

**DYNEGY TESTIMONY BEFORE THE  
MASSACHUSETTS JOINT COMMITTEE ON TELECOMMUNICATIONS, UTILITIES AND ENERGY  
ON SENATE BILL 1965  
AN ACT RELATIVE TO ENERGY SECTOR COMPLIANCE WITH THE GLOBAL WARMING  
SOLUTIONS ACT**

Chairman Downing, Chairman Golden and members of the Committee, my name is Dean Ellis and I am Vice President of Regulatory Affairs for Dynegy. Dynegy is the largest owner of electric generation in New England, all of which participates in the competitive markets. Nationally, we own 26,000 megawatts of generation, enough to power about 21 million homes.

I am here today to urge the Committee to reject Senate Bill 1965, which would have very negative consequences for consumers in Massachusetts, as well as for competitive generators like Dynegy. Senate Bill 1965 obligates the Commonwealth to very large, very expensive, and very long term contracts to import from out of the region approximately 1/3 of the electricity consumed in the Commonwealth. As I will discuss, we are not opposed to the importation of more Canadian hydro-power, but opposed only to the state subsidizing an uneconomic resource that on its own cannot compete with other forms of electric generation, including ours.

Supporters rely on two arguments for this bill: 1) It is clean, and 2) it is low cost. I am here to tell you that the importation of this electricity is not needed for Massachusetts to meet its CO2 goals, and most definitely it will not be inexpensive.

Specifically, supporters of this legislation say that it is required in order for the Commonwealth to meet its 2020 goal in reducing carbon dioxide (CO2). That goal is not statutory and merely a goal set by the previous Administration under the Global Warming Solutions Act.

Additionally, as identified in her recently issued report<sup>1</sup> Dr. Susan Tierney shows that the generation sector in Massachusetts **has already met** its 2020 goal in reducing CO2 , and furthermore, is on an appropriate trajectory to meet its 2050 goal under the Regional Greenhouse Gas Initiative (RGGI) and the EPA's recently-announced Clean Power Plan (CPP). Therefore, as Dr. Tierney concludes, there is

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<sup>1</sup> Dr. Susan Tierney, **Proposed Senate Bill No. 1965: An Act Relative to Energy Sector Compliance with the Global Warming Solutions Act**; Potential costs and other implications for Massachusetts consumers and the state's and region's electric system

no need for a bill – particularly of this magnitude – to reduce CO<sub>2</sub>, especially when that bill that will have many negative consequences.

We often read in the press that supporters of this hydro-power from Canada say that it is inexpensive. That statement defies common sense: If additional imports of electricity from Canada were inexpensive as supporters claim, suppliers of retail electric service would already be importing it as a way to lower their prices in a very competitive market. The reality is that the cost of the energy, plus the cost of the new transmission needed to deliver that energy the nearly 1,000 miles from where it is generated to where it will be consumed, will be very expensive. In fact, by our estimates the cost of the transmission alone will be nearly what it would cost to generate the electricity here in Massachusetts. Let me repeat, the estimated cost of transmission alone for this project will be nearly what it would cost to generate the same electricity here in Massachusetts.

Dr. Tierney estimates that the Massachusetts consumers would need to pay more than 3/4 of a billion dollars **every year** throughout the 15-25 year contract above what they would pay without these hydro-power contracts. Those costs would be spread across the 3.1 million Massachusetts electric customers, 2.7 million of which are residential customers that would spend \$100 per year every year more than they would without these unneeded long term contracts. But as this Committee well knows, the financial impact is not spread evenly over every customer; instead, it falls more heavily on the job producers in the Commonwealth, particularly manufacturers.

This year my company made a very substantial investment in electric generating facilities in New England because we are confident that we can compete with other suppliers to provide reliable and affordable electricity to the region. This bill would seriously injure competitive generators like us in New England by forcing consumers to provide a very significant subsidy to a high-priced supplier that cannot compete on a level playing field. If this additional Canadian hydro-power could compete, then this bill is not necessary. Said differently, the advocates of this bill must acknowledge that this additional Canadian hydro-power cannot compete on price, and therefore, needs a legislative fix to insure that their high-priced electricity is purchased and consumed in Massachusetts. I ask this Committee to pose to the supporters of this legislation two fundamental questions: 1. Why is it that this new Canadian hydro is not today competing in Massachusetts if it is priced competitively, and 2. if this is such a good deal for consumers then why are the developers, the local electric distribution companies (Eversource and National Grid) and the provincially-owned Canadian utilities not taking on the risk themselves instead of shouldering consumers with it?

If this bill passes, existing economical generators throughout the Commonwealth will operate less, and some may not operate at all. Plants that are substantial and in some cases the highest property taxpayers in their host communities, along with providers of well-paying jobs for Massachusetts' citizens, may be driven out of business by the Commonwealth's decision to buy this additional higher priced electricity from Canada. In sum, this legislation amounts to a wealth transfer – Massachusetts' jobs and local taxes will be exported north of the border at a time when communities throughout the Commonwealth are struggling and can ill afford to lose either.

The legislation would equally threaten new generation. We own the property at Brayton Point and are considering redevelopment or repowering of the site. Our citizens, our legislators, and our town leaders have all encouraged us to do so. However, these efforts by our company -- as the efforts of other generation developers who are looking to build new, efficient generation in Massachusetts -- will be re-considered against the backdrop of these long-term contracts. Re-powered and new plants would provide construction jobs, high paying permanent jobs and taxes to fund the needs at a local level such as education and public safety.

As a side note, I also want to mention that the development of these new plants, which would bring many benefits to the Commonwealth and the host communities, cannot happen without siting reform. Dynegey commends Representative Pat Haddad for her thoughtful legislation. There are many significant components in her bill, but one that should not be lost on this committee is the language that calls for a review of the siting process here in Massachusetts. This Committee knows well the challenges that the City of Salem faced when its citizens, political leaders in the House and Senate, the Mayor and the City Council all supported a new gas fired power plant. Massachusetts laws, however, allow litigious proponents, a very small few, to almost derail the project, which was overwhelmingly supported by the community and desperately needed in order to provide electric supply on the North Shore. This important issue should not be lost in all the activity and discussion at today's hearing.

In closing, imagine if another piece of legislation was proposed that sought to have 1/3 of the pharmaceuticals, school supplies or any other product for Massachusetts provided under 25 year contracts with a supplier (Canadian or other) at a price well above the price for which those services could be purchased locally. That is what Senate 1965 mandates for electricity.

For the reasons stated, I ask that the Committee reject Senate Bill 1965 as an unnecessary and expensive job killing solution in search of a non-existing problem. I am happy to answer any questions that you may have.