



Massachusetts Municipal Wholesale Electric Company

NEWS RELEASE

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Surcharge on consumers not needed to promote New England power grid improvements

LUDLOW, Mass. – September 1, 2006 – While a surcharge on consumers may help to stimulate construction of electric transmission lines in other areas of the country, even those who would profit from the surcharge have acknowledged it is not needed in New England.

That was the message delivered by the Massachusetts Municipal Wholesale Electric Company (MMWEC), New England regulators and others in asking the Federal Energy Regulatory Commission (FERC) to reconsider its July 20 ruling that makes such surcharges available to promote investment in power grid improvements. The surcharge comes in the form of a higher return on investment for transmission owners.

While the FERC ruling states that paying transmission owners a higher return on their investments will make actual construction of transmission projects more likely, an earlier decision by a FERC administrative law judge states clearly that no such incentive payments are needed in New England. The July 20 ruling is not based on factual evidence and testimony, while the earlier decision regarding New England is.

In addition, the July 20 ruling does not require transmission owners to demonstrate that the surcharge is needed to accomplish construction. This omission leaves consumers open to unwarranted and unjustified charges, contrary to federal law, according to MMWEC.

After hearing extensive evidence and testimony on a 2005 request by New England's transmission owners to receive these incentive payments, a FERC law judge found that the primary impediments to construction of transmission facilities in New England are zoning, environmental and siting concerns, not a lack of adequate return on investment. This finding is based largely on testimony provided by witnesses for the transmission owners.

In fact, the judge found that "resistance to a given project might be strengthened by the knowledge that, if built, the project would result in a higher (return) for the transmission owner" and higher costs for consumers.

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“We’re asking the FERC to modify its decision to require that transmission owners demonstrate clearly that a higher return on investment will result in the construction of needed transmission facilities,” said MMWEC General Manager Glenn O. Steiger. “Otherwise, a higher return is likely to result only in higher electric rates for consumers and do nothing to stimulate new transmission projects,” Steiger said.

MMWEC also is asking the FERC to apply the findings of its administrative law judge in determining an appropriate return on investment for New England transmission owners.

MMWEC filed its request along with the Connecticut Department of Public Utility Control, the Connecticut Municipal Electric Energy Cooperative, the New Hampshire Electric Cooperative, the Maine Public Utility Commission and the New England Conference of Public Utility Commissioners.

In a separate request, MMWEC and a group of New England’s public power utilities have asked the FERC to amend its July 20 rule to ensure that publicly owned entities have an opportunity to participate in new transmission projects.

As participants in new projects, public power entities could fund their share of project costs using lower-cost, tax-exempt financing that could reduce significantly the overall cost of such projects for consumers, according to MMWEC. While the FERC rule does not preclude public power participation in new projects, it does not address the fact that most of New England’s transmission owners “have steadfastly refused even to discuss the subject of public power participation in transmission,” the MMWEC filing states.

To address this concern, MMWEC has asked the FERC to require that transmission owners seeking incentive payments demonstrate that they have offered participation in new transmission projects and upgrades to publicly owned entities on reasonable terms and conditions.

“Joint ownership of new transmission facilities builds trust and confidence in a competitive marketplace, and public power participation in new facilities can help to contain costs for all consumers,” Steiger said.

MMWEC is a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts that provides a variety of power supply, financial and other services to the Commonwealth’s consumer-owned, municipal utilities.