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SPP Proposes New Cost Sharing Method for Expanding the Regional Electric Transmission Grid

April 19, 2010, LITTLE ROCK, ARKANSAS – Today the Southwest Power Pool, Inc. (SPP) Board of Directors and Regional State Committee, comprised of regulatory commissioners from seven states, filed with the Federal Energy Regulatory Commission (FERC) a new “Highway/Byway” method of sharing costs for electric transmission in the SPP region, which includes all or parts of Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

“Most in the electric utility industry agree that new transmission is needed to continue delivering reliable and lower-cost electricity to consumers. The big question has been: Who will pay for that infrastructure?” said SPP President and CEO Nick Brown. “Deciding how to share the cost of expensive high-voltage transmission among all utilities will jump-start further expansion of our regional electric grid. A robust transmission network will allow us to make the best use of our generating resources – including coal, natural gas, hydroelectric, nuclear, and our potentially huge amount of wind energy - by providing the means to share generation across the region wherever it is needed.”

“Highways” are high-voltage transmission projects above 300 kV; costs will be assigned to electric utilities across the entire SPP footprint based on their historic use of the region’s transmission system. “Byways” are lower-voltage transmission projects; a formula will be used to assign costs more directly to the utility in whose service territory (zone) the project is located.

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%

According to Regional State Committee member and Arkansas Public Service Commission Chairman Paul Suskie, “SPP needed a cost allocation policy for transmission projects that not only enhance reliability, but also have the potential to reduce costs for utilities and their customers. Building new transmission will bring many benefits, such as reducing congested ‘bottlenecks’ on the electric grid, increasing grid reliability and efficiency, and creating jobs during the construction and operating phases. This Highway/Byway cost sharing methodology will provide a regional solution for building out the regional electric grid that will meet our needs into the future.”

If approved, the Highway/Byway method will replace several existing cost allocation methodologies. Currently, for upgrades required to maintain grid reliability, 1/3 of costs are paid for by all electric utilities in the SPP region; utilities that directly benefit pay 2/3. If a utility wants to sponsor a transmission project that will provide economic benefit (such as allowing its customers better access to low-cost generation), it must pay 100% of costs; once the project is built, the utility can recover some costs through others’ use of the project. In 2009, SPP created a [Balanced Portfolio of transmission upgrades](#) for which benefits exceeded costs across the region; costs of these specific projects were shared regionally. Also in 2009, SPP approved a new cost allocation method for transmission projects needed to add wind energy to the grid - 2/3 of these costs are allocated regionally.

SPP requested that FERC, in its decision on the Highway/Byway proposal, grant an effective date 60 days after the filing date.

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Southwest Power Pool, Inc. is a group of 57 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.