

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc.;  
Participating Transmission  
Owners Administrative Committee;  
Emera Maine;  
Town of Braintree Electric Light Department;  
NSTAR Electric Company;  
Chicopee Electric Light Department;  
Central Maine Power Company;  
Maine Electric Power Company (MEPCO);  
Connecticut Municipal Electric Energy Cooperative & Connecticut Transmission Municipal  
Electric Energy Cooperative;  
The City of Holyoke Gas and Electric Department  
New Hampshire Transmission, LLC;  
Green Mountain Power Corporation;  
Massachusetts Municipal Wholesale Electric Company;  
New England Power Company, d/b/a National Grid;  
New Hampshire Electric Cooperative, Inc.;  
Eversource Energy Service Company as agent for: The Connecticut Light and Power Company,  
Western Massachusetts Electric Company, and Public Service Company of New Hampshire;  
Town of Hudson Light and Power Department;  
Town of Middleborough Gas & Electric Department;  
Town of Norwood Municipal Light Department;  
Town of Reading Municipal Light Department;  
Town of Wallingford (CT) Electric Division;  
Taunton Municipal Lighting Plant;  
The United Illuminating Company;  
Unitil Energy Systems, Inc. and Fitchburg Gas and Electric Light Company;  
Vermont Electric Cooperative, Inc.;  
Vermont Electric Power Company, Inc. and Vermont Transco, LLC;  
Vermont Public Power Supply Authority;  
Shrewsbury Electric and Cable Operations

Docket Nos. ER18-2235-000  
EL16-19-000

**COMMENTS OF THE  
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY**

Pursuant to Rule 602(f) of the Rules of Practice and Procedure of the Federal Energy  
Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602(f), the New England  
States Committee on Electricity (“NESCOE”) submits these comments on the Joint Offer of

Settlement (“Settlement”) filed by New England transmission owners, NESCOE, New England state public utility commissions, and various other New England state governmental agencies (collectively, the “Settling Parties”) on August 17, 2018 in the above captioned proceeding.<sup>1</sup> NESCOE supports the Settlement and respectfully requests that the settlement judge certify, and the Commission approve, the Settlement without modification or condition.<sup>2</sup>

The Commission initiated this proceeding in a December 28, 2015 order (the “Formula Rate Order”),<sup>3</sup> where it concluded that the existing Regional Network Service (“RNS”) and Local Network Service (“LNS”) formula rates “appear to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.”<sup>4</sup> The Commission found that the Tariff “lacks adequate transparency and challenge procedures with regard to the formula rates” and ordered the development of formula rate protocols to address these concerns.<sup>5</sup> The Commission directed further changes to ensure that formula rates provide sufficient detail regarding “how certain costs are derived and recovered in the formula rates.”<sup>6</sup>

NESCOE participated actively in the settlement discussions that have taken place over the last two and one-half years and in developing key components of the Settlement, with a focus on strengthening consumer protections and enhancing the transparency of the formula rate. The length of settlement discussions is indicative of both the complexity of the issues involved and

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<sup>1</sup> On August 20, 2018, NESCOE submitted a doc-less motion to intervene in Docket No. ER18-2235-000. The Joint Offer of Settlement includes, *inter alia*, a Settlement Agreement and an Explanatory Statement.

<sup>2</sup> Capitalized terms not defined in this filing or in the Settlement are intended to have the meaning given to such terms in the ISO New England Inc. (“ISO-NE”) Transmission, Markets and Services Tariff (the “Tariff”). The Open Access Transmission Tariff (“OATT”) section II of the Tariff.

<sup>3</sup> *ISO New England Inc. Participating Transmission Owners Administrative Committee*, 153 FERC ¶ 61,343 (2015).

<sup>4</sup> *Id.* at P 1.

<sup>5</sup> *Id.* at PP 1, 6-7.

<sup>6</sup> *Id.* at PP 1, 8-9.

the substantial interests that are implicated. NESCOE appreciates the collaborative and constructive work of many parties that participated in settlement discussions, as well as the technical expertise and assistance of ISO-NE and the facilitation of the settlement judge, John P. Dring. NESCOE also appreciates the Commission's leadership in initiating this proceeding and its focus on promoting greater transparency of the formula rate. The package of changes reflected in the Settlement, if approved by the Commission, would provide consumers with greater confidence in the accuracy of the inputs that compose the formula rate and establish a formal structure for challenging those inputs.

The Settlement Agreement and associated Explanatory Statement explain the components of the Settlement. A significant feature of the Settlement is the transition to a single transmission revenue requirement formula, which is allocated to RNS, LNS, and Schedule 12C rates.<sup>7</sup> Under the current rate design, transmission owners can set forth separate revenue requirements and rate formulas in their individual local service schedules, which are contained in Schedule 21 of the OATT. Some local schedules are based on a January to December calendar year construct while others are based on a June to May timeframe. These formula variations and timing differences add to the challenges of reviewing inputs into the formula rate, which are often detailed and voluminous. The move to a single revenue requirement, as reflected in the Settlement, helps to simplify the process and promotes greater transparency. It synchs the RNS, LNS, and Schedule 12C rates and presents them in a single annual informational filing. This informational filing is subject to the formula rate protocols filed as part of the Settlement, streamlining the process for reviewing and, if necessary, challenging inputs to the rate and avoiding separate and resource-intensive processes for reviewing local service rates.

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<sup>7</sup> See Settlement Agreement, Section 4, at 4-5; Explanatory Statement, Section 4, at 5.

The formula rate protocols are an integral part of the Settlement. As detailed in the Explanatory Statement, the protocols require transmission owners to submit an annual informational filing.<sup>8</sup> This filing must contain updated cost of service calculations, which interested parties may review, seek supporting information and data through a discovery process, and ultimately challenge the calculations. The success of the protocols will be heavily dependent on the ability of interested parties to receive timely and thorough information and data during the discovery process and whether challenges can be fairly resolved among the parties. NESCOE expects to be an active participant in the process of reviewing annual informational filings and will evaluate the effectiveness of the protocols, and the need for any adjustments, based on the information exchange that takes place.

Among other provisions, the Settlement also includes:

- **Changes to ISO-NE Planning Procedure 4.** For many transmission upgrades, ISO-NE must approve a Transmission Cost Allocation (“TCA”) application for the project before its costs are included in rates. The TCA review procedures are set forth in ISO-NE Planning Procedure 4 (“PP4”). The Settlement includes proposed changes to PP4, which ISO-NE has agreed to make at the Settling Parties’ request. These changes are intended to provide information relative to transmission costs earlier in the process, increasing transparency regarding significant transmission-related costs before they are reflected in the formula rate.<sup>9</sup>
- **Formula Rate Template Changes.** The Settlement Agreement provides a non-exhaustive list of changes to the formula rate template. This includes going-forward mechanisms to provide enhanced transparency on projects whose costs are rolled into rates, such as asset condition projects and projects selected under a competitive process that have committed to cost-containment features.<sup>10</sup>
- **Moratorium.** The Settlement includes a five-year moratorium “prohibiting Section 205 or Section 206 filings to change the settlement formula rates or other terms of the

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<sup>8</sup> See Explanatory Statement, Section 3, at 4-5; see also Settlement Agreement, Section 5, at 5-6.

<sup>9</sup> Settlement Agreement, Section 11, at 7-8.

<sup>10</sup> *Id.*, Section 16, at 12-13.

settlement, with certain exceptions.”<sup>11</sup> The moratorium promotes certainty regarding the heavily negotiated changes reflected in the settlement package.

The Settlement represents an interrelated package of changes. It reflects years of compromises among the Settling Parties. For the reasons set forth above and explained in the Settlement, NESCOE respectfully requests that the Commission approve the Settlement without modification or condition.

Respectfully Submitted,

*/s/ Jason Marshall*

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Dated: September 6, 2018

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<sup>11</sup> Explanatory Statement, Section 10, at 8; *see* Settlement Agreement, Section 17, at 13-14.

## CERTIFICATE OF SERVICE

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served by electronic mail a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Cambridge, Massachusetts this 6th day of September, 2018.

Respectfully submitted,

*/s/ Jason Marshall*

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