June 11, 2021

The Honorable Joe Manchin
Chairman
Committee on Energy and Natural Resources
U.S. Senate
Washington, D.C. 20510

The Honorable John Barrasso
Ranking Member
Committee on Energy and Natural Resources
U.S. Senate
Washington, D.C. 20510

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

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

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

Our nation's energy grid has been called the most complex machine in the world.[1] It delivers the safe, reliable, affordable, and increasingly clean energy that powers our economy and enhances the lives of all Americans. A robust transmission system is critical, not just for resilience and reliability, but for helping our industry continue its clean energy transformation. The electric power sector is the most capital-intensive industry in the nation, mobilizing private investment to build smarter energy infrastructure and to integrate more clean energy into the grid for the benefit of customers. Since 2005, EEI and WIRES member companies have invested approximately $505 billion in transmission and distribution infrastructure. These investments create jobs—more than 7 million direct and indirect jobs across America, with many of these jobs being good paying union jobs, that have a direct economic impact in every state.[2] They also help to support the integration of clean energy resources, power the deployment of electric vehicles, and facilitate the adoption of a broad array of smart technologies to better serve our

[1] See Phillip F. Schewe, *The Grid: A Journey Through the Heart of Our Electrified World* (Joseph Henry Press, 2006).
[2] See M.J. Bradley & Associates, *Powering America: The Economic and Workforce Contributions of the U.S. Electric Industry*. https://mjbradley.com/sites/default/files/PoweringAmerica.pdf

communities. In addition, investments in smarter energy infrastructure help to protect the energy grid from extreme weather and cyber-attacks; help predict and prevent outages; and help companies respond to and restore power faster when outages do occur.

Sustained investment is necessary to achieve the country's resilience and clean energy goals. Policies should support this critical investment, not hinder it, so we write to you today to raise concerns around recent proposed actions by the Federal Energy Regulatory Commission (FERC or Commission) that we believe run counter to the nation's interest in a robust energy grid. In particular, we seek your support in preserving a longstanding incentive designed to encourage companies to join and remain in a regional transmission organization, which FERC now proposes to eliminate.

In 2005, Congress dedicated several sections of the Energy and Policy Act of 2005 (EPAct 2005) to promoting the expansion and modernization of the nation's energy grid. EPAct 2005 included a directive to FERC to create incentive treatments that promote capital investment, provide an ROE sufficient to attract investment, and increase the capacity and efficiency of existing transmission facilities for the purpose of benefiting consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion. Congress further directed the Commission to provide incentives to each utility that joins a Transmission Organization[3] which is defined as a Regional Transmission Organization ("RTO"), Independent System Operator ("ISO"), independent transmission provider, or other transmission organization finally approved by the Commission for the operation of transmission facilities. This is the incentive in question today.

On April 20, 2021, the FERC issued a notice of proposed rulemaking (NOPR) that seeks to eliminate a crucial incentive at a time when transmission investment is critical. The Commission's current practice is to grant a 50-basis-point increase in return on equity (ROE) as an incentive for any utility that joins and turns over operational control of its facilities to a Transmission Organization.[4] That incentive remains in place for the duration of the utility's membership in a Transmission Organization. However, in the NOPR, the Commission proposes to limit the availability of this incentive to the first three years after the utility transfers operational control of its facilities to the Transmission Organization. In furtherance of this requirement, FERC proposes to require utilities that have been RTO/ISO members for three years or longer to remove the incentive from their tariffs. This proposal fundamentally changes the cost-benefit analysis that companies undertook when joining an RTO/ISO. We do not believe this proposal is consistent with congressional intent in 2005 to incentivize RTO/ISO membership, or the policy proposals to strengthen and expand the energy grid that are being discussed and debated today. In fact, it is a drastic departure from the Commission's own proposal in March 2019 to increase the incentive from 50 basis points to 100 basis points.

Due to the risks associated with RTO/ISO membership, the ROE adder is more appropriate now than ever. These risks include the requirement to turn over operational control of the transmission facilities, the increasing complexity of the electricity markets, states' increasing desire to select resources to meet their

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[3] *Id.* § 824s(c).

[4] Transmission Organization is defined as a regional transmission operator ("RTO"), independent system operator (ISO), independent transmission provider, or other transmission organization finally approved by the Commission for the operation of transmission facilities. 16 U.S.C. § 796(29).

own policy goals, the potential responsibility for member default costs, and the elaborate and often contentious RTO/ISO stakeholder process, among other issues. All of these factors have only increased the risks of being a member of an RTO/ISO over the past 15 years. Moving forward, RTOs and ISOs are positioned to provide an efficient platform for regional transmission planning and collaboration as well as clean energy integration while ensuring resilience. Now is not the time to back away from long-standing support for electric company participation in these organizations.

EEI's and WIRES' member companies, along with IBEW, are leading a clean energy transformation. We are united in our commitment to get the energy we provide as clean as we can as fast as we can, without compromising on the reliability or affordability that are essential to the customers and communities we serve. Overall, carbon emissions from the electric power sector are at their lowest level since 1987—and continue to fall. And, collectively, investor-owned electric companies already are on a path to reduce carbon emissions at least 80 percent by 2050, compared with 2005 levels. We are committed to continuing to reduce carbon emissions in our sector and to helping other sectors—particularly the transportation and industrial sectors—transition to clean, efficient electric energy. With the right policies in place, we can do even more to build a cleaner, stronger economy together by investing in transmission. While our companies and IBEW are pursuing ambitious resilience and clean energy goals, policies such as the one proposed by the Commission would serve to discourage new utility investment in transmission at a pivotal time in the clean energy transformation.

Sincerely,

International Brotherhood of Electrical Workers

Edison Electric Institute

WIRES Group