

Transmission Lines Offer Utilities Growth Projects

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U.S. power companies are increasingly looking to high-voltage, long-distance transmission projects for growth as a slump in electricity demand curbs expansion elsewhere.

Competition is growing for new projects to upgrade aging infrastructure and transport power from renewable resources such as wind. Even though U.S. power sales are expected to drop for the second straight year in 2009, a deteriorating power grid and a raft of renewable-energy projects in remote areas underpin demand for new transmission.

Strong returns from high-voltage lines coupled with growing political support could fuel an estimated \$60 billion to \$100 billion in new spending by 2020.

Higher rates of return on transmission provide an incentive to get projects built.

Exelon Corp., one of the nation's largest power companies, is planning to launch a national transmission company, while other companies are looking to expand their existing power-line businesses. **Oncor Electric Delivery Co. LLC**, Texas's largest utility, is interested in developing new projects outside its home state, the company's chairman and chief executive, Bob Shapard.

Consultancies including **Accenture Ltd.** and **Oliver Wyman Group**, a subsidiary of **Marsh & McLennan Cos.**, are working with companies on strategic reviews focused on transmission businesses.

"I have heard more about transmission in the past six months than in the previous six years," said Andre Begosso, a senior manager with Accenture's utilities group.

Growing interest in transmission, which has developed as more of a sideline business for power companies, comes as opportunities in fossil-fuel generation—historically a strong earnings source—have dwindled amid recession-weakened

demand and uncertainty over future restrictions on greenhouse-gas emissions.

"That sideline may become more than a sideline as the opportunities expand," said Jon Wellinghoff, chairman of the Federal Energy Regulatory Commission, at an industry conference in Washington this week.

Projects in the works include a nearly \$5 billion build-out of lines in Texas to connect rural wind farms with areas of high demand. **Oncor** is building a considerable slice of this new transmission.

ITC Holdings Corp., the only stand-alone U.S. transmission company, is pitching the "Green Power Express," to bring wind-generated power from the northern Plains states to the Midwestern grid. ITC is working to form a new company involving several utilities to build the 3,000-mile line, with each investing in and reaping returns from the project, ITC Chairman and Chief Executive Joseph Welch said.

High-voltage, long-distance power line plans face numerous challenges, even with political backing and corporate interest. The lines often are killed in regulatory fights over their routes or who will pay, while competition can be muted in some areas by rules that favor incumbent utilities.

Yet political support for transmission—especially when linked to renewables—has grown. **The Federal Energy Regulatory Commission allows higher rates of return on transmission as an incentive to get projects built**, while Congress is looking at providing the federal government with greater siting powers. Additionally, the Department of the Interior is stepping up the approval of transmission projects on federal land.

As for the companies, transmission is attractive because of those strong returns, with some projects generating 12% or more. Companies make a return on the capital they invest in a project, so high-voltage lines—with price tags reaching into the billions of dollars—can provide a strong boost to earnings.

—Ian Talley in Washington contributed to this article.