

**Statement of
William Corvo, President
Kleen Energy Systems, LLC**

**To
Connecticut Energy Advisory Board**

November 2, 2007

Good morning Mr. Chairman and members of the Connecticut Energy Advisory Board. My name is William Corvo. I am the President of Kleen Energy Systems, LLC in Middletown, Connecticut. This morning I wish to provide you with a private assessment of one of the most important issues facing this Board and the State of Connecticut in the matter of electrical energy. The most important energy development issue facing Connecticut today is the critical need for rehabilitation of old, inefficient and highly polluting power plants.

As a participant and one of the winning projects in the recent Connecticut RFP bid I can tell you that the process used by Connecticut's DPUC in selecting the portfolio of projects was exhaustive, transparent and fair. It was a good first step, in helping Connecticut take control of its energy future. It was a measured and proper response to deflect the increasing cost impacts of federally mandated congestions charges- "FMCCs". My emphasis here is on the words- first step.

Today, Connecticut must begin to face the harsh reality that the first step must quickly be followed by a second step- the complete rehabilitation of Connecticut's smokestack power industry. At various times these units have been referred to in a derogatory manner as the "filthy five" or "sooty six". More accurately they can also be referred to as the "reliability must run" power plants. I affectionately refer to them, for

reasons of my own, as **Not Really Good** energy plants. According to the ISO New England September 26, 2007 report on RMR Agreements and Total Capacity, Connecticut has 7,534.62 MW of capacity of which 2,664.29 MW- or 35.4% are operating under cost of service RMR Agreements costing Connecticut ratepayers over \$250 million annually. No other state in New England comes close to this percentage of reliability must run agreements. In fact 83.17% of the plants currently operating with “reliability must run contracts” in the ISO New England system are located in Connecticut.

Not surprisingly, Connecticut also boasts one of the most expensive electricity prices in the United States. I believe an examination of the statistical data shows that there is a direct relationship between the number and amount of RMR agreements and the high price of electricity. That relationship is easy to understand when we take a look at those plants which are receiving the reliability must run payments in Connecticut. The key elements to observe are the age, fuel, heat rate and pollution emissions of the units.

- **AGE**- Over 900 MW of the projects operating with RMR agreements were built prior to 1970. All units having an average age of 37 years.
- **FUEL**- The predominant fuel in use by these units is #6 Fuel Oil, also known as bunker oil.
- **HEAT RATE** -Average heat rate for these units exceeding 10,000.
- **POLLUTION** – 20 to 100 times higher than that of a new state of the art facility

This combination of old, highly polluting plants coupled with their comparatively inefficient heat rate is a recipe for ever increasing prices for Connecticut consumers. We all know what is happening with the price of oil- the primary fuel for Connecticut’s aging

power plant fleet. It is increasing and will continue to increase. These power plants, many over forty years old, are among the least efficient and most polluting. The pollution issue must be addressed in light of Connecticut's firm commitment to meet its obligations under the Regional Greenhouse Gas Initiative. When pollution and inefficiency are coupled with guaranteed consumer subsidy payments for RMR contracts that exceed \$300,000,000 per year it is just cause for a closer examination by Connecticut decision makers.

Most of these old plants are located at key infrastructure sites which are controlled by companies that own these subsidized units. Little or no major activity has taken place to rehabilitate or replace these old plants. Before any of the existing RMR contracted units can begin to be replaced Connecticut needs to build new generation. The RFP portfolio of projects selected by the DPUC in the 05-07-14 Phase II Docket and affirmed in the 07-04-24 Docket will provide more than 700 MW of new power plants. Kleen Energy is the largest of these new plants providing 620 MW of new, clean, efficient, dual fuel - gas and ultra low sulfur oil equipment. Only after Kleen Energy, Waterbury and Waterside are built will the replacement of the almost 2,700 MW of RMR plants be able to start.

I urge the Connecticut Energy Advisory Board to analyze these RMR contracted units and create a methodology for the replacement and refurbishment of generation at these critical electrical infrastructure points. It is obvious that the current owners are either unable or unwilling to move forward aggressively to achieve the positive replacement of these archaic assets. While there has been much discussion of repowering or powering these old sites with new assets the reality is that in the absence of strong

action by the State of Connecticut there is no economic incentive which will spur the present owners to get off of the RMR gravy train. Even the much awaited ISO New England Forward Capacity Market Auction may not result in creation of new assets to replace our old fleet of plants. This will mean that Connecticut consumers will continue to pay subsidy payments for these old, inefficient and highly polluting plants.

If Connecticut consumers are to pay the subsidy then my suggestion is that it is better to subsidize new, clean, efficient generation than to continue to pay RMR payments to owners who appear to be only interested in their balance sheet rather than their community. Whether the current owners should stay in control of these key infrastructure points should also be a matter for public consideration. Property ownership needs to be respected, but then again so do Connecticut's consumers.

Thank you for the opportunity to convey these impressions to you for your consideration.



Data References:

Annual Fixed Costs Summary

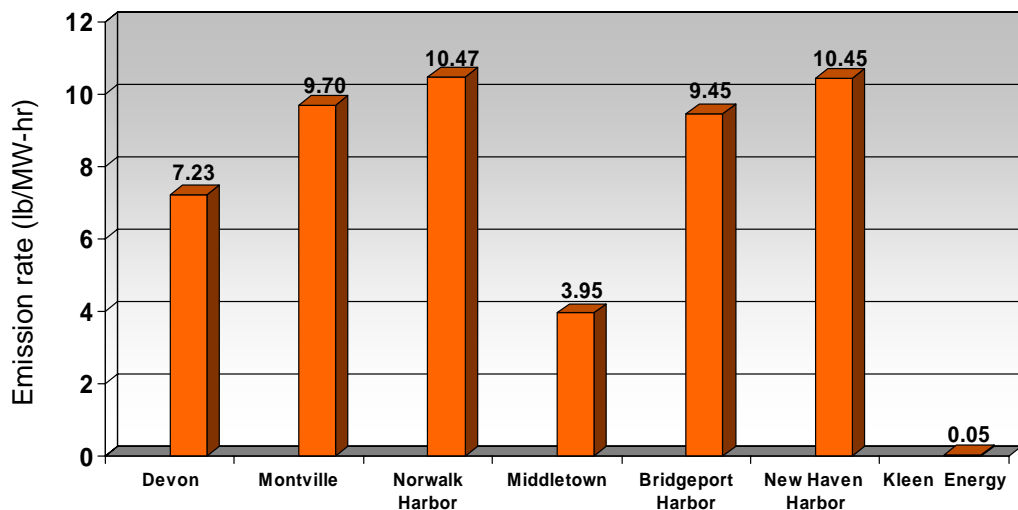
http://www.iso-ne.com/genrtion_resrcs/reports/rmr/rmr_agreements_summary_with_fixed_costs.xls

RMR Agreements and Total Capacity by Reliability Region and New England Total

http://www.iso-ne.com/genrtion_resrcs/reports/rmr/rmr_agreements_summary_with_fixed_costs.xls

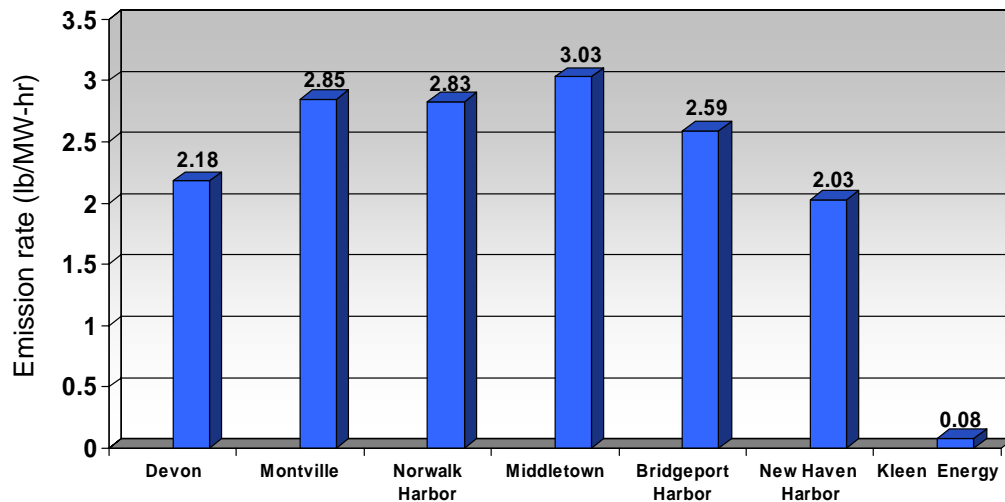
**COMPARATIVE EMISSIONS DATA-NOT MUCH HAS CHANGED SINCE
THESE CHARTS WERE FIRST PREPARED IN DECEMBER 2004**

SOx Emissions Data



Data Source for Existing Power Plants: U.S. EPA's Emissions and Generation Resource Integrated Database (eGrid)

NOx Emissions Data



Data Source for Existing Power Plants: U.S. EPA's Emissions and Generation Resource Integrated Database (eGrid)