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Federal decision reduces electric transmission profits, benefits consumers

LUDLOW, Mass. – October 24, 2014 – New England electricity consumers will get an approximate \$60 million refund and pay less for transmission service in the future due to a federal ruling reducing the profit owners of the power grid are allowed to earn on their investments.

The Massachusetts portion of the refund is expected to be about \$28 million, with Massachusetts municipal utilities receiving a refund of approximately \$4 million.

The decision by the Federal Energy Regulatory Commission (FERC) reduces the allowed rate of Return on Equity (ROE) for transmission owners from 11.14 % to 10.57%. In a 2011 complaint to the FERC spearheaded by the Massachusetts Attorney General's Office, the Massachusetts Municipal Wholesale Electric Company (MMWEC) and others claimed the 11.14% profit margin was too high, given changes in economic conditions and interest rates since 2006 when the ROE was established. Utility regulators and consumer advocates from throughout New England, as well as U.S. Sen. Edward Markey, also supported the complaint.

The Oct. 16 FERC decision found the higher rate to be “unjust and unreasonable”, set the new rate at 10.57% and ordered refunds of overpayments for the period from October 2011 through December 2012. Litigation is continuing at the FERC to secure additional refunds.

“This is an important and positive decision for all New England consumers, and it’s gratifying to see these years of effort coming to a close with a large net benefit for our customers,” said MMWEC Chief Executive Office Ronald C. DeCurzio. “We are pursuing additional refunds of overpayments made in 2013 and 2014 and will continue our work to ensure that transmission investments are justified and beneficial to consumers”.

DeCurzio said the refunds certainly are welcome, but the benefit increases as the lower rate of return is applied in years ahead to long-term transmission investments. The current \$7 billion invested in New England transmission facilities is expected to increase to \$11 billion by 2017, and the costs avoided with a lower rate of return will increase as the transmission investment base grows.

The FERC has ordered New England’s transmission owners to file a refund report within 45 days of the Oct. 16 order. The transmission companies include National Grid, Northeast Utilities, NStar, Unitil and Fitchburg Gas & Electric.

MMWEC, a non-profit, public corporation and political subdivision of the Commonwealth of Massachusetts, is the joint action agency for public power in Massachusetts, providing a variety of power supply, financial, risk management and other services to the state’s consumer-owned, municipal utilities.