VELCO

FERC Return on Equity
Opinion No. 594

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FERC ROE Decision (Opinion No. 594)

- Following approx. 15 years of litigation, in March 2026 FERC issued a decision resolving consumer advocate complaints by reducing the base return on equity (ROE) for transmission investments in New England from 11.4% to 9.57%
  - Based on revised methodology

- Decision applies new ROE retroactively back to October 15, 2014, effectively requiring $1.5 billion in refunds, including interest—one of the largest in FERC history
  - Net impact to Vermont est. tens of millions of dollars

FERC ROE Decision (Opinion No. 594)

- Federal Power Act (FPA) Section 206(b) gives FERC the authority to issue refunds for a 15-month period for amounts paid above what was just and reasonable

- Here FERC made the refund retroactive back nearly 12 years (even though FERC did not take action on the case for many of those years) – 137 months on top of 15-month statutory period

- FERC required refunds to be provided within 30 days but granted an extension to complete refunds by May 20, 2027

FERC ROE Timeline

First of 4 complaints challenging 11.14% ROE

- 2011

Opinion 531 Replacement ROE = 10.57%

- 2014

D.C. Circuit vacates, remands Opinion 531 (10.57% remains until new rate set)

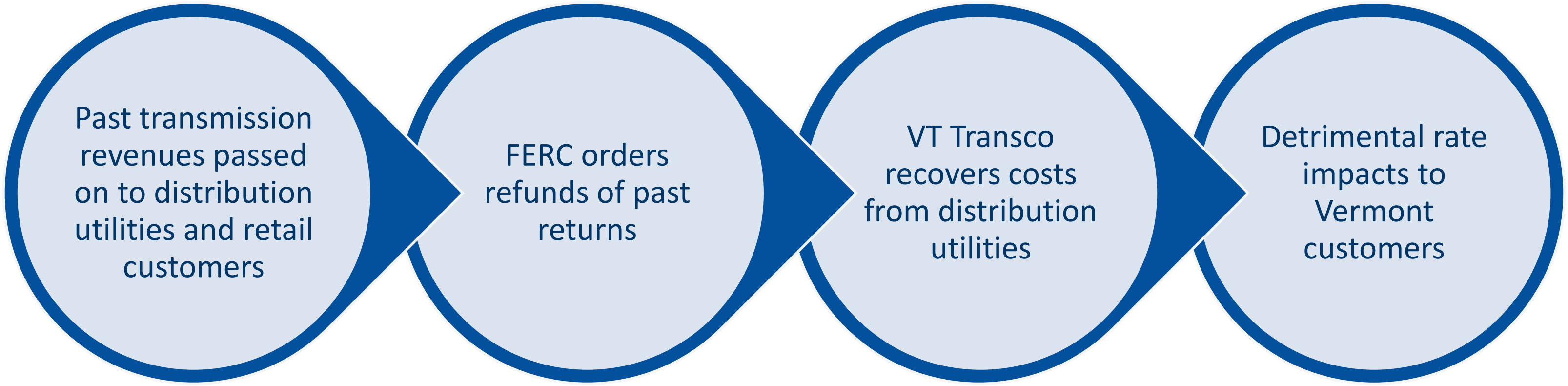
- 2017

Order 594 Sets replacement ROE of 9.57%, directs refunds

- 2026

FERC ROE Decision: Implications for Vermonters

- New England ratepayers in other states will benefit from the refund directive
- BUT Vermont will be uniquely and negatively impacted
  - Under Vermont Transco's unique structure (owned by and provides services to distribution utilities), Vermonters have historically benefited from VT Transco's revenues
  - VT Transco recovers its costs and passes its earnings on to its owners and the DPS under the 1991 Transmission Agreement (VTA)
  - Financial returns flow to VT distribution utilities to offset retail electric bills
  - The refund directive has the effect of converting past savings into a 137-month charge, plus interest



What VELCO is doing about it

- NETO Rehearing Request and D.C. Circuit appeal
  - Joint filing arguing in sum that FERC erred in:
    (1) finding the existing rate was improper;
    (2) Developing a replacement rate; and
    (3) Requiring refunds beyond the 15-month statutory period
- VELCO Motion for Reconsideration and D.C. Circuit appeal
  - Requests relief for Vermont of the refunds due to the harmful impacts on VT distribution utilities and ultimately VT retail ratepayers
  - Supported by DPS
  - D.C. Circuit appeal filed since FERC didn't act w/in 30 days, but in abeyance awaiting agency action
- Regulatory Asset Request
  - Request for accounting order to defer recovery of 2/3 of the refund payments over a longer period of time (10 yrs) under the VTA to minimize rate shock
  - Supported by numerous distribution utilities and DPS (but VELCO requested July 31 effective date and DPS asked FERC to delay decision)

VELCO

Other Proceedings: FPA 205 Case

- On April 30, 2026, the Participating Transmission Owners Administrative Committee (PTO-AC) filed a request with FERC to increase the base ROE
- Requested increase from 9.57% to 11.39%
- Requested June 30, 2026 effective date
- Purports to use Opinion No. 594 methodology, updated with current market data (six-month study period ending March 31, 2026)
- Argues that the filing should be summarily approved (i.e., without settlement or hearing procedures)
- FERC issued a Suspension Order suspending the PTOs' proposed ROE for five months, so that it will go into effect November 30, 2026. Instead of setting the proceeding for evidentiary hearing and settlement discussions, FERC instituted a paper hearing, meaning parties will file initial (due 8/28) and reply briefs (due 9/28) and FERC will likely issue a merits decision on what the ROE should be.