Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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June 24, 2021

The Honorable Joe Manchin
Chairman, Committee on Energy & Natural Resources
U.S. Senate
306 Hart Senate Office Building
Washington D.C. 20510

The Honorable Frank Pallone, Jr.
Chairman, Committee on Energy and Commerce
U.S. House of Representatives
2107 Rayburn House Office Buildings
Washington, DC 20515

The Honorable John Barrasso
Ranking Member, Committee on Energy & Natural Resources
U.S. Senate
307 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Cathy McMorris Rodgers
Ranking Member, Committee on Energy and Commerce
U.S. House of Representatives
1035 Longworth House Office Building
Washington, DC 20515

Re: Support – Not Oppose - Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act

Dear Chairmen Manchin and Pallone, Ranking Members Barrasso and McMorris Rodgers:

This letter is in response to the June 11, 2021 letter to you from the Edison Electric Institute (EEI), the WIRES Group, and the International Brotherhood of Electrical Workers, which urges you to oppose the Federal Energy Regulatory Commission's (FERC) Supplemental Notice of Proposed Rulemaking (Supplemental NOPR) entitled "Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act (FPA)." As ratepayers, we urge you to not oppose, but to strongly support it. Opposing the NOPR is not in the public interest and is not consistent with Energy Policy Act of 2005.

The letter states that the supplemental NOPR "seeks to eliminate a crucial incentive at a time when transmission is critical." This is not true. The NOPR does not impair, slow, or stop utilities from investing in transmission and does not reduce a transmission's project return on equity (ROE). Transmission projects receive a generously high allowed return on equity (ROE) in the 10-12 percent range. Interest rates are low for borrowing capital and the financial risk to the utility is very low because most transmission owners use formula rates that allow easy pass-through of costs to ratepayers.

One hundred percent of IECA's membership are manufacturing companies whose electric transmission costs have increased dramatically in recent years, despite the fact that U.S.

electricity demand decreased by almost 6 percent from 2010 to 2020.[1] According to EEI's 2019 Financial Review,[2] electric transmission spending increased 42 percent in six years and this amount excludes transmission spending by public power, federal-owned power, and operating and maintenance costs. Electric transmission costs are the manufacturing sector's highest increased energy cost during that time period and residential customers also absorb these same costs.

Electric transmission companies have successfully avoided electric transmission competition that was intended by FERC Order 1000. About 98 percent of all transmission projects do not face competition. The EEI and the WIRES Group member companies have taken action to skirt around FERC Order 1000, which was designed to bring competition to electric transmission projects as a means to ensure that spending was just and reasonable, and to reduce costs to ratepayers. In contrast, manufacturing companies face fierce global competition every day.

The failure of FERC Order 1000 to deliver competition should be the focus of each Committee's efforts. We request a hearing to be held on this matter where consumers can be heard. This is especially important since significant new electric transmission capacity will be required to bring clean energy to the market.

The FERC Supplemental NOPR proposes an incentive approach that actually would more closely align with the statutory language of the FPA Section 219. The Commission's NOPR proposes a 50-basis-point "Transmission Organization Incentive" available to transmitting utilities for three years upon joining a transmission organization. IECA supports this level of incentive. Additionally, pursuant to the FPA Section 206, the Commission has proposed to require any utility that has received an incentive for joining and remaining in a transmission organization for three or more years to submit a compliance filing and revise its tariff to remove the incentive. The statutory language in the FPA Section 219 does not support an ROE incentive in perpetuity for utilities that remain in a transmission organization[3] and the supplemental NOPR is very much in line with that section of the FPA.

Thank you for considering the manufacturing ratepayer's view on this important issue. We look forward to hearing from you and encourage you to hold a hearing on steps that may be taken to ensure that FERC Order 1000 delivers on its intended objective of spurring competition for new transmission projects at just and reasonable costs for ratepayers.

Sincerely,

Paul N. Cicio

Paul N. Cicio
President & CEO

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[1] Electricity, U.S. Energy Information Administration, https://www.eia.gov/electricity/.

[2] 2019 Financial Review, Edison Electric Institute, https://www.eei.org/issuesandpolicy/Finance%20and%20Tax/Financial_Review/FinancialReview_2019.pdf.

[3] 16 U.S.C. 824s(c).

cc: FERC Commissioners
Senate Committee on Energy and Natural Resources
House Committee on Energy and Commerce

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.