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FERC Approves New Cost Sharing Method for Expanding SPP’s Transmission Grid

June 17, 2010, LITTLE ROCK, ARKANSAS – Today the Federal Energy Regulatory Commission (FERC) approved a new “Highway/Byway” method of sharing costs for new electric transmission in the SPP region, which includes all or parts of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. This approach, which assigns costs of high-voltage transmission regionally and lower-voltage locally, will help SPP and its members build a stronger transmission grid that will benefit the entire region.

“The SPP region is evolving from a utility-by-utility focus on ‘keeping the lights on’ at the local level to a region-wide focus on building a robust transmission system,” said SPP President and CEO Nick Brown. “Sharing costs and benefits of more transmission highways and byways will increase our ability to deliver lower-cost power to customers, allow us to make the most efficient use of the region’s diverse generating resources, and help us meet state and federal policy goals such as increased use of renewable energy. The electric grid is in use every second of every day, so the economics of transmission aren’t just long-term but instantaneous. A robust grid optimizes economics and improves electric reliability.”

SPP analyses demonstrated that large-scale, extra high voltage “highways” provide benefits across a wider region; thus, costs will be assigned to electric utilities across the SPP footprint based on their historic use of the region’s transmission system. Lower-voltage “byways” benefit smaller areas within the region; a formula will be used to assign costs more directly to the utility in whose service territory (zone) the project is located and that will receive the most benefit from the project.

Voltage	Paid for by Region	Paid for by Local Zone
“Electricity Highways” 300 kV and above	100%	0%
“Electricity Byways” above 100 kV and below 300 kV	33%	67%
“Electricity Byways” 100 kV and below	0%	100%

The Highway/Byway proposal was created by the SPP Regional State Committee (RSC), a FERC-recognized group of state regulatory commissioners from Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. The RSC is tasked by FERC with setting certain SPP policies, including cost allocation mechanisms. SPP Senior Vice President of Engineering and Regulatory Policy Les Dillahunty said, “Since 2004, the RSC has responded to changing conditions by implementing new and innovative cost-sharing methods to pay for new transmission. These policies have been successful in fostering needed construction. This Highway/Byway methodology is the next step in an evolutionary process to continue moving forward to meet the challenging demands of the future.”

The new cost-sharing method will apply to transmission expansion projects approved by the SPP Board of Directors after June 19, 2010, including a set of [Priority Projects](#) conditionally approved in April 2010 pending successful implementation of the Highway/Byway policy.

More information about the Highway/Byway cost allocation methodology is located in [SPP's FERC filing](#).

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Southwest Power Pool, Inc. is a group of 58 members in Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas that serve more than five million customers. Membership is comprised of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, wholesale generators, power marketers, and independent transmission companies. SPP’s footprint includes 29 balancing authorities, 50,575 miles of transmission lines, and 370,000 square miles of service territory. SPP was a founding member of the North American Electric Reliability Corporation in 1968, and was designated by the Federal Energy Regulatory Commission as a Regional Transmission Organization (RTO) in 2004 and a Regional Entity (RE) in 2007. As an RTO, SPP ensures reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. The SPP RE oversees compliance enforcement and reliability standards development. [Read more fast facts](#) or [watch a video](#) about SPP.