STATE OF MAINE
PUBLIC UTILITIES COMMISSION

FERC Docket No. ER13-185

PUBLIC UTILITIES COMMISSION

WELCH, Chairman; LITTELL and VANTNOY, Commissioners

In this Order, we decline to take a position on the filing of ISO New England, Inc. (ISO-NE) at the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER13-185, for approval of the ISO-NE Administrative Cost Budget. Our reasons for declining to take a position are (1) the budget was fully vetted through the stakeholder process, (2) delaying approval of the budget could limit ISO-NE’s ability to perform market and planning functions that are of critical importance to the states and (3) declining to take a position in the current docket does not limit the Commission’s ability to focus on the administrative budget in up-coming years. Specifically, the Commission could work with the other states and ISO-NE to implement an annual budget review process that provides additional transparency and opportunity for substantive FERC review.

Dated at Hallowell, Maine, this 26th day of November 2012.

BY ORDER OF THE COMMISSION

/s/Karen Geraghty
Karen Geraghty
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Vannoy

COMMISSIONERS VOTING AGAINST: Littell

1 Commissioner Littell dissented. See attached dissent.
Dissent by Commissioner Littell

Connecticut has solicited support from other New England States for a protest to the Federal Energy Regulatory Commission (“FERC”) regarding the ISO-New England (“ISO-NE”) 2013 budget increases. Given the magnitude of the increases in budget ($11.8 million in one year bringing the five year growth in salaries to $27.7 million) and staff (39 new staff full time equivalents in one year bringing the five year growth to 97 new full time equivalents), I would join in Connecticut’s protest. These substantial budget and salary increases are in front of FERC now and failing to ask FERC for a hearing now will as a practical matter compromise our ability to reduce these ratepayer charges in the future.

I. ISO-NE’s CHARGES TO RATEPAYERS HAVE GROWN AS NEW ENGLAND STATES HAVE STRUGGLED TO RECOVER FROM THE RECESSION ALONG WITH THE REST OF THE COUNTRY

According to ISO-NE’s calculations, the ISO-NE administrative costs add $1.19 per MWh to the costs that New England ratepayers bear. These are just ISO-NE’s own operating costs, not the much larger rate paid for regional transmission costs that ISO-NE administers. With Maine’s share about 8% this translates to a $13.2 million charge to Maine ratepayers annually and that charge is increasing above the rate of inflation and above growth in our state economies.

I dissent because the magnitude of growth in ISO-New England’s charges to our ratepayers deserves open and transparent state level scrutiny by the Commissions that are responsible for reviewing the legitimacy of costs passed onto our ratepayers. I disagree that this budget was fully vetted. The public in our states certainly looks to the state commissions are those responsible for conducting an open and full review even if we cannot directly deny this rate increase.

Whether ISO-NE can justify those costs is one but only one of the issues we should examine. I have no doubt that a corporation with the resources and expertise of ISO-NE will be able to supply solid justifications for each of the 97 positions it has added over the past five years including 39 new positions this budget year along and the additional $11.8 million added to it budget this year for salaries and benefits for a total increase of $27.5 million added in five years. ISO New England’s staff has increased from 466 in 2009 to a budgeted 563 in the 2013 budget. A bit less than half of these positions earn $100,000 or more before health care, retirement and other benefits. Budgeted salaries and benefits were $66,903,000 in 2009 and will be $94,581,000 in ISO-NE’s 2013 budget. Total budget recovered through the ISO Tariff from ratepayers has also grown from $122,829,000 in 2009 to $164,042,000 in 2013. These figures represent a 20% growth in personnel and 41% grown in salaries and benefits of five years.

I focus here to solely on ISO-NE’s administrative budget and not the full Regional transmission charges. While those larger ISO-NE charges have quadrupled in
the last decade and are projected to continue to increase well into the billions and represent a larger percentage of ratepayer expense, they are not at issue in proposed Connecticut filing.

II. LACK OF STATE LEVEL REVIEW BY COMMISSIONS CHARGED WITH PROTECTED RATEPAYERS INTERESTS

The high growth trajectory for ISO-NE’s budget occurs in the context of state budgets that have been substantially reduced. The states have seen many of our ratepayers and citizens lose jobs, health-care coverage, retirement benefits, and homes in the Great Recession. Meanwhile, the growth of the ISO-NE budget, a 20% increase in ISO-NE staff and 41% in salaries and benefit expense, has occurred with virtually no state level public proceedings.

Many Commissioners are well accustomed to justifying existing staff and budgets in public hearings at our Legislatures. In recent times, state legislatures have had to make cuts in state agency budgets even when the positions were well justified and staff performing a valuable public function. States do not have the ability to continue to add charges without undertaking public proceedings and justification in front of Legislatures exercising independent review and approval. Our Legislative processes solicit public testimony and comment to evaluate the benefits and costs of such budget decisions. FERC simply does not perform the same function nor will it if we do not join Connecticut in its request for a FERC hearing.

Having headed up budgeting and operations at state agency the size of ISO-NE in 2009, I have experience with taking on new substantial new missions and programs increasing staff productivity while absorbing budget cuts. Managing existing staff and resources to achieve higher productivity has been the order of the day at the state level for many years as well as in many private companies. I believe we are expected to subject budgets and staff increases to scrutiny in public proceedings at the state level to inform our passing upon ISO-NE’s budget.

III. ISO-NE’s COSTS ARE HIGHEST IN THE COUNTRY

The draft Connecticut petition states that ISO-NE charges $9.97 per person in New England. PJM charges roughly half that amount at $5.10 per person. For 2011, ISO-NE own budget amounted to $4,363.50 per MW whereas PJM charged only $1,670.76 per MW according to Connecticut. Based on miles of transmission line ISO-NE costs are $17,171 per mile of transmission line and the next highest, California ISO costs $9,614. I submit that we should examine the costs that ratepayers in New England bear on a MW, per person, per ratepayer and transmission mile basis compared to other ISO regions, specifically, PJM, the California ISO, the New York ISO, the Midwest ISO, SPP and ERCOT. If we pay more in New England, we should ask why and continue to ask for justification and whether ratepayers are getting value out of those charges that is commensurate with what they pay. I would examine whether the costs above other ISO/RTOs represent additional value provided to New England’s
ratepayers by comparing services provided to New England and those provided to ratepayers in other RTOs. Ultimately, we might conclude that we support these ISO budgets and charges but we need a transparent and rigorous process to test the need for Maine ratepayers to bear this increased expense.

IV. CONCLUSION

Connecticut appears to be moving forward with a petition to FERC. While I may not agree with every aspect of the draft protest, I assume that we could work with Connecticut to put forth arguments that both Maine and Connecticut consider worthy of raising to FERC. I suggest we work with Connecticut which historically work along with Maine to question regional costs and governance issues when in the interests of our ratepayers to do so.

---

iii Id.
iv Connecticut Petition to FERC in Dock. No. ER13-185-000, at pg 11.