Transmission Incentives

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History

- Energy Policy Act of 2005, August 5, 2005
  - Created FPA Section 219
- FERC issued order No. 679 on July 20, 2006 adopting regulations to promote transmission investment through pricing reform

FPA Section 219 and Order No. 679

- Goals
  - ensure reliability and reduce the cost of delivered power by reducing transmission congestion
  - promote capital investment in the enlargement, improvement, maintenance, and operation of transmission facilities
  - provide a return on equity that attracts new investment in transmission facilities

Transmission Incentives

- Types of Incentives
  - Higher Return on Equity
    - usually ranges from 50-200 basis points
  - Recovery of CWIP (Construction Work-in-Progress)
  - Recovery of Abandonment Costs
  - Advanced Technology Adder

Rebuttable Presumption

- It is assumed that a project qualifies for transmission incentives if it meets one of the following:
  - Approved through a Regional Planning Process (e.g. PJM's RTEP Process)
  - National Interest Electric Transmission Corridor (NIETC)
  - Approved by state siting authority

Nexus Test

- Project must demonstrate a nexus between the incentive sought and the investment made
- The total package of incentives is weighed against the risks, challenges and benefits of project as a whole

Orders Granting Incentives

- Out of 33 projects seeking transmission incentives to build new transmission:
  - 27 accepted
  - 3 rejected
  - 3 pending

Summary of FERC Actions on Transmission Incentives

- 27 Accepted Projects
  - Total cost ~ $27 billion
  - Total new transmission lines ~ 8,000 miles
  - Range of kV: 230 – 765 kV
  - Range of basis points: 100-200

Major Transmission Projects that Received Incentives

PacifiCorp (Energy Gateway Project)

- 2,000 miles of 500 kV, 345 kV, and 230 kV transmission line in a six-state region delivering 3,000 MW of capacity from location-constrained renewable resources in Wyoming to distant load centers
- Cost $6 billion; completion by 2014
- Received 200 basis points of tx incentives

Major Transmission Projects that Received Incentives (cont'd)

Tallgrass Transmission & Prairie Wind Transmission

- 400 miles of 765 kV line in Oklahoma and Kansas facilitating the connection of over 10,000 MW of renewable
- Cost $1.1 billion; completion by 2013
- Received 150 basis points of tx incentives

Major Transmission Projects that Received Incentives (cont'd)

Pioneer Transmission (AEP/Duke)

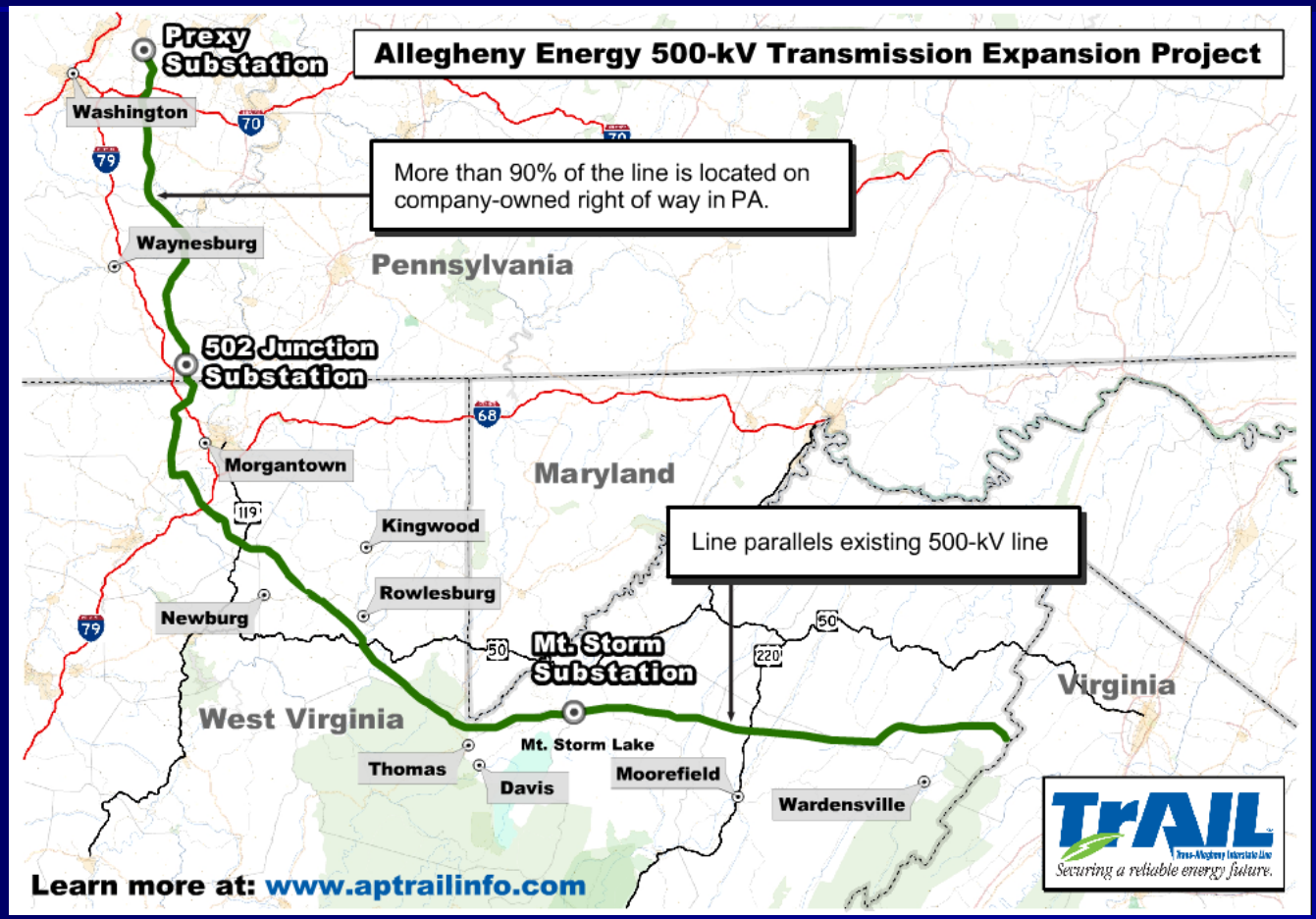
- 240 miles of 765 kV line facilitating the interconnection of over 4,000 MW of wind generation
- Cost $1 billion; completion by 2015
- Received 200 basis points of tx incentive

Major Transmission Projects that Received Incentives (cont'd)

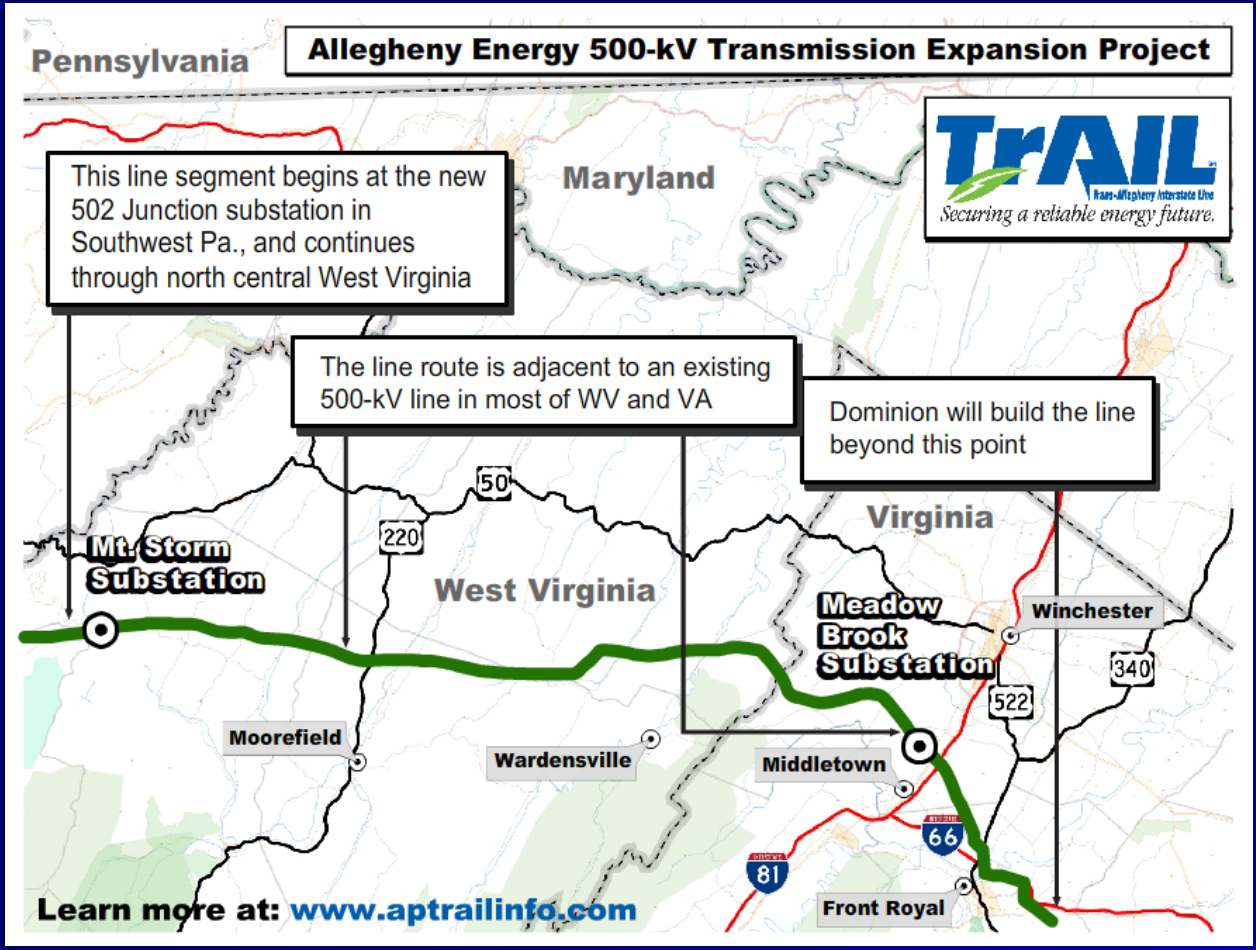
Trans-Allegheny Interstate Line (TrAIL)

- 300 miles of 500 kV line increasing the west-to-east transfer capability by 3,800 MW over base case levels
- Cost $870 million; completion by 2011
- Received 100 basis points

Trail Route in West Virginia and Pennsylvania



Rest of TrAIL Route



Transmission Line Mileage

	1990 (actual)	2000 (actual)	2007 (actual)	2012 (proj.)	2017 (proj.)
Total Miles AC and DC Transmission lines (>230 kV)	146,595	155,669	163,480	174,436	177,988
Percent Increase		6.19%			8.87%

Summary

- Transmission Incentives are designed to foster a more robust grid through greater investment
- Petitioners can receive General ROE Adder, CWIP, Recovery of Abandonment costs and Advanced Tech Adder
- FERC acted on 27 projects representing 8,000 miles of new transmission