

# Southern Cross Transmission Project

## Economic and Fiscal Impacts in the State of Louisiana

### Executive Summary

Southern Cross Transmission LLC (“Southern Cross”) is proposing the development of a high voltage direct current (“HVDC”) transmission line and switchyard facilities in the State of Louisiana. The proposed transmission line of the project would cross approximately 200 miles of northern Louisiana. The Southern Cross Project will connect the Electric Reliability Council of Texas (“ERCOT”)<sup>1</sup> to the Southeast electric grid transmission systems near the Mississippi / Alabama border, delivering cost-effective renewable energy and providing both regions with improved reliability and economic benefits. The Project’s development is expected to be completed in 2021, and while the project life is expected to potentially exceed 40 years, benefits are estimated for the first 30.

The proposed Southern Cross project will make a significant contribution to the economic base of Louisiana with both near-term asset development activities, and long-term contributions to the state’s economy. Impacts from the approximately \$700 million capital investment in Louisiana are summarized to include:

- \$1.05 billion in total direct economic impact from development and thirty-years of the transmission facilities operation, and approximately \$790 million in indirect and induced economic benefit to the state’s economy when economic multipliers are considered for a total of \$1.84 billion in economic impacts to Louisiana. Local contractors are estimated to realize approximately \$245 million in construction contracts that are included in the economic impact estimates.
- Employment during the development and construction phase peaks at approximately 69 jobs from local labor resources, with an estimated 23 permanent jobs created in Louisiana for continuing operation and maintenance over the thirty-year project life. More than 600 jobs are created during the construction phase inclusive of non-local contractor resources. Local job creation is a conservative estimate based on data provided by Southern Cross.
- An anticipated fiscal impact (i.e., additional tax revenues) of \$195 million in property taxes in Louisiana.

These economic and fiscal impact estimates are deliberately conservative. Sales and use taxes and personal and corporate income taxes that will be generated by the project are *excluded* from these estimates. Although these tax revenues will benefit both state and local governments, there is presently

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<sup>1</sup> ERCOT is the jurisdictional authority for planning development and operation of electric transmission facilities relating to the Texas region from which Southern Cross will obtain renewable energy supplies for its transmission project activities.

insufficient information available to estimate these impacts. Similarly, the Southern Cross project will introduce additional competitive resources to the electric market — but these additional benefits are not quantified in the economic impact estimates.

The estimated benefits realized by the development and operation of the Project are public benefits, and *specifically exclude* the economic benefits earned by the owners of the facilities developed. The project will enhance the economic base in Louisiana, providing new economic development opportunities that do not displace existing resources or business activities. The estimated public benefits inure directly to the businesses and citizens of Louisiana, and are enhanced by additional public benefits related to the expanded flexibility, reliability and convenience that the additional electric market resources provide (but which are not quantified).

The addition of two gigawatts (GW) of Southern Cross transmission capacity are important and significant new resources in the regional electric market, expanding commercial opportunities generally. These are benefits that will be realized in Louisiana and more generally throughout the region. The proposed Project will provide the utilities that serve Louisianans the ability to access low-cost renewable energy resources. The state-of-the-art HVDC electric grid technology, efficient energy market transactions and business innovations facilitated by the Southern Cross project will foster development of new economic activity, value and opportunity within Louisiana and beyond.

Unlike a traditional utility, Southern Cross will assume all the market risks of the Project and will not recover project costs through traditional regulated service rates. Rather, project costs will be recovered through contracts with utilities which have determined that the rice, reliability and fuel diversity aspects of the Project are beneficial to their ratepayers.

The \$1.05 billion direct economic benefits are based on estimates of approximately \$734.6 million in development costs and \$316.9 million in operational costs over 30 years of the transmission facilities operation. An additional \$790 million in indirect and induced economic benefits are estimated based on common economic multiplier analyses for a total of \$1.84 billion in economic impacts to Louisiana. Economists generally recognize that direct economic benefits from new economic activities also create indirect and induced benefit associated with the compounding of economic activities — earnings from project-related entities support additional purchases from other local business sectors (e.g., payment of new wages earned by construction workers also result in additional food and clothing purchases). The additional impacts are captured in “economic multiplier” analyses. Additionally, project benefits accumulated over a thirty-year project life are commonly stated in terms of its “present value” by discounting the stream of benefits. Applying a 5% discount rate, the present value of the direct economic benefits are estimated to be more than \$829 million, and direct, indirect and induced economic benefits are estimated to be nearly \$1.44 billion.

Landowners will be directly compensated for right-of-way easements related to the approximately 5,000 acres required for siting of project facilities, and landowner compensation is accounted for in the direct economic benefits.