

October 29, 2013

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Dear Chairman Wellinghoff:

I understand that the Working group for Investment in Reliable and Economic electric Systems (WIRES) has petitioned the Federal Energy Regulatory Commission (“FERC” or “Commission”) to clarify the Commission’s approach for considering modifications to regulatory-allowed returns on equity (ROE) associated with electric transmission investments. I am writing to urge you, as the Commission examines reformulating its approach for establishing permitted ROEs, to consider providing a more certain regulatory environment for utilities and other companies pursuing transmission investments. Although I do not have an opinion on all of the details of the WIRES petition, I believe that FERC must create more certainty for both ratepayers and investors – this means not changing a relevant ROE while a project is underway, or has been completed. This is critical in moving toward a clean energy future.

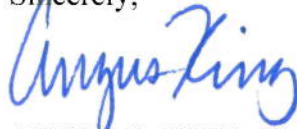
Upgrades of existing transmission and the construction of new transmission facilities offer important benefits. First, they enhance the reliability of the grid, minimizing the risk of electric service disruptions. Second, high-voltage, long-distance transmission lines enable utilities and other power suppliers to gain access to an increased number of, and more diverse group of, electricity generation alternatives, which reduces rates for consumers. Without ROE certainty, these benefits will not be realized.

Investments in transmission capacity are not keeping pace with the need. At the same time, the economic environment for transmission investments is growing murkier. At least ten complaints have been filed with FERC seeking significant reductions in Commission-approved ROEs for transmission, including existing transmission facilities. While FERC appropriately ensures that consumers are not paying excessive rates for transmission service, it is not reasonable to expect a company to be comfortable committing billions of dollars to a transmission project when the authorized return on investment (upon which the decision to invest was made) can drop dramatically due to the peculiarities of a risk measurement formula, conceived decades ago under far different economic circumstances.

The WIRES petition gives FERC an opportunity to update the approach it utilizes to establish a fair and appropriate ROE level for transmission investments. FERC should continue to ensure that returns on these investments, and transmission rates in general, do not exceed just and reasonable levels. However, similar emphasis needs to be placed on establishing a more certain regulatory environment, providing investors the level of confidence necessary to support and encourage needed infrastructure investments.

Thank you for your consideration; please have your staff contact Chris Rauscher (chris_rauscher@king.senate.gov), if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Angus King". The signature is written in a cursive style with a large initial "A".

ANGUS S. KING, JR.
United States Senator