



Another Complaint Filed at FERC Against New England Transmission Owners to Lower ROEs

Aug 5, 2014

Reading Time : **2 min**

Two other related complaints are also pending at FERC.

On September 30, 2011, several parties filed a [complaint](#) initiating Docket No. EL11-66, alleging that the NETOs' 11.14 percent ROE was unjust and unreasonable. On June 19, 2014, FERC issued Opinion 531, which tentatively established a just and reasonable ROE of 10.57 percent, subject to the results of a paper hearing on the projected growth rate component of the newly-adopted ROE methodology. Opinion No. 531 did not grant interim relief, so consumers are still paying the filed ROE, subject to refund.

On December 27, 2012, a [complaint](#) was filed initiating Docket No. EL13-33. The complainants in that proceeding also alleged that the NETOs' ROE was unjust and unreasonable. On June 19, 2014, the Commission set that complaint for investigation and an evidentiary hearing, to be preceded by settlement negotiations. The Commission rejected claims that the complaint was barred because it was premised on the same facts and allegations underlying the complaint in

Docket No. EL11-66. Instead, the Commission explained that it allows successive complaints when presented with a new analysis.

The existing and proposed ROEs for all three pending dockets are summarized in Table 1, below.

The Commission has historically set the ROE at the center of the zone of reasonable returns based on a proxy group of companies with comparable risks. Opinion No. 531 set the ROE

halfway between the midpoint and the upper end of the zone because the Commission found that the capital market conditions during the relevant study period were anomalous. In the new proceeding, the complainants argue that the allegedly anomalous market conditions that existed during the study period in in Docket No. EL11-66 no longer exist, and that the ROE should now be set at the median (8.84 percent) or midpoint (9.44 percent) of the proxy group.

The complainants are seeking a significant reduction from the existing ROE and the ROE tentatively adopted in Opinion No. 531. The NETOs are likely to argue that base ROEs in the 8.84 percent to 9.44 percent range would be inadequate to attract sufficient capital to support needed infrastructure investments. Their answer to the complaint is currently due on August 21, 2014.

Table 1

NETO Base ROE Proposals

Existing Base ROE	11.14%
Opinion No. 531 ROE, Docket No. EL11-66	10.57% ^{1, 2}
Complainants' Proposed ROE, Docket No. EL14-86	8.84%
Complainants' Proposed ROE, Docket No. EL13-33	8.7%

¹ The Initial Decision recommended a higher 10.6% ROE for the fifteen-month refund period from October 2011 to December 2012.

² Subject to the outcome of the paper hearing on the long-term growth rate and petitions for rehearing.

¹ The complainants include the Attorney General of the Commonwealth of Massachusetts, Connecticut Public Utilities Regulatory Authority, Massachusetts Municipal Wholesale Electric Company, New Hampshire Electric Cooperative, Inc., Massachusetts Department of Public Utilities, New Hampshire Public Utilities Commission, George Jepsen, Attorney General of the

State of Connecticut, Connecticut Office of Consumer Counsel, Maine Office of the Public Advocate, New Hampshire Office of the Consumer Advocate, Rhode Island Division of Public Utilities and Carriers, Vermont Department of Public Service, Associated Industries of Massachusetts, The Energy Consortium, Power Options, Inc., Western Massachusetts Industrial Group, Environment Northeast, National Consumer Law Center, the Greater Boston Real Estate Board, and the Industrial Energy Consumer Group.

² The new complaint has been designated FERC Docket No. EL14-86.

³ See our related blog [here](#).

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