



NEWS RELEASE

MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

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MMWEC, Consumer Advocates Oppose Transmission Owners' Plan to Raise Rates, Recover Refunds

Ludlow, Mass. -- June 27, 2017 -- The owners of New England's electric transmission system are seeking to extract hundreds of millions of dollars from consumers in a case in which federal regulators actually ordered a reduction in transmission rates.

The Massachusetts Municipal Wholesale Electric Company (MMWEC), representing 20 municipal utilities, the Massachusetts Attorney General's Office and other consumer advocates are opposing the transmission owners' plan in a filing submitted to the Federal Energy Regulatory Commission (FERC) on June 26.

The transmission owners are seeking to have the FERC reinstate an 11.14% base rate of return on equity (ROE) for their nearly \$12 billion investment in transmission facilities. This move is in response to a federal appeals court decision to vacate a 2014 FERC order that reduced the base rate to 10.57%. The court sent the case back to the FERC for further review. The transmission owners' position is that because the decision establishing the 10.57% rate has been vacated, the rate should revert to the higher rate of 11.14%.

The joint filing by MMWEC and others explains that the court's decision was not intended to result in restoration of the higher rate, which was found by the FERC to be unjust and unreasonable. Instead, the court decision directs the FERC on remand to justify why they deviated from their typical rate-setting practice, which would have resulted in a rate lower than 10.57%. In fact, the MMWEC filing argues that a new base rate should be set well below 10.57%.

"If the New England transmission owners are successful in reinstating the higher rate, it will be a gross miscarriage of justice and an insult to consumers," said MMWEC CEO Ronald C. DeCurzio. "They are seeking returns of more than 13% on their investments in transmission facilities, which is totally unjustified in today's interest rate environment," he said.

MMWEC's filing with FERC protests the transmission owners' plan and sets out the legal argument detailing why the base rate should not revert to 11.14%. It states that the order accepting the existing 10.57% ROE cannot be reversed without an action by the FERC, and the FERC should not take any action on interim rates and refunds to consumers until it decides which ROE should be in place.

The MMWEC filing asserts that the transmission owners' submission to revert to the higher rates constitutes an unauthorized filing. The FERC should reject the transmission owners' submission "in order to prevent the unlawful collection" of unjust rates," MMWEC states in the filing.

Based on 2014 estimates provided by the Massachusetts Attorney General's Office, reduction of the transmission ROE from 11.14% to 10.57% is saving \$62 million per year in transmission costs for all New England consumers, including customers of investor-owned and municipal utilities. The Massachusetts municipal utilities' share is approximately \$4 million per year. The transmission owners are attempting to recoup these savings from consumers and collect the higher rate going forward.

MMWEC, the Massachusetts Attorney General and other consumer-focused entities filed their initial complaint challenging the 11.14% rate with the FERC in 2011. With incentives, transmission owners were earning more than 13% on some of their investments, a rate the complainants claimed was unreasonable. Other complainants include the Connecticut Attorney General; utility commissions and consumer advocate agencies from Connecticut, Maine and New Hampshire; the New Hampshire Electric Cooperative; and Associated Industries of Massachusetts.

"The question is what rate of return is needed to incent investment in transmission facilities," DeCurzio said. "At a time when investors are earning more like half or less than that, rates in the 13% range are clearly unreasonable," he said.

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