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**For immediate release
February 18, 2011**

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Proposed Senate Cost Allocation Formula Threatens Needed Transmission Investment

WASHINGTON, DC – Transmission legislation introduced yesterday by U.S. Senators Bob Corker (R-TN) and several co-sponsors, while ostensibly intended to protect consumers from unwarranted energy and infrastructure costs, will instead thwart needed investment in the high-voltage grid and curtail the nation’s ability to develop domestic energy resources and ensure reliable and efficient electric service. The bill does so by imposing an unprecedented and unnecessary limitation on the authority of the Federal Energy Regulatory Commission (FERC) to allocate transmission costs to all those who benefit from such investment.

The new bill takes aims at a pending FERC proposal that seeks public comment on the appropriate method of allocating the costs of interstate transmission facilities, including when those facilities are necessary to interconnect new energy resources needed for compliance with state clean energy standards. The bill also threatens to overturn FERC’s approval of cost allocation plans developed in several regions to improve reliability, reduce costs, and access new energy resources. It would therefore allow many potential beneficiaries of improvements or expansions of the transmission grid to avoid contributing to project costs, increasing the costs to others or halting development of needed projects altogether.

WIRES maintains that the legislation is unnecessary. FERC has exercised authority to allocate transmission costs in the public interest for over 75 years, under changing circumstances. In attempting a formulaic approach, the Senate bill introduces a rigid but ambiguous standard, thereby erecting an additional barrier to development of a 21st Century grid and creating uncertainty for potential investors.

“WIRES agrees with the bill’s sponsors that the beneficiaries of investments in transmission should bear its costs and that those customers who do not benefit should not be liable for transmission costs. That’s fair. In fact, that’s exactly what FERC is doing,” stated Jim Hoecker, Counsel to the WIRES organization and former Chairman of FERC.

“Decisions about ‘who pays’ are always rooted in the best available facts, and the only way to make fair allocation decisions is to consider all the facts, including expert projections about the multiple benefits provided by these 50-year assets over their useful lives,” added Hoecker. WIRES stands ready to help work with energy legislators to ensure that regulators act fairly, consistent with the interests of all consumers.”

WIRES (Working group for Investment in Reliable and Economic electric Systems) is a non-profit trade association of transmission providers, customers, and equipment and service companies formed to promote investment in electric transmission and progressive State and Federal policies that advance energy markets, economic efficiency, and consumer and environmental benefits through development of electric power infrastructure. For more information, visit www.wiresgroup.com or contact Jim Hoecker at 202-378-2316.