

The logo for VELCO, consisting of the word "VELCO" in a bold, white, sans-serif font.

VERMONT'S TRANSMISSION RELIABILITY RESOURCE

ISO OATT ROE Reduction Impact Update

August 7, 2014

8/14/2014

MOVING **POWER.** MOVING **FORWARD.**



ISO OATT ROE Complaint

- FERC trial staff financial analyst submitted testimony on **January 18, 2013** recommending that the commission lower the base return on equity (ROE) recovered through ISO New England's (ISO-NE) Open Access Transmission Tariff to 9.66% from 11.14% (FERC Docket No. EL11-66).
- Administrative Law Judge (ALJ) initial decision was issued on **August 6, 2013**. The ALJ identified two time periods – Locked in period (10/1/11 – 12/31/12) and prospective period (Date of FERC Decision forward)
- Per ALJ decision the “....ROE for the locked in/refund period is 10.6% and for the subsequent prospective period, 9.7%, subject to further updating or modification by the Commission”. (FERC Docket No. ER11-66-001)
- On **June 19, 2014** FERC issued Order 531. It ruled that the ROE will be 10.57%, but this ROE determination is subject to further briefing because FERC arrived at this ROE by adopting a new Discounted Cash Flow (DCF) methodology that requires a long-term growth analysis. We won't know the final number until FERC rules on those briefs which will address the long term growth analysis.

New England Transmission Owners Debt / Equity Ratios:

Due to the formula in the ISO OATT, transmission companies are in effect rewarded for having a higher portion of capital being in the form of equity. The following data was taken from the informational filings submitted to ISO New England for the 2014 Regional Network Service Rate.

	2013	
	Equity	Debt
Emera Maine	67.51%	32.49%
Central Maine Power	60.63%	39.37%
Connecticut Transmission Municipal Electric	61.20%	38.80%
Fitchburg G&E	48.81%	51.19%
New England Power Company	64.18%	35.83%
New Hampshire Transmission	59.96%	40.04%
Northeast Utilities		
CL&P	53.20%	46.80%
PSNH	52.06%	47.94%
WMECO	50.47%	49.53%
NSTAR (now Northeast Utilites)	57.78%	42.22%
United Illuminating	48.31%	51.69%
Vermont Transco	52.97%	47.04%

Re-calculation of N.E. PTF Revenue Requirement at 50/50 Debt / Equity

Company Name	PTF Revenue Requirements	Reduction in RR if at 50/50 debt equity
Braintree Electric Light Department	\$ 1,507,609	
Central Maine Power Company	\$ 251,563,200	(\$8,050,820)
Chicopee Electric Light Department	\$ 826,075	
Connecticut Transmission Municipal Electric	\$ 9,260,960	(\$391,285)
Emera Maine	\$ 51,267,331	(\$2,257,595)
Fitchburg Gas & Electric Light Co.	\$ 544,387	
Holyoke Gas & Electric Department	\$ 3,250,714	
Hudson Light & Power Department	\$ 204,065	
Maine Electric Power Company	\$ 4,819,517	
Massachusetts Municipal Wholesale Electric	\$ 1,340,604	
Middleborough Gas & Electric Department	\$ 949,958	
New England Power Company	\$ 346,484,625	(\$13,416,213)
New Hampshire Transmission, LLC	\$ 19,078,742	(\$212,426)
Northeast Utilities	\$ 668,364,227	
Norwood Municipal Light Department	\$ 2,563,775	
NSTAR Electric Company	\$ 240,491,302	(\$4,811,510)
Reading Municipal Light Plant	\$ 181,820	
Taunton Municipal Light Plant	\$ (60,327)	
Unitil Power Corp.	\$ 126,672	
United Illuminating Company	\$ 116,209,458	
Vermont Transco LLC	\$ 150,482,621	
Vermont Electric Power Co, Inc.	\$ 7,677,834	
Wallingford Electric	\$ 559,427	
Total	\$ 1,877,694,596	(\$29,139,849)
	Vermont Portion	(\$1,165,594)