



## Industrial Energy Consumers of America

*The Voice of the Industrial Energy Consumers*

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June 17, 2020

The Honorable Lisa Murkowski  
Chairman  
Committee on Energy and Natural  
Resources  
U.S. Senate  
Washington, DC 20510

The Honorable Frank Pallone  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Joe Manchin  
Ranking Member  
Committee on Energy and Natural  
Resources  
U.S. Senate  
Washington, DC 20515

The Honorable Greg Walden  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

***Re: FERC Electric Transmission Incentives Policy – Notice of Proposed Rulemaking – Docket No. RM20-10-000***

Dear Chairmen Murkowski and Pallone, and Ranking Members Manchin and Walden:

On March 20, 2020, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) to provide financial incentives to utilities to build electricity transmission. The NOPR will increase electricity prices in both regulated and non-regulated markets nationwide at a time when manufacturers, homeowners, and small businesses can least afford to pay more for electricity. Importantly, transmission incentives are not needed. We urge you to oppose the NOPR and hold a hearing. Comments on the NOPR are due July 1, 2020.

The FERC NOPR is estimated to increase electric costs by \$4 billion over five years according to Brubaker and Associates Inc., a leading advisor in regulated and competitive energy markets.

Utilities already have significant financial incentives to build transmission infrastructure. When transmission investments are made, utilities receive a base Return on Equity (ROE) that varies from approximately 9.75 to 12.25 percent. These are very high ROE rates considering that the 30-year Treasury notes yield under 2 percent. The capital invested and the ROE is ultimately paid for by the ratepayers. As more transmission investment is made, the costs to consumers compound year after year.

Transmission investment has increased 700 percent from 1996 to 2016 according to the EIA/FERC (see Figure 1).<sup>1</sup> Transmission investment continues to increase with \$20.8 billion invested in 2016 and an expected additional \$90 billion through 2020, according to the Edison Electric Institute.<sup>2</sup>

It is for this reason that while electric generation fuel costs have declined from \$47.3 billion to \$33.6 billion from 2008 to 2018, and demand has remained relatively flat, electric rates have consistently increased (see Figure 2).

Transmission projects are being built with no need for additional incentives and Regional Transmission Organizations (RTOs) continue to receive robust bids for new transmission lines. In a February 2018 EIA report, some of the largest transmission projects that were under construction at the time accounted for \$19.6 billion in new projects.

- Midcontinent Independent System Operator project: \$6.6 billion portfolio of 17 transmission projects.
- Energy Gateway, a Western Electricity Coordinating Council project: \$6 billion.
- Energizing the Future, a PJM Interconnection project: \$4.2 billion to \$5.8 billion through 2021.
- Electric Reliability Council of Texas project: \$1.2 billion.

Existing incentives provide adequate financial incentives to build electric transmission. We look forward to working with you on responsible consumer energy policy.

Sincerely,

Paul N. Cicio  
President

cc: U.S. Senate  
U.S. House of Representatives  
The Honorable Neil Chatterjee, FERC  
The Honorable Dan Brouillette, DOE

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*The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.*

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<sup>1</sup> "Utilities continue to increase spending on transmission infrastructure," U.S. Energy Information Administration (EIA), <https://www.eia.gov/todayinenergy/detail.php?id=34892>

<sup>2</sup> Edison Electric Institute (EEI), <https://www.eei.org/issuesandpolicy/transmission/Documents/ROE%20Issues%20Broad%20Infrastructure%20Investment%202-pager.pdf>

Figure 1

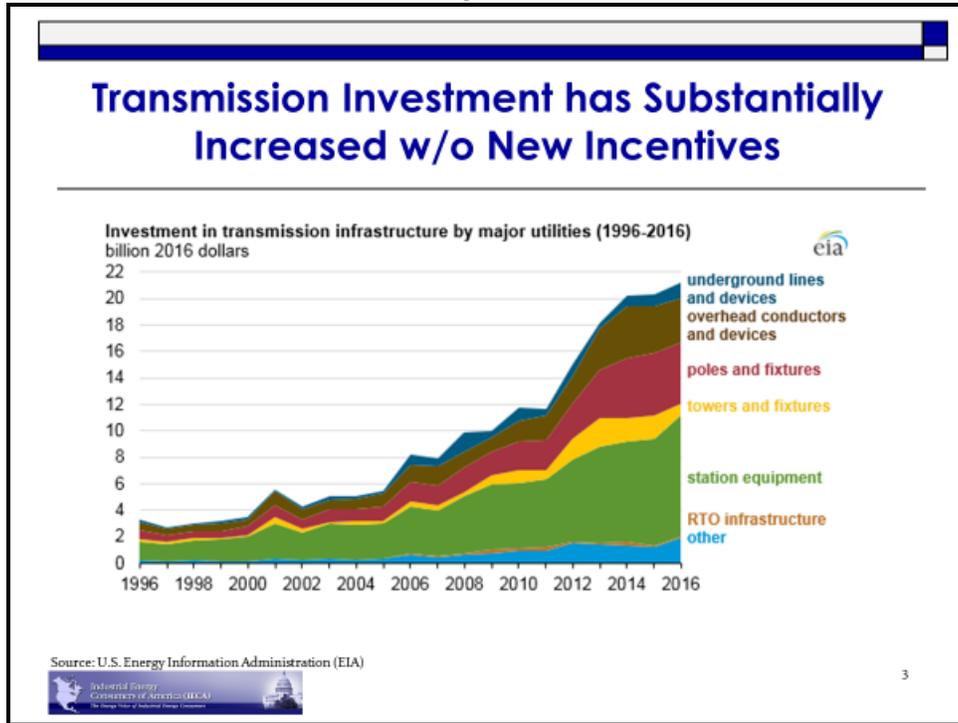


Figure 2

