Industrial Energy Consumers of America (IECA)
The Voice of the Industrial Energy Consumers

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September 10, 2024

The Honorable Jeff Duncan
Chairman
Subcommittee on Energy, Climate, & Grid Security
U.S. House of Representatives
Washington, DC 20515

The Honorable Diana DeGette
Ranking Member
Subcommittee on Energy, Climate, & Grid Security
U.S. House of Representatives
Washington, DC 20515

Re: Comments for the Record for Hearing on "From Gas to Groceries: Americans Pay the Price of the Biden-Harris Energy Agenda"

Dear Chairman Duncan and Ranking Member DeGette:

U.S. electricity costs have increased from $394 billion in 2020 to $491 billion in 2023, up $97 billion or 24.8 percent while demand was essentially flat. In July, electricity price inflation rose on an annual basis by 4.9 percent, well in excess of comparable rises in the average American grocery bill of 1.1 percent, as measured by the Consumer Price Index (CPI). Electricity price inflation continued to exceed the broader CPI, which increased by 2.9 percent on an annual basis. Electricity price inflation has routinely been more than the CPI and other key commodities even though electricity generation costs from natural gas, which makes up over 40 percent of total generation, is near an all-time low and renewable generation costs are low.

The Cause of Electricity Price Inflation

Consumers face electricity price inflation because of escalating transmission costs. FERC is at fault and electricity monopoly utilities are evading competition when building new transmission lines. FERC is also awarding unnecessary financial incentives that also result in higher electricity prices. Figure 7 lists real examples of projects that have been awarded incentives.

To appreciate the severity of the problem one only needs to look at the PJM RTO transmission rates (see Figure 2). PJM transmission costs, as a percent of the wholesale price increased 175 percent from 2013 to 2023 while demand was flat. Figures 2 and 3 illustrate individual utility rates, several that have increased by 200 to 300 percent.
The cause of electricity price inflation nationwide is escalating transmission costs and FERC policy that unnecessarily increases consumer costs. Transmission spending by electric utilities is very lucrative – receiving a guaranteed 10-12 percent ROE for 40 years or more which saddles homeowners, farmers, and businesses with high electricity costs for decades.

FERC Failed to Enforce Order 1000

Order 1000, a decade old regulation, was supposed to usher in an era where newly built regionally planned transmission projects would be competitively bid to drive down costs.[1] Instead, a decade later, less than three percent of transmission projects face competition. Without competition, monopoly electric utilities do not have an incentive to reduce the cost of building new transmission lines. Transmission projects that have been competitively bid have saved consumers as much as 40 percent.

Hundreds of billions in cost savings are at risk because of FERC policy. A Princeton University[2] study states that the U.S. will need to spend $2.1 trillion in new transmission projects by 2050. If they were competitively bid, and with only a 25 percent savings, consumers would avoid $525 billion. Even with competition, consumers would still pay for $1.575 trillion in new transmission lines.

Unless new transmission lines are competitively bid, that is, allowing other companies/utilities to bid on the construction and operation of the transmission line, electric rates cannot be just and reasonable.

Benefits of Requiring Transmission Projects to Be Competitively Bid

When new transmission projects are competitively bid, other companies/electric utilities compete to win the right to build and operate it and accountability increases. These highly qualified companies can lower the total cost of the project, accept a lower ROE, a cost cap, a deadline for completion of the project, a penalty for not completing the project on time or a combination of these features. The result is that consumers will benefit from lower electricity costs.

FERC Order 1920 Failed to Advance Competition and Failed to Protect Consumers

FERC Order 1920, the Building for the Future Through Electric Regional Transmission Planning and Cost Allocation, did not help. Instead, FERC created a loophole called "Right-Sizing," a right of first refusal (ROFR) that allows the incumbent utilities to continue to build transmission lines without facing competition. These transmission lines have little oversight and electric utilities like it that way. Order 1920 did nothing to protect consumers. Instead, Order 1920 gave electric utilities what they wanted.

FERC Wrongly Awards Financial Incentives: Construction Work in Progress (CWIP)

Imagine being required to pay for a house or a car 5, 7 or 10 years before you move in or have access to the car. That is essentially what CWIP does. FERC is allowing electric utilities to put the estimated cost of new transmission projects into consumers rates before they start construction, which immediately increases the electricity prices that consumers pay.

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[1] "Energy policy abandons electricity consumers and increases inflation," The Hill, May 15, 2022, https://thehill.com/opinion/energy-environment/3488558-energy-policy-abandons-electricity-consumers-and-increases-inflation/

[2] Net-Zero America, December 15, 2020, https://acee.princeton.edu/acee-news/net-zero-america-report-release/

FERC Wrongly Awards Financial Incentives: Abandoned Plant Incentive (API)

FERC is giving utilities the ability to recover 100 percent of the cost of abandoned transmission lines. This means that consumers pay for all planning mistakes by the electric utility. The utility would have zero financial risk, shifting all of the risk to consumers, 100 percent of the costs, plus a ROE to the utility. This encourages reckless planning and premature shutdown of transmission lines. It encourages utility risk taking that is not acceptable to markets and consumers.

FERC Wrongly Awards Financial Incentives for the Utility to Join An RTO/ISO

FERC gives higher ROEs (basis points) if an electric utility joins an RTO/ISO. Whether a utility joins or not is a business decision. The consumer should not have to pay higher electric rates because of a business decision.

FERC Does Not Make Transmission Rates Transparent

Transparency is an important cornerstone of sound public policy. Unlike other energy costs like the price of natural gas, crude oil, gasoline, and fuel oil, the transmission rates that FERC awards utilities is not transparent to consumers. To know what rates utilities are being awarded requires extensive and expensive legal expertise to wade through several hundred FERC rate case proceedings. Because of the lack of transparency, consumers are left in the dark. We have requested that FERC make these rates readily available.[3] We urge Congress to ensure that FERC acts upon this request.

Congress has a responsibility for oversight of FERC. We urge you to take action to have FERC change its policies to reduce consumer electricity costs.

Sincerely,

Paul Cicio

Paul Cicio

President & CEO

cc: House Committee on Energy and Commerce

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.3 trillion in annual sales, over 12,000 facilities nationwide, and with more than 1.9 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, consumer goods, building products, automotive, independent oil refining, and cement.

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[3] Consumers Urge FERC to Make Electricity Transmission Rates Transparent, IECA, July 9, 2024, https://www.ieca-us.org/wp-content/uploads/07.09.24_FERC-Transmission-Cost-Info.pdf

Figure 1

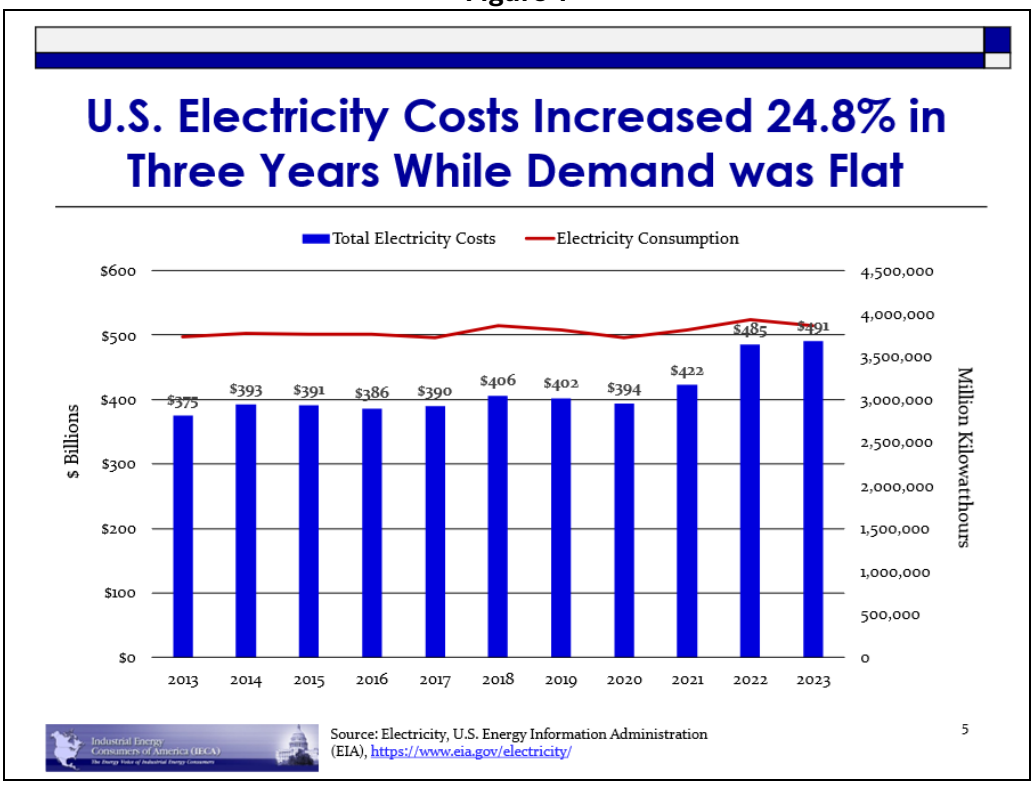

Figure 2

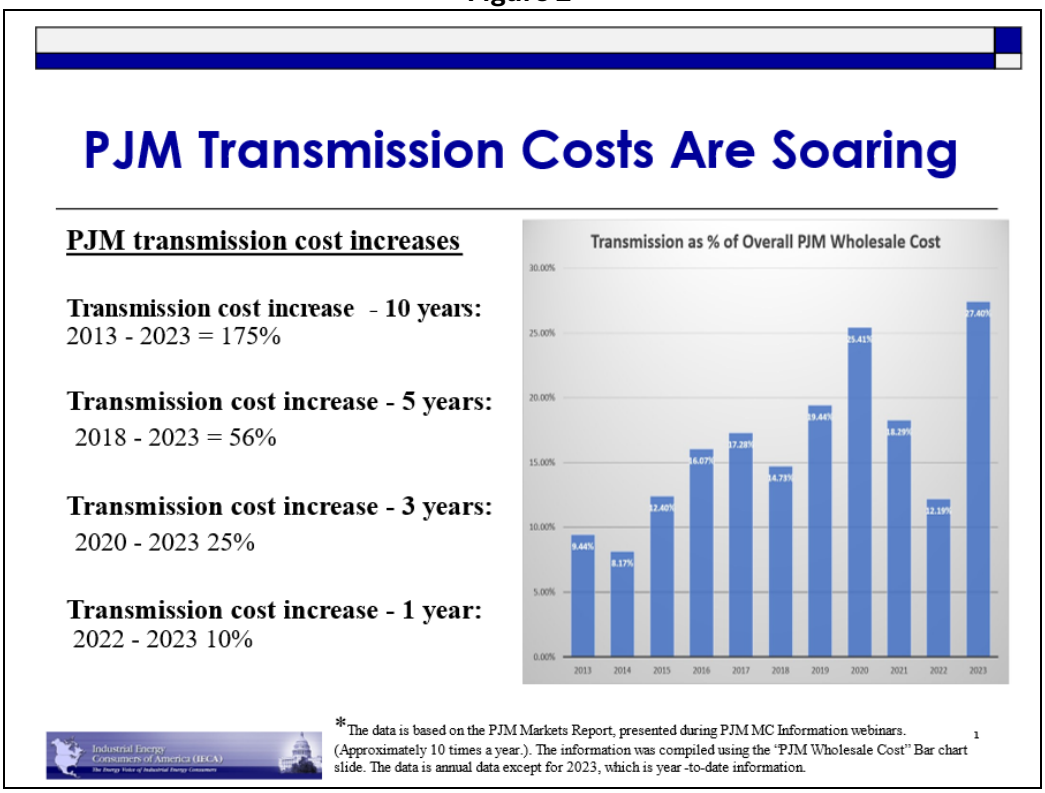

Figure 3

PJM, The Largest RTO

Transmission costs have increased from 9.4% to 28% of the wholesale electricity price

Year	Transmission Cost	Total Wholesale Electricity Price	Percent Change
2013	5.00	52.96	9.4%
2014	5.75	70.37	8.0%
2015	6.93	55.89	12.0%
2016	7.63	47.49	16.0%
2017	8.58	49.64	17.0%
2018	8.84	60.00	14.7%
2019	9.52	48.98	19.0%
2020	11.03	43.41	25.0%
2021	11.72	64.07	18.0%
2022	11.40	82.96	13.0%
2023	14.09	49.87	28.0%

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Figure 4

PJM Network Integration Transmission Service Rates ($/MW-Yr)

Zone	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Effective
AECO	$40,731	$36,810	$ 50,96	$53,775	$56,171	$45,693	$66,741	$79,876	$91,559	$103,398	June
AEP	$41,438	$41,438	$56,991	$59,818	$65,923	$80,306	$95,598	$110,857	$123,925	$125,467	January
APS	$17,895	$17,895	$17,895	$17,895	$17,895	$17,895	$13,930	$18,162	$16,760	$17,115	January
ATSI	$37,014	$43,391	$45,058	$54,689	$55,185	$57,482	$66,399	$67,421	$66,479	$87,624	January
BGE	$25,237	$27,285	$32,851	$35,762	$29,860	$31,311	$40,962	$45,531	$46,400	$55,851	June
ComEd	$31,470	$35,544	$34,392	$34,516	$33,116	$34,280	$37,749	$36,069	$39,796	$38,531	June
Dayton	$13,296	$13,296	$13,296	$13,296	$12,561	$14,456	$19,203	$18,410	$18,687	$32,782	January
Duke	$17,039	$19,881	$20,055	$24,077	$25,840	$32,143	$35,136	$37,718	$40,717	$45,820	June
Duquesne	$38,880	$50,695	$47,892	$51,954	$49,200	$53,072	$51,001	$60,851	$63,330	$63,699	June
Dominion	$42,902	$41,245	$47,376	$52,457	$47,471	$54,914	$61,729	$62,645	$64,053	$68,235	January

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Source: PJM Transmission Owners' Annual Transmission Formula Rate Informational Filings

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Figure 5

PJM Network Integration Transmission Service Rates ($/MW-Yr)

Zone	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Effective
DPL	$34,807	$30,298	$32,938	$42,812	$44,803	$33,000	$46,184	$49,476	$55,166	$61,897	June
EKPC	$25,753	$21,334	$26,424	$24,441	$30,251	$23,763	$26,038	$28,271	$34,784	$30,818	June
JCPL	$15,112	$15,112	$23,232	$23,597	$22,588	$24,354	$27,327	$27,008	$27,304	$37,937	January
MetEd	$15,112	$15,112	$22,612	$25,132	$28,796	$37,083	$50,128	$45,113	$52,088	$73,260	January
PECO	$20,942	$20,942	$20,942	$19,093	$18,922	$16,022	$19,517	$22,998	$25,648	$25,611	June
Penelec	$15,112	$15,112	$22,612	$25,132	$28,796	$37,083	$50,128	$45,113	$52,088	$73,260	January
PEPCO	$26,521	$23,232	$25,229	$31,304	$33,874	$28,022	$31,497	$37,199	$42,675	$54,821	Jan/Jun
PPL	$34,595	$41,952	$61,792	$58,865	$68,031	$75,204	$90,836	$88,606	$95,644	$104,055	Jan/Jun
PSEG	$96,521	$110,916	$120,931	$130,535	$119,736	$156,503	$172,190	$159,248	$164,719	$180,898	January
Rockland	$32,114	$32,114	$49,695	$44,799	$42,548	$42,548	$42,458	$51,530	$51,530	$53,766	STATED

Source: PJM Transmission Owners' Annual Transmission Formula Rate Informational Filings

*Out of cycle update

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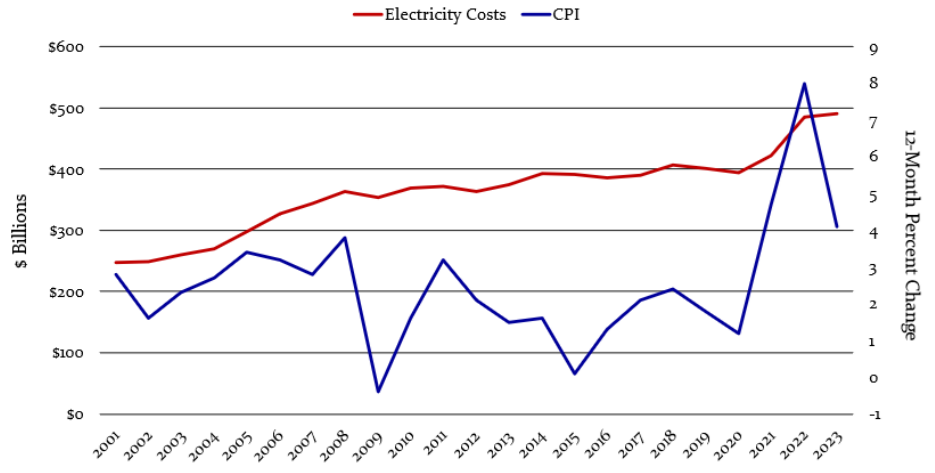
Figure 6

Electricity Costs vs. CPI



Source: Electricity, U.S. Energy Information Administration (EIA), https://www.eia.gov/electricity/and U.S. Bureau of Labor Statistics, https://www.bls.gov/cpi/latest numbers.htm

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Figure 7

Docket No.	Utility	Project(s)	Incentives at issue	Other Incentives	$ Amount of project
EL-24-103	PSEG	PSEG Renewable Transmission LLC (PSEG RT) transmission project	Abandoned Plant Incentives	CWIP, RTO Participation Adder	$424 Million
ER24-2144	PPL	Chanceford Project	Abandoned Plant Incentive.	CWIP, RTO Participation Adder	$148.14 million
ER24-1998	FirstEnergy and Affiliates	34 components of projects approved as part of the PJM 2022 Regional Transmission Expansion Plan (RTEP) Window 3	Abandoned Plant Incentive.	CWIP, RTO Participation Adder	Not stated
ER24-2001	Horizon West Transmission, LLC	North Gila – Imperial Valley #2 500 kV Line Project and Imperial Valley – North of North of San Onofre Nuclear Generating Station 500 kV Line and 500/230 kV Substation Project	Abandoned Plant Incentive and CWIP	RTO Participation Adder	Not Stated
EL24-71	SoCal Edison	Del Amo-Mesa-Serrano 500 kV Reinforcement Project (Del Amo Project) and the Lugo-Victor-Kramer 230 kV Upgrade Project	CWIP and Abandoned Plant Incentive	RTO Participation Adder	>$340 million in the CWIP rate base
ER24-232	NY Transco	Not Stated	CWIP and Project Abandonment	None	Not Stated

Docket No.	Utility	Project(s)	Incentives at issue	Other Incentives	$ Amount of project
			Incentives, 150 basis point Risks and Challenger adder to ROE		
ER24-1614-000	Orange and Rockland Utilities	Not Stated	50-basis point ROE adder	Abandoned Plant Incentive, CWIP	Not Stated
ER24-1473	Allete	Eastern Segment of the Big Stone South Project and for the Iron Range Project	CWIP and Abandoned Plant Incentive	ROE Participation Adder	Not Stated
ER24-1313	Exelon	Windows 3 Project	Abandoned Plant Incentive	CWIP Incentive, ROE Participation Adder	Not Stated
ER24-163	Exelon	Brandon Shores	Abandoned Plant Incentive	CWIP, RTO Participation Adder	$785 Million
ER12-2708-010, et al.	FirstEnergy and American Electric Power	PATH	50-basis point ROE adder for RTO Participation; 150-basis point incentive ROE adder for risks; 100% CWIP; Abandoned Plant Incentive		$250 Million
EL23-96-000	New York Power Authority	Propel NY Energy Alternate Solution 5 Project	Abandoned Plant Incentive	None.	Not stated.
ER23-2744	Potomac Edison	Not stated.	Abandoned Plant Incentive	CWIP, RTO Participation Adder	Not stated.
ER23-2402	Montana-Dakota Utilities Co.	Not Stated.	Abandoned Plant Incentive,	RTO Participation Adder	Not Stated.

Docket No.	Utility	Project(s)	Incentives at issue	Other Incentives	$ Amount of project
			CWIP		
ER23-2309	DCR Transmission, LLC	Not Stated	RTO Participation Adder	Not Stated.	$553 Million
ER23-2284	MISO	Not Stated.	CWIP Incentive, and Abandoned Plant Incentive	RTO Participation Adder	Not Stated.
ER23-2446	GridLiance West	Not stated	Abandoned Plant Incentive	CWIP, RTO Participation Adder	Not stated.
ER23-2033	ITC Midwest	Not Stated	Abandoned Plant Incentive	None.	Not Stated.
ER23-1904	NIPSCO	Not Stated.	CWIP Incentive, Abandoned Plant Incentive	RTO Participation Adder	Not Stated.
ER23-1544	Otter Tail Power	Not Stated	CWIP Incentive and Abandoned Plant Incentive, RTO Participation Adder	None.	Not Stated.
ER23-926	LS Power Grid	Not Stated	Abandoned Plant Incentive	CWIP, RTO Participation Adder	Not Stated
EL22-73	NV Energy	Greenlink Nevada Transmission Project	CWIP Incentive and Abandoned Plant	RTO Participation Adder	$2.5 Billion
ER23-762	Dayton Power and Light Company	Not Stated	CWIP Incentive and Abandoned Plant	RTO Participation Adder	Not Stated
ER23-513	MISO	Not Stated	CWIP Incentive, and Abandoned Plant Incentive	RTO Participation Adder	Not Stated
EL22-34	Not Applicable	Not Applicable	ROE Participation Adder	None.	Not Applicable
RM21-17	N/A	N/A	CWIP		Not applicable

Docket No.	Utility	Project(s)	Incentives at issue	Other Incentives	$ Amount of project
ER22-1886	NextEra Energy Transmission Southwest, LLC	Not Stated	Abandoned Plant Incentive	100% CWIP and RTO incentive RTO Participation Adder	Not Stated
ER22-576	NextEra Energy Transmission Southwest, LLC	Not Stated	Abandoned Plant Incentive	CWIP	Not Stated