
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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EL06-86-000

COMMISSION ACTS TO IMPROVE SECURITY OF NATION'S POWER GRID

The Federal Energy Regulatory Commission today approved an innovative agreement among electric utilities on electric transformer sharing that will maintain the integrity of the nation's transmission system in the event of a future terrorist strike.

"Since the attacks on our country five years ago, the Commission has taken a number of important steps to improve the physical security of our energy infrastructure. Today's order is only the latest action," Commission Chairman Joseph T. Kelliher said. "The industry is to be congratulated, for this voluntary agreement is a significant first step, but only a first step, in addressing critical reliability issues. We will encourage further innovations to help assure the robust reliability of our nation's power grid."

In an initiative put forth by the Edison Electric Institute (EEI), a group of transmission owners has established the Spare Transformer Equipment Program (STEP), designed to increase the industry's inventory of spare electric transformers. According to the application, this will ensure that the industry has sufficient capability to restore service in the event of "coordinated, deliberate destruction of utility substations."

Any investor-owned utility, government-owned utility or rural electric cooperative in the United States or Canada that owns transformers may participate in the program. At present, 43 entities have signed on to the Spare Transformer Sharing Agreement (Agreement), representing more than 60 percent of the Commission-jurisdictional bulk-power transmission system.

"[T]he industry's efforts to voluntarily coordinate the sharing of spare transformers will enhance the reliability of the transmission system and security of our energy supply infrastructure in the event of an act of deliberate destruction," the Commission said.

The Commission urged participants to improve the program, including the method of calculating spare transformer requirements, and the Commission encouraged other

entities owning high-voltage transformers to participate in STEP “so that the benefits may be spread to more of the bulk power system.”

The Commission also encouraged the participating utilities to expand the scope of emergency situations, such as natural disasters, under which the transfer of spare transformers will be required under the Agreement.

Under the Agreement, each participating utility is required to maintain, and if necessary, acquire, a specific number of transformers in various voltage classes. Applicants estimate that for the total of 43 utilities already signed up, between 72 and 105 spare transformers will be required. However, because these participants already own a number of spares, only 21 to 31 new units will need to be purchased, at a total cost of between \$50 million to \$75 million.

The Agreement requires each participating utility to sell its spare transformers to any other participating utility that suffers a triggering event, defined as an act of terrorism that destroys or disables one or more substations and results in the President of the United States declaring a state of emergency.

Under section 203 of the Federal Power Act the Commission must approve the sale or disposition of jurisdictional assets in excess of \$10 million. Noting the importance of responding quickly to an emergency and the long lead times involved in ordering new transformers, EEI, on behalf of the 41 jurisdictional participants, requested and the Commission approved blanket authorizations for future transfers of transformers under the agreement. The Commission conditioned its authorization on public utility participants in the program filing the information required by the Commission’s Part 33 regulations initially within 30 days of any transformer transfer and again when final sales terms have been established.

To encourage participation in STEP, the Commission also granted Applicants’ requests to declare participation in the Agreement prudent, find that the costs of participation qualify for single issue rate treatment, and accords all future jurisdictional signatories to the Agreement the same benefits as current signatories. Participation in this sharing program will increase transmission owners’ emergency recovery capabilities by providing access to more spare transformers at lower cost.

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