

December 20, 2018

The Honorable Neil Chatterjee  
Chairman  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

The Honorable Cheryl A. LaFleur  
Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

The Honorable Richard Glick  
Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

The Honorable Kevin J. McIntyre  
Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

The Honorable Bernard J. McNamee  
Commissioner  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**RE: New England States' Comments on Transmission Incentive Rates**

Dear Chair Chatterjee and Commissioners LaFleur, Glick, McIntyre, and McNamee:

The New England States Committee on Electricity (NESCOE) strongly endorses the Organization of MISO States' December 19, 2018 request to the Federal Energy Regulatory Commission (FERC) that FERC commence a process to review on a generic basis its incentive policies associated with transmission owners' Return on Equity (ROE).

NESCOE, New England's Regional State Committee, is governed by a board of managers appointed by the Governors of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont and is funded through a regional tariff administered by the ISO New England. NESCOE advances policies that will provide electricity at the lowest reasonable cost over the long term, consistent with maintaining reliable service and environmental quality.

NESCOE understands the reliability and economic value that transmission infrastructure provides. New England consumer investment in transmission has grown steadily: consumers have invested more than \$10 billion in transmission infrastructure for reliability needs since 2002. Another \$2.3 billion is planned through 2023, with most of that investment happening

through 2019. Today, transmission is one of the major contributors to consumer electric bill increases in New England. Moreover, in New England, Participating Transmission Owners (PTOs) are obligated to build all reliability projects that are not subject to competition - New England has not had a competitive transmission process to date - and are guaranteed cost recovery and return, including on abandoned projects. The PTOs' shareholder risk for such projects remains relatively minimal.

It is in our view appropriate for FERC to assess on a periodic basis whether Order No. 679's<sup>1</sup> economic incentives remain just and reasonable, whether they are today necessary to provide incentives for specific actions that would not otherwise happen, and whether, as designed, they deliver recognizable value for electricity customers and further Congressional objectives in the Energy Policy Act of 2005.

Like any economic incentive, ROE adders and other transmission incentives should not be assumed to be necessary in perpetuity. Consistent with its statutory obligation to ensure a just and reasonable rate, it is appropriate for FERC to assess from time to time which if any incentives are required to deliver tangible consumer benefits. For any incentives that are needed, FERC should recalibrate them to ensure they are likely to result in specific desired outcomes that would not otherwise occur and are set at a level required to provide a recognizable commensurate benefit so as to strike a proper balance between those who pay them and those who receive them.

NESCOE appreciates FERC's consideration of this request to review its transmission incentive policies to ensure that customers pay no more than is necessary to maintain a reliable and efficient transmission grid.

Sincerely,

NESCOE Board of Managers

/s/ Katie Scharf Dykes  
Katie Scharf Dykes  
Chair  
Public Utilities Regulatory Authority  
Connecticut

/s/ Angela M O'Connor  
Angela M O'Connor  
Chair  
Department of Public Utilities  
Massachusetts

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<sup>1</sup> *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 71 FR 43294 (Jul. 31, 2006), FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, 72 FR 1152 (Jan. 10, 2007), FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, 119 FERC ¶ 61,062 (2007).

/s/ Mark Vannoy

Mark Vannoy  
Chair  
Public Utilities Commission  
Maine

/s/ Nicholas S. Ucci

Nicholas S. Ucci  
Deputy Commissioner  
Office of Energy Resources  
Rhode Island

/s/ Kathryn Bailey

Kathryn Bailey  
Commissioner  
Public Utilities Commission  
New Hampshire

/s/ June E. Tierney

June E. Tierney  
Commissioner  
Department of Public Service  
Vermont

/s/ Ed McNamara

Ed McNamara  
Director of Energy Policy and Planning  
Department of Public Service  
Vermont