



INDEPENDENT REVIEW OF SPP'S
COST/BENEFIT STUDY FOR THE
PRIORITY TRANSMISSION PROJECTS

Presented To:
SPP Board of Directors/Members Committee

Presented By:
Craig R. Roach, Ph.D.

Boston Pacific Company, Inc.

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OUTLINE

I. METHODOLOGICAL CONCERNS

II. METHODOLOGICAL FIXES

III. RESULTS



I. METHODOLOGICAL CONCERNS

A. With benefits that are here:

1. Jobs benefits from wind
2. Natural gas price decreases

B. With benefits that are not here:

1. Consumer protection against natural gas price increases
2. Consumer protection against high carbon prices



I. METHODOLOGICAL CONCERNS (continued)

- C. Isolating transmission benefits from generation
- D. Consequence is that it pushes the Board to consider non-traditional benefits



II. METHODOLOGICAL FIXES

- A. Intended consequence is to allow greater reliance on traditional benefits
 - 1. Base Case uses current wind capacity (3.7 GW), Change Case 6.9 GW
 - 2. Three alternative natural gas price forecasts
 - 3. Three alternative CO₂ prices/taxes

III. RESULTS

A. SPP modeled 6 scenarios for Boston Pacific

Scenario	Present Value of Production Cost Savings
SPP Gas, No Carbon	\$2.5 billion
Low Gas, Low Carbon	\$1.4 billion
Moderate Gas, Low Carbon	\$1.9 billion
High Gas, Low Carbon	\$2.4 billion
Medium Gas, Medium Carbon	\$1.7 billion
High Gas, High Carbon	\$2.0 billion

III. RESULTS (continued)

B. Two analytical points

1. Higher natural gas prices increase production cost savings

Scenario	2009/10	2014	2019
Low Gas	\$5.21	\$6.50	\$7.50
Moderate Gas	\$5.21	\$8.50	\$10.00
High Gas	\$5.21	\$10.50	\$12.00
SPP Gas	\$5.21	\$8.58	\$10.71

* Prices in Nominal Dollars

III. RESULTS (continued)

2. CO₂ prices decrease production cost savings

Scenario	2009
Low Carbon	\$10/ton
Moderate Carbon	\$20/ton
High Carbon	\$30/ton

* Escalating at 5% thereafter



III. RESULTS (continued)

C. Additional benefits categories to consider first

1. Reliability
2. Seams
3. Explicit modeling of later years

