

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Inquiry Regarding the Commission's Electric)
Transmission Incentives Policy)

Docket No. PL19-3-000

**COMMENTS OF EAST TEXAS ELECTRIC COOPERATIVE, INC., AND
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.**

The East Texas Electric Cooperative, Inc. (ETEC), and the Northeast Texas Electric Cooperative, Inc. (NTEC), along with their ten member distribution cooperatives (collectively, the “East Texas Cooperatives”), respectfully submit the following comments on FERC’s “Inquiry Regarding the Commission’s Electric Transmission Incentives Policy,” Docket No. 19-3-000, 166 FERC ¶ 61,208 (March 21, 2019) (the “Inquiry”).

PARTIES

I. ETEC

ETEC is a not-for-profit electric generation and transmission cooperative corporation organized in 1987 and existing under the laws of the State of Texas. As of January 1, 2018, ETEC has one generation and transmission cooperative member, NTEC, and seven distribution cooperative members. ETEC is a load serving entity in three regional transmission organizations, the Southwest Power Pool (SPP), the Midcontinent Independent System Operator, Inc. (MISO), and the Electric Reliability Council of Texas (ERCOT).

II. NTEC

NTEC is a not-for-profit generation and distribution electric cooperative corporation organized under the laws of the State of Texas. Its six distribution members purchase all or part of their power requirements from NTEC and resell that power at retail to their respective customers. NTEC is a load serving entity in the SPP.

COMMENTS

These comments are intended to provide FERC with the East Texas Cooperatives' general support for the comments offered on the Inquiry by their national trade association, the National Rural Electric Cooperative Association (NRECA), while emphasizing some specific positions that either diverge from NRECA's comments or otherwise pertain specifically to the East Texas Cooperatives' interests.

I. FERC Should Not Create Any More Return-Enhancing Incentives.

First, the East Texas Cooperatives would like to emphatically support NRECA's call for FERC to limit granting incentives to public utilities that allow them to artificially inflate their rate of return on equity ("ROE"). These ROE adders frequently distort wholesale and retail rates without having a plausible nexus to any public value these utilities offer via their transmission projects. Put more concretely, these adders burden ratepayers with inflated costs without garnering the ancillary benefits to transmission planning and grid reliability which FERC is trying to incent. The East Texas Cooperatives therefore back NRECA's proposal that FERC, at least, not create any more incentives that enhance public utilities' ROE. Indeed, FERC should go further – it should scrutinize the existing battery of return-enhancing incentives and consider phasing out those that have not been demonstrated to either relieve transmission congestion or help ensure reliability.

II. FERC Should Limit Any RTO/ISO Adders.

NRECA is not taking a position on whether FERC should continue to offer incentives to transmission owners that voluntarily join regional transmission organizations (RTO's) and independent system operators (ISO's). The East Texas Cooperatives support maintaining these incentives, but they also firmly believe that FERC should not offer such incentives to utilities that are mandated to join RTO's or ISO's, either by their resident State commissions or by any other

entity enjoying jurisdiction over them. Awarding incentives to utilities in such a situation would be self-evidently counterproductive to the purpose the incentives are directed to achieve. The East Texas Cooperatives therefore propose that FERC condition any incentive rate treatment in this arena on a certification by applicant utilities that they are not mandated to join an RTO/ISO by any external entity. Moreover, the East Texas Cooperatives believe that FERC should make these incentives sunset at an appropriate, predetermined time. Once a utility joins an RTO/ISO, other structural incentives adequately serve to incent a utility to maintain their RTO/ISO membership, so continuing to award the incentives is superfluous and unnecessary.

III. FERC Should Incent Joint Ownership Arrangements.

In its Inquiry, FERC asks whether it should grant incentives to promote joint ownership arrangements between public and non-public utilities. Like NRECA, the East Texas Cooperatives support any effort by FERC to create a level playing field for non-public utilities like themselves. Due to their tax-exempt status, electric cooperatives are able to obtain cheaper financing and therefore are able to deliver low-cost power to customers. In order to satisfy its congressional mandate to support just and reasonable electricity rates, FERC should therefore support the participation of non-public utilities in transmission projects around the country. In terms of how it should effectuate this support, the East Texas Cooperatives differ slightly in their recommended approach than NRECA. The East Texas Cooperatives believe that any incentive FERC grants in this arena should promote ownership stakes in planned transmission projects that are roughly equivalent to participating utilities' respective load ratio shares. This reform would adequately incent joint ownership arrangements without inflicting the higher costs on customers that invariably come with return-enhancing incentives.

IV. FERC Should Incent Competition in Transmission Planning.

Similarly – and finally – the East Texas Cooperatives vigorously support FERC Order No. 1000 and its underlying principles. To that end, the East Texas Cooperatives would support any further incentive reform which promoted competition in transmission planning and incentives for innovative, cost-effective projects. Accordingly, the East Texas Cooperatives would support requiring applicants to demonstrate that they had actually participated in joint planning as to their transmission projects.

CONCLUSION

In conclusion, the East Texas Cooperatives welcome FERC's Inquiry and congratulate the Commission on its willingness to further explore necessary reforms in the transmission arena. The East Texas Cooperatives urge FERC to balance its obligation to employ transmission incentives to help ensure reliability and reduce congestion with its concomitant congressional mandate to ensure just and reasonable rates for electricity customers across the nation.

Respectfully submitted,

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