



May 16, 2006

The Honorable John W. Fonfara  
The Honorable Steve Fontana  
Connecticut General Assembly  
Legislative Office Building  
Hartford, CT 06106-1591

Dear Senator Fonfara and Representative Fontana:

We write to you today on behalf of the Electric Power Supply Association and the COMPETE Coalition, representing competitive power suppliers and electric customers, to commend you for your active involvement in securing Connecticut's energy needs and protecting the state's electricity consumers. As you hear various points of view during the upcoming "Energy Day," we urge you to stay the course set last August with the well-constructed Energy Independence Act, and allow for competitive markets to provide their numerous benefits for consumers.

We all are concerned with rising electricity prices and their effects on our economy. These increases in New England, however, are largely the result of soaring costs for natural gas. Electric power suppliers are consumers too. If the cost for one of the key inputs of a commodity increases, no matter who controls production, the end price will increase. A federal report found that since 2002 average natural gas prices for the electric power sector have risen 268 percent, yet electricity prices nationally have risen at only a fraction of that amount. If the price increases for other consumer goods such as food, housing and health care over the last five years are considered, electricity price increases are for the most part modest by comparison.

Connecticut faces a need for further investment in both generation and related infrastructure to meet future consumer needs and enhance reliability. To meet this future demand the state faces two choices: have load serving entities buy needed power from a competitive market or allow utilities to build new rate-based generation. By restructuring the electricity markets, Connecticut made the decision to protect electricity ratepayers by largely shifting the risks of costly power plant investments to competitive suppliers. Such a move ended the days when ratepayers were on the hook for complicated capital-intensive utility investments that came in late and/or over-budget.

Electric restructuring in Connecticut is also beginning to bring its benefits to retail customers. A letter from the Manufacturing Alliance of Connecticut, Inc. (MAC) to the Energy and Technology Committee noted that on April 1, its members, "began the state's first ever aggregated industrial electric pool... One of the main factors that allowed this group of end users to create this money saving pool was the end of hedged utility pricing and the promise of open market electrical pricing beginning January 2007." Under the auspices of the Connecticut Consortium, 68 school districts and

municipalities have also entered into long-term retail electricity contracts with a competitive retail supplier. Alternative retail providers are beginning to be able to provide viable savings, choices and innovative products for consumers – exactly as intended when restructuring was enacted.

In New England, since restructuring began, competitive suppliers have built 10,000 megawatts of new, clean generating plants, helping the region lower its emissions output while providing reliable electric service to millions of customers. Such contributions by competitive suppliers have been proven both locally and nationally as providing exceptional benefits to consumers. One of the leading energy analysis groups in the country, Massachusetts-based Cambridge Energy Research Associates, last year found that consumers saved \$34 billion over the past seven years over what they would have paid absent competitive restructured markets. A recent New York Public Service Commission report found that customers in nearly every state that offered retail competition "fared better than the average residential electric customer in states without retail access." Another recent report in Texas quantified the benefits of having allowed competitive markets to fully develop in "an annual stimulus to the Texas economy of some \$9.73 billion in total expenditures, \$4.64 billion in gross product, and almost 47,800 jobs."

EPSA and COMPETE members include AES, Constellation Energy and NRG. They are active members of Connecticut's communities, providing stable jobs and helping to fuel the state's economy. In an environment that provides regulatory and policy certainty for new needed investment, competitive power suppliers look forward to having the opportunity to meet Connecticut's energy needs today and in the future.

We thank you for your attention to these important issues and encourage you to contact us to discuss energy concerns further.

Sincerely,



John E. Shelk  
President & CEO  
Electric Power Supply Association



Don Nickles  
Chairman  
COMPETE

cc: Gov. M. Jodi Rell  
Senate Pro Tempore Donald E. Williams  
Speaker James A. Amann  
Energy and Technology Committee

*EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving global power markets. EPSA seeks to bring the benefits of competition to all power customers.*

*COMPETE is a coalition of electricity stakeholders representing all aspects of electricity generation, transmission, distribution and consumption who support the continued evolution of competitive electricity markets for the benefit of consumers.*