



# FEDERAL ENERGY REGULATORY COMMISSION

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News Media Contact

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## **FERC Approves Incentives for Major Transmission Projects in the West, New England**

The Federal Energy Regulatory Commission (FERC) today approved rate incentives for a major transmission project in the West that will deliver up to 3,000 megawatts of capacity from location-constrained renewable resources to distant load centers. Separately, FERC today conditionally approved rate incentives for a \$1.4 billion transmission project in Maine that will increase reliability and capacity to export power to southern New England.

“Today’s actions underscore the continued need for investment in the nation’s power grid in many regions of the country,” FERC Chairman Joseph T. Kelliher said. “Grid investment has been moving in the right direction in this country – investment has nearly doubled in recent years. That is partly the result of the rate incentives granted by FERC. The projects that we grant incentives for today are both large-scale transmission projects that will provide major regional benefits. The U.S. needs a robust interstate power grid to assure reliability and support competitive markets, and these projects will significantly strengthen the grid.”

The first project, known as the Energy Gateway Transmission Expansion Project, has been characterized as one of the most ambitious electric infrastructure projects planned in the western United States in the past two decades. Project sponsor PacifiCorp asked FERC for a 2.5 percent adder to its base return on equity (ROE) and recovery of prudently incurred abandonment costs for the \$6 billion project. The Commission granted PacifiCorp a 2 percent adder to its base ROE. The project involves eight segments covering portions of Nevada, Idaho, Oregon, Utah, Washington and Wyoming and is planned to go on-line between 2010 and 2014.

With the exception of one segment of the project running from Washington to Oregon, FERC said that “PacifiCorp has adequately demonstrated that the project will ensure reliability and reduce transmission congestion” and thus meets Federal Power Act (FPA) requirements. The remaining seven segments “would establish for the first time a backbone of 500 kV transmission lines in PacifiCorp’s Wyoming, Idaho and Utah regions,” FERC said, and provide “a platform for integrating and coordinating future regional and sub-regional electric transmission projects being considered in the Pacific Northwest and the Intermountain West.”

FERC denied incentive rates for the Washington State portion without prejudice to PacifiCorp making a new filing for that segment. FERC said PacifiCorp had not provided sufficient evidence to meet the statutory requirements for incentives for the segment from Walla Walla, Wash., to McNary, Oregon.

FERC granted Central Maine Power Company’s petition for transmission incentives for its Maine Power Reliability Program Project, subject to the condition that ISO-New England include the project in its regional system plan as a reliability transmission upgrade. FERC noted that the planned project is the largest project in Central Maine’s history and, when completed, will give Central Maine approximately \$1.85 billion of transmission plant in service – six times more than the company’s current total transmission plant in service.

The planned project consists of 245 miles of new 345 kV transmission line and 74 miles of new 115 kV transmission line, 10 miles of rebuilt 345 kV transmission line and 155 miles of rebuilt 115 kV transmission





line, and additional improvements.

FERC granted Central Maine a 1.25 percent ROE adder rather than the 1.5 percent that was requested, and conditioned the utility's proposal to recover 100 percent of construction-work-in-progress (CWIP) in rate base on Central Maine filing for CWIP in a future rate (section 205) filing. FERC also granted Central Maine's request for recovery of 100 percent of prudently incurred costs associated with abandonment, provided that the abandonment is a result of factors beyond the utility's control.

FERC determined that Central Maine has shown that the total package of incentives addresses the risks and challenges faced by the project. The ROE incentive, CWIP and abandonment will encourage investors despite the project's risks.

FERC regulations under Order No. 679 state that projects seeking incentives must demonstrate that the facilities either ensure reliability or reduce the cost of delivered power by reducing transmission congestion.

Order No. 679 implements section 1241 of the Energy Policy Act of 2005, which added a new section 219 to the FPA directing FERC to establish incentive-based rate treatments for new transmission construction.

FERC emphasized that Order No. 679 requires the proposed incentive rate also be shown to have a "nexus between the incentive sought and investment being made." The Commission also emphasized that evaluation of incentive rate proposals will be fact-specific and rely on Commission regulations.

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