



FEDERAL ENERGY REGULATORY COMMISSION

October 31, 2008
Southern Indiana Gas & Electric Company
Docket No. EL08-82-000, ER08-1468-000

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FERC Approves Southern Indiana Grid Incentives

The Federal Energy Regulatory Commission (FERC) has approved incentive rates for Southern Indiana Gas & Electric Co.'s proposed Gibson-Brown-Reid transmission project.

Background

The Energy Policy Act of 2005 directed FERC to create incentive-based rate treatments to promote capital investment in transmission infrastructure. FERC Order No. 679 sets forth the process by which a public utility may seek transmission rate incentives.

Southern Indiana asked FERC to modify its formula rate so that it could recover all prudently incurred Construction Work in Progress (CWIP) in rate base and all prudently incurred abandoned plant costs for the Gibson-Brown-Reid project. Gibson-Brown-Reid is a proposed 70-mile, 345 kilovolt project that would provide additional transmission capacity between Duke Energy's Gibson Station in Gibson County, Indiana, Southern Indiana's Brown Power Plant in Posey County, Indiana and Big Rivers Electric Corp.'s Reid Station in Webster County, Kentucky. Half of the project is slated to be in Indiana and half in Kentucky. The project has a scheduled in-service date of June 2011 and would cost between \$68 million and \$100 million, depending on its route.

The project was approved by the Midwest Independent System Operator (Midwest ISO) as a Baseline Reliability Project, which means that Midwest ISO has found it is necessary for regional grid reliability.

The Order

FERC approved Southern Indiana's request, stating that it satisfies the elements of Order No. 679 for demonstrating that the facilities would either ensure reliability or reduce the cost of delivered power by reducing transmission congestion. Southern Indiana also demonstrated a nexus between the incentive sought and the investment being made, and that the project is not routine. Each incentive, FERC said, "is designed to address a distinct set of risks associated with the project."

The rates take effect today.

