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August 14, 2008

**VIA ELECTRONIC AND FIRST CLASS MAIL**

S. Derek Phelps  
Executive Director  
Connecticut Siting Council  
Ten Franklin Square  
New Britain, CT 06051  
E-mail: [derek.phelps@ct.gov](mailto:derek.phelps@ct.gov)

**RE: New England Power Generators Association, Inc.'s Written Statement on the 2008 Ten-Year Forecast of Electric Loads and Resources for Connecticut - Docket No. F-2008.**

Dear Mr. Phelps:

Pursuant to the Connecticut Siting Council's (Siting Council) request for written statements on the 2008 Ten-Year Forecast of Electric Loads and Resources (2008 Forecast) in the above referenced docket, the New England Power Generators Association, Inc.<sup>1</sup> ("NEPGA") hereby respectfully files the following written statement.<sup>2</sup>

NEPGA is the largest trade association representing competitive electric generating companies in New England. NEPGA's member companies represent approximately 25,000 megawatts of generating capacity throughout New England, and over 7,300 megawatts of generating capacity in Connecticut, representing the vast majority of electric generating capacity in Connecticut. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA requests that all further correspondence, communications and other documents relating to this matter be served upon the undersigned.

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<sup>1</sup> The views expressed in these comments do not necessarily represent the positions of each of NEPGA's members. In addition, nothing in these comments should be deemed to waive any rights that NEPGA or any of its members may have to challenge any administrative, procedural or substantive initiatives.

<sup>2</sup> "any person who has not become a party or has not become an intervenor, but who desires to make his or her views known to the Council, may file a written statement with the Council by August 14, 2008." *2008 Ten-Year Forecast of Electric Loads and Resources; Hearings on Docket No. F-2008*, July 15, 2008, (statement of Chairman Daniel F. Caruso)

## **I. Background**

The Siting Council's charge pursuant to Conn. Gen. Stat. § 16-50j is to objectively balance the statewide public need for adequate and reliable services at the lowest reasonable cost to consumers with the need to protect the environment and ecology of the state. Electric generation and transmission, natural gas, and specific forms of telecommunications infrastructure are under the exclusive jurisdiction of the Siting Council.

In furtherance of that mandate, the legislature has required every person engaged in electric transmission services, electric generation services, electric distribution services, or the generation of electric power in the state utilizing a generating facility with a capacity greater than one megawatt, to annually file a report on a forecast of loads and resources which may consist of an update of the previous year's report with the Siting Council for its review.<sup>3</sup> The Siting Council has had the responsibility to review the forecasts of electric loads and resources of the State since 1972. Since that time, the Siting Council has studied and reported on the utilities' plans to adequately forecast and meet the public's growing demand for electricity.

On July 10, 2008, the Siting Council released a Draft Report detailing the existing electric energy infrastructure projects located in Connecticut and the corresponding load forecasts. On July 15, 2008, The Siting Council conducted a hearing to review the Draft Report and receive testimony from participants.

## **I. Statement of NEPGA**

NEPGA appreciates the obligations that the Connecticut General Assembly has placed upon the Siting Council to submit a comprehensive report on its forecast of loads and resources. More relevant to this proceeding; however, NEPGA appreciates the diligence and thoroughness with which the Siting Council has executed its responsibilities.

NEPGA applauds the Siting Council's consultation and reference to the forecasting of ISO-NE, as a properly developed plan should anticipate some degree of coordination with ISO-NE.<sup>4</sup> Ultimately, ISO NE is responsible for operating a shared regional bulk power system with the goal of providing a reliable and efficient supply of competitively priced electricity. In FERC Order 890, the Federal Energy Regulatory Commission ("FERC") similarly encouraged such a collaborative process:

... we believe that the transparency provided under an open regional transmission planning process can provide useful information which will help states to coordinate transmission and generation siting decisions, allow consideration of regional resource adequacy requirements, facilitate consideration of demand

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<sup>3</sup> Conn. Gen. Stat. § 16-50r(a)

<sup>4</sup> See, Draft Report of the Siting Council 2008 Ten-Year Forecast of Electric Loads and Resources, July 15, 2008, page 2.

response and load management programs at the state level and address other factors which the states wish to consider.<sup>5</sup>

NEPGA believes that as a region we are consistently working towards achieving those goals, and notes that the recent creation of the New England States Committee on Electricity (NESCOE), of which the State of Connecticut is a part, reinforces that goal. NEPGA encourages the coordination of existing federal, state and regional policy, in concert with competitive market mechanisms, to ensure that the appropriate capacity is built to ensure continued reliability, environmental improvements and consumer benefits.

NEPGA takes notable exception to the Draft Report's inclusion and reference to the integrated resource plan that was prepared by the Connecticut utilities, in consultation with the Brattle Group, and submitted to the Connecticut Energy Advisory Board (CEAB) on January 8, 2008 ("January 8<sup>th</sup> IRP").<sup>6</sup> Section 51 of Public Act 07-242, An Act Concerning Electricity and Energy Efficiency, required the Connecticut utilities to review the state's energy and capacity resource and develop a comprehensive plan for the procurement of energy resources.

For a number of reasons, the January 8<sup>th</sup> IRP that was submitted to the CEAB did not fulfill the legislative directive for an energy procurement plan, nor did it provide for the best interests of Connecticut electric customers. On February 7, 2008, NEPGA submitted comments to the CEAB on the January 8<sup>th</sup> IRP focusing on the following:<sup>7</sup>

1. The January 8<sup>th</sup> IRP failed to identify the competitive market as a comprehensive framework to compare potential investments in generation capacity, demand-side measures and transmission enhancements.
2. Electricity resources will be needed to attain reliability targets in Connecticut and elsewhere in New England in contrast to the January 8<sup>th</sup> IRP's assessment that Connecticut will not need additional supply side resources.
3. NEPGA disagreed with the January 8<sup>th</sup> IRP's contention that returning to a cost-of-service regime could help to stabilize customer rates or lower prices for customers.
4. The January 8<sup>th</sup> IRP overstated the ability of demand side management to maintain reliability within practical operational and economic limits.

NEPGA most strongly disagreed with the January 8<sup>th</sup> IRP's conclusions that no supply side resources will be needed to meet Connecticut's growth in electrical demand. The growth in electrical demand drives the need for a prudent mix of generation, transmission and demand-side

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<sup>5</sup> FERC Order 890, at 452.

<sup>6</sup> See, Draft Report, page 27.

<sup>7</sup> See generally, New England Power Generators Association, Inc.'s comments on the Electric Distribution Companies' Procurement Plan for Connecticut, February 7, 2008.

resources. Peak demand for electricity in New England is projected to grow nearly two percent per year over the next decade, and Connecticut's growth in demand is projected to grow at a slightly larger rate than the aggregate of the region.<sup>8</sup> This requires adding the equivalent of roughly a 500-MW power plant to the New England system every year.<sup>9</sup> Based on ISO-NE's projections, the January 8<sup>th</sup> IRP would not adequately provide for a prudent mix of energy resources to accommodate the projected growth.<sup>10</sup> More than 40% of the region's electricity is produced by plants that operate on natural gas, and they set the wholesale electricity price more than 80% of the time.<sup>11</sup> New England has no indigenous supplies of natural gas and is located at the end of the North American pipeline system.<sup>12</sup>

In analyzing ISO-NE's most conservative estimates, the Siting Council itself anticipates that Connecticut will face "a significant generation capacity shortage beyond 2008."<sup>13</sup> Of particular note is that the information for this forecast was provided to the Siting Council from all Connecticut electric transmission and distribution companies and considers existing loads and reserve margins within their respective service areas.<sup>14</sup> With those resources available, it is significant to note that while the Siting Council set forth a detailed list of anticipated generation resource retirements, the January 8<sup>th</sup> IRP assumes no such generation retirements.<sup>15</sup> While NEPGA has no specific knowledge of definite facility retirements, prudent utility practices would require factoring in a certain amount of resource retirements as a result of common engineering lifecycle assumptions, increasing environmental control and compliance obligations on generating plants, and the promotion of technology advancements that better serve Connecticut's energy policy goals.

An additional significant shortcoming is the January 8<sup>th</sup> IRP's failure to properly anticipate new supply side resources that will be required to enable the state's efforts to comply

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<sup>8</sup> 2007 Regional System Plan, ISO New England Inc., October 18, 2007

<sup>9</sup> *See, Id.*

<sup>10</sup> Historically ISO-NE's forecasted demand has tracked actual load closely in most months. 2006 Assessment of the Electricity Markets in New England, Patton, et. al. , June 2007, Page 45.

<sup>11</sup> Regional Electricity Outlook, ISO New England, 2007 Annual Report, Page 10.

<sup>12</sup> *Id.*; *See also*, January 8<sup>th</sup> IRP at 19; *Contrast, 2008 Ten-Year Forecast of Electric Loads and Resources; Hearings on Docket No. F-2008*, July 15, 2008, Page 80 – 81 (statement of Mr. Daniel Weekley, Dominion Nuclear Connecticut, Inc.), Page 125 – 127 (statement of Mr. Michael Kirkwood, BG Americas and Global LNG).

<sup>13</sup> Review of the Ten Year Forecast of Connecticut Electric Loads and Resources 2007-2016, Connecticut Siting Council, November 14, 2007, Page 10.

<sup>14</sup> Connecticut has three distribution companies that prepare forecasts for their service areas pursuant to Conn. Gen. Stat. §16-15r: The Connecticut Light and Power Company, The United Illuminating Company, and the Connecticut Municipal Electric Energy Cooperative.

<sup>15</sup> *See*, January 8<sup>th</sup> IRP at 40.

with approaching environmental regulations. The federal and state governments are implementing, and in some instances have already implemented, many environmental policies aimed at reducing emissions from electric generating facilities and effectively capturing the cost of environmental emissions in the price of power. While these programs are beneficial to the overall environment, if not implemented properly, they may have the unintended effect of compromising electric reliability and increasing consumer costs.

Most prominent among these programs is the Regional Greenhouse Gas Initiative (“RGGI”) that requires most generating facilities to purchase allowances for every ton of CO<sub>2</sub> emitted from that facility, beginning in 2009. An emissions allowance is a regulatory agency’s authorization to emit a certain amount of a pollutant, such as one ton. ISO-NE has been very forthcoming regarding their assessment of the RGGI program in summarizing the effects on the New England electricity market as follows:

The RGGI cap-and-trade program would create CO<sub>2</sub> emission allowances needed by generators, which would have a market value. This value would be reflected in the generator bid prices, similar to how SO<sub>2</sub> and NO<sub>x</sub> allowances are reflected today. This additional generator cost **could shift the dispatch of the generators** and their CO<sub>2</sub> emissions, and potentially affect electric system operation and reliability in New England.<sup>16</sup> (emphasis added)

Overall, the January 8<sup>th</sup> IRP’s construction failed to balance the costs and benefits between transmission infrastructure build and new generation within the borders of Connecticut. This methodology, and resulting assertions, is contrary to prudent energy policy, prior statements of the Connecticut utilities themselves and of the Siting Council, and the planning of ISO-NE. A supplemental analysis of the January 8<sup>th</sup> IRP now assumes that anticipated environmental regulations will likely force retirement of older, less efficient fossil generating units during the planning horizon. This subsequent information has been submitted by the utilities and will be reviewed by the DPUC in Docket No. 08-07-01 - DPUC Review Integrated Resource Plan. NEPGA respectfully requests that the Siting Council revise the Draft Report to reflect the revisions that we anticipate will be made to the January 8<sup>th</sup> IRP to more accurately meet the legislative requirements.

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<sup>16</sup> See generally, Evaluation of Impact of Regional Greenhouse Gas Initiative CO<sub>2</sub> Cap on the New England Power System, Platts, et. al.

Mr. Derek Phelps  
August 14, 2008  
Page 6 of 6

## **II. Conclusion**

Notwithstanding the exceptions set forth above, NEPGA is largely supportive of the 2008 Forecast and appreciates the opportunity to provide these comments. If you have any questions, please don't hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Chris P. Sherman".

Christopher P. Sherman  
General Counsel