STATE OF CONNECTICUT

CONNECTICUT SITING COUNCIL

PETITION NO. 831

PETITION OF WATERBURY GENERATION LLC FOR A DECLARATORY RULING FOR THE CONSTRUCTION OF AN ELECTRIC GENERATING FACILITY AND ASSOCIATED TRANSMISSION LINE TAP IN WATERBURY CONNECTICUT

PREFILED TESTIMONY OF

CURTIS A. MORGAN

ON BEHALF OF

WATERBURY GENERATION LLC

JANUARY 3, 2008

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I. INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Curtis A. Morgan. I am the President and Chief Executive Officer of FirstLight Power Resources, Inc. ("FirstLight"). My business address is 20 Church Street, 16th Floor, Hartford, Connecticut 06103. Both FirstLight and Waterbury Generation LLC ("WatGen") are indirect subsidiaries of FirstLight Power Enterprises, Inc. FirstLight currently owns and operates approximately 1,442 MW of generation in Connecticut and Massachusetts and is developing and will operate a 635 MW combined cycle, natural gas fired generating facility in Rensselaer, New York.

Q. Briefly describe your background.

A. My energy industry experience spans over 24 years, involving over 30 states and virtually every fuel type and technology from coal to hydropower. Throughout the course of my career, I have been responsible for the development, construction and management of simple cycle and combined cycle natural gas fired generating units, predominantly from General Electric. I am a Certified Public Accountant and hold a Bachelors of Business Administration degree in accounting from Western Illinois University and an MBA in finance from the University of Chicago.

I joined FirstLight in November 2006. Prior to joining FirstLight, I was the Executive Vice President and President of NRG Energy's Northeast Region, which included over 7,000 megawatts ("MW") of merchant generation and two regulated utilities. Prior to joining NRG Energy, I served as Executive Vice President and Chief Operating Officer of

the Mirant Corporation ("Mirant") with responsibility for over 18,000 MW of merchant generation. Before Mirant, I was President of Reliant Resources, Inc.'s East Region Energy Wholesale Group managing over 14,000 MW. I also served as Senior Vice President, Corporate Planning and Development at Reliant Energy with responsibility for regulated transmission and distribution and competitive power generation.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to assist the Connecticut Siting Council ("Council") in its review of the project proposed in Petition 831 ("Project"). In particular, my testimony will provide the Council with additional information about the Project's history, Project Schedule and Operation, WatGen's public outreach efforts and the myriad of benefits the Project will provide to Connecticut.

II. PROJECT HISTORY

Q. Please briefly describe the Project.

A. As discussed more fully in the petition, WatGen intends to construct an approximately 96 MW simple cycle combustion turbine generating peaking facility at 725 Bank Street in Waterbury, Connecticut and associated 1.8 mile, 115 kilovolt ("kV") transmission line tap to interconnect with The Connecticut Light and Power Company's ("CL&P") transmission system at CL&P's Baldwin Street Substation. Upon completion of construction, WatGen will own, operate and maintain the generating facility and, upon completion of the transmission line tap, ownership of the line and all easements necessary to construct, operate and maintain the line will be transferred to CL&P.

Q. What was the impetus for the Project?

A. Pursuant to Connecticut General Statutes § 16-243m, the Connecticut Department of Public Utility Control ("DPUC") initiated a request for proposal ("RFP") process soliciting new or incremental capacity resources to reduce federally mandated congestion charges ("FMCCs") and to improve the reliability of the electric system in Connecticut. The Project was submitted in response to the RFP and was ultimately selected.

Q. How was the Project selected?

A. In July 2005, the DPUC initiated Docket No. 05-07-14, *DPUC Investigation of Measures to Reduce Federally Mandated Congestion Charges (Long Term Measures)* to implement the RFP process. The DPUC retained London Economics, Inc. ("LEI") to assist in all aspects of the RFP, including analysis of supply-demand conditions, development of the investment and needs analysis, design of the RFP and the associated contracts, coordination of the RFP process and analysis of the bid submissions.

The RFP was conducted in three phases. During the first phase, the DPUC received 80 project registrations from more than 45 bidders. During the second phase, the DPUC received 33 qualifications submissions from 20 bidders representing a combined total of more than 6,000 MW. During the final phase, the DPUC received more than 20 financial bids from 15 different bidders. The submitted financial bids covered the full spectrum of resources – demand-side reduction, conservation and energy efficiency technologies, new gas-fired and oil-fired electricity generators and repowering of existing and retired or deactivated generation units. The bidders represented a wide array of participants in the

electric energy sector, ranging from international independent power producers, local generation developers and companies focused on demand-side activities.

On May 3, 2007, LEI issued a report titled "Recommendations on Selection of Projects in the 2006 Connecticut RFP Process" (the "Report") in which it detailed its findings, analysis, conclusions and recommendations. In accordance with the statutory criteria, the LEI Report recommended a portfolio of four contracts, including the Project, for approval by the DPUC.

Q. What criteria did LEI use to review the projects?

In rendering the Report, LEI was guided by the statutory criteria by which the DPUC should judge project proposals and approve contracts. Specifically, pursuant to Connecticut General Statutes § 16-243m(g), the DPUC could approve a contract if it determined that the contract would:

- result in the lowest reasonable cost of such products and services;
- increase reliability; and
- minimize FMCCs to the state over the life of the contract.

Q. What did LEI conclude?

A. LEI concluded that the selected portfolio would create net economic benefits for Connecticut ratepayers totaling $522 million on a weighted average basis during the first fifteen (15) years of operation because of the impact on wholesale costs of power, namely

Locational Marginal Prices in the energy market, capacity clearing prices in the Forward Capacity Market and auction clearing prices in the Locational Forward Reserve Market

Q. Why was the Project included in the selected portfolio?

In addition to the significant economic benefits that the Project provides, it was included in the selected portfolio because it will improve reliability and provide needed fast start generation capacity. In particular, the Project is capable of providing capacity and voltage support to the critical Southwest Connecticut zone, which has been identified by ISO New England as severely constrained, and supplying local load.

Q. What did the DPUC conclude?

A. On August 22, 2007, the DPUC concluded that the portfolio of projects recommended by LEI would improve reliability, result in the lowest reasonable cost for the products and services provided and reduce FMCCs. Thus, the DPUC adopted LEI's recommendations and authorized a capacity contract for the Project.

Q. What is FirstLight's involvement in the Project?

A. On October 2, 2007, following approval by the DPUC of a change in control, FirstLight Power Enterprises, Inc. acquired a ninety eight percent (98%) membership interest in WatGen from WatGen's original members. In order to obtain approval for the change in control, FirstLight was required to successfully demonstrate to the DPUC that it had the financial, technical and managerial qualifications to satisfy the terms of the Master Agreement for Generation Projects, dated May 21, 2007, between WatGen and The

United Illuminating Company ("Master Agreement"). Prior to acquiring majority ownership of WatGen, FirstLight served as Project Manager, beginning in June of 2007.

III. PROJECT SCHEDULE AND OPERATION

Q. When does WatGen intend to commence construction?

A. Subject to receipt of all required permits and approvals, WatGen expects to commence construction in the Spring of 2008.

Q. What happens if WatGen fails to commence construction as scheduled?

A. Pursuant to section 2.5 of the Master Agreement, if the Project does not meet this "Key Milestone Event," WatGen could be subject to liquidated damages of five dollars per MW ($5/MW) per day of delay. In addition, if the Project does not commence construction on schedule, it may not be able to commence operation on schedule.

Q. When is the Project scheduled to begin commercial operation?

A. The Project is scheduled to begin commercial operation on July 1, 2009.

Q. What happens if the Project does not commence commercial operation on this date?

A. Pursuant to section 2.5 of the Master Agreement, if the Project does not commence commercial operation as scheduled, WatGen could be subject to liquidated damages of one hundred fifty dollars per MW ($150/MW) per day of delay, which could trigger an "Event of Default" and potential termination of the Master Agreement if there is an unexcused delay greater than nine (9) months. In addition, if the Project does not

commence commercial operation on schedule, the cost savings and much needed reliability benefits provided by the Project will be delayed and potentially lost.

Q. Once the Project is constructed, how often will it be operated?

A. The Project is a peaking generation unit that is expected to initially operate approximately four to six weeks per year depending on weather conditions and load requirements.

Q. Will the Project be operated as a base load unit?

A. No. For the first ten (10) years of operation, pursuant to the terms of the Master Agreement, the facility is required to operate as a peaking generation unit in order to satisfy its obligation to participate in the Locational Forward Reserve Market. Moreover, based on current market conditions, WatGen does not currently anticipate that the Project will be converted to a base load unit in the future. From a generation perspective, peaking generation is the least expensive way to serve incremental demand during peak periods (i.e., during summer and winter months). The characteristics of this generator (i.e., heat rate) would make it uneconomic to have this plant operate as a base load unit (i.e., 24 hours per day/7 days per week). Indeed, there are other, more efficient combined cycle units being built in the State of Connecticut to serve this need (i.e., the Kleen Energy project selected as part of the DPUC's RFP).

IV. PUBLIC OUTREACH

Q. Briefly describe the public outreach efforts in which WatGen has been engaged.

A. In July 2007, WatGen commenced a community outreach campaign designed to keep State and local government officials, community leaders and Waterbury residents informed about its plan to construct the Project. As part of those efforts, I along with other members of the FirstLight management team met with various individuals and groups to discuss the Project, including Waterbury elected officials, Waterbury State legislators, Waterbury Department Heads, the Waterbury Development Corporation, and local neighborhood organizations. In addition, WatGen held a public information forum and community open house at the Marriott Courtyard in Waterbury on September 12, 2007, at which I and other members of the FirstLight management team presented information about the Project and answered questions from the public.

Q. Has WatGen continued to engage in public outreach since the filing of the petition?

A. Yes. On November 18, 2007, I and other members of the FirstLight management team met with a group organized by the Waterbury Neighborhood Council at Saint Anne's Church in Waterbury to discuss the Project. At that meeting, WatGen was asked if it would hold an additional public information session for those who were not able to attend either the September 12th Open House or the November 18th meeting.

Q. Did WatGen conduct another public information session?

A. Yes. On December 19, 2007, I and other members of the FirstLight management team attended a public information session at South Congregational Church in Waterbury at

which members of various organizations and neighborhood groups, including the Naugatuck Valley Project, Waterbury Neighborhood Council, Town Plot Neighborhood Association, Hopeville Neighborhood Association, Gilmartin Community Club and Brooklyn Neighborhood Association were present. At that session, we presented information about the Project and responded to questions from the community.

V. PROJECT BENEFITS

Q. Will the Project provide other benefits besides reduced electricity costs and increased reliability?

A. Yes. The Project will also provide environmental, tax and economic development benefits.

Q. What are the environmental benefits the Project will provide?

A. Because of its close proximity to existing natural gas and transmission infrastructure, impacts associated with construction of these related improvements will be minimized. The Project site, which is at the location of the Ansonia Copper & Brass manufacturing facility, is a Brownfield. In conjunction with the construction process, the Project site will be remediated in accordance with the Connecticut Department of Environmental Protection's ("DEP") Remediation Standard Regulations. In addition, the operation of the Project will displace the need to operate older, less efficient oil fired peaking plants in Connecticut resulting in a net reduction in air emissions in the State.

Q. What are the tax benefits the Project will provide?

A. During the construction of the Project, WatGen will pay over $3 million in sales and use taxes. In addition, WatGen projects that it will pay more than $40 million in corporate taxes to the State of Connecticut and over $110 million in property taxes to the City of Waterbury during the forty (40) year life of the plant.

Q. What are the economic development benefits the Project will provide?

A. The Project will create more than forty (40) construction jobs and two to four full time equivalent positions, in addition to part time effort for eight to ten employees at FirstLight's corporate headquarters in Hartford. The Project will also support broader economic activity in the State by reducing power prices.

VI. CONCLUSION

Q. Please summarize the various benefits associated with the Project.

A. The Project will improve reliability, provide needed fast start generation capacity and result in environmental improvements to the Project site and a net reduction in air emissions in the State. In addition, the Project will provide significant economic benefits to Connecticut ratepayers, the City of Waterbury and the State of Connecticut including:

- reduced electricity costs;
- corporate tax income;
- sales and use tax income;
- property tax income; and
- increased economic development.

Q. Does this conclude your testimony?

A. Yes, it does.