$241M over the 9 year period.

(over)

- Generation costs have dropped since Connecticut passed its restructuring law due to the incentive from competition to produce the most cost-effective power (see ISO NE's website).
- Utility-owned generation is based on the principle that utilities are compensated for all of their costs and are paid a profit in addition to these costs. As a result, the more they spend, the more they make in profit. Hence, there is no hard incentive through competition to cut costs.
- Guaranteed cost recovery, lack of competition, and lack of expertise make it impossible for Connecticut's transmission and distribution companies to construct and manage generation less expensively than competitive generation companies.
- Transmission and distribution companies lost the capability and expertise to develop, construct, and operate power plants when they exited the generation business in Connecticut (regulated generation was sold in 1999.)
- Utility owned generation shifts all of the risks of developing and operating power plants onto Connecticut ratepayers. Under our competitive system, private company shareholders take the risks of investment, operation, and maintenance in power plants, not Connecticut ratepayers. This has translated to significant generation cost savings for Connecticut ratepayers.

#### **Electric competition has helped to mitigate high electric prices**

- Higher electric prices are a direct result of higher natural gas and oil prices. Competitive generation has helped mitigate these price increases by reducing construction costs, operating costs and fuel consumption at generating plants. Competition has also resulted in increased plant availability (ability to generate when needed) when compared to the old utility owned generation.

#### **Competitive generation will deliver the lowest electricity prices for consumers**

- Existing generation sites in Connecticut currently owned by competitive generators, whose business focus is electric generation, provide the quickest and most cost-effective means of adding new generation.
  - Already sited for generation; community acceptance; permits in place
  - Ability to expand and/or re-power existing site; grid connected
  - Utilization of brown-field vs. green-field sites
- The only way to ensure the lowest cost new generation is built is through a competitive procurement process that chooses the least cost projects from multiple proposals
- This process locks in prices for ratepayers – ratepayers bear no risk for future market conditions or project management
- The recent DPUC RFP process is an example of a competitive process that works:
  - 21 proposals totaling 3000MW bid in
  - 4 proposals totaling 787MW chosen
  - Prices locked in – no ratepayer risk
- Utilities can and should compete in these processes under the competitive affiliate rules already in place - they chose NOT to compete in the current DPUC RFP process.

**Connecticut ratepayers do deserve lower rates, but utility owned generation will not lower rates. Make the system work to benefit the rate-payer – let the competitive system drive home lower electric rates.**