

125 FERC ¶ 61,273
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Bonneville Power Administration

v.

Docket No. EL07-65-001

Puget Sound Energy, Inc.,
Hermiston Power Partnership,
Chehalis Power Generating, L.P.,
PPM Energy, Inc.,
TransAlta Centralia Generation, L.L.C.

ORDER DENYING REHEARING AND GRANTING CLARIFICATION

(Issued December 5, 2008)

1. In the initial order in this proceeding,¹ the Commission granted Bonneville Power Administration's (BPA)² complaint alleging that the independent power producers'³ rate schedules for Reactive Supply and Voltage Control from Generation Sources Service (reactive power) would be unjust and unreasonable as of October 1, 2007. PPM and

¹ *Bonneville Power Administration v. Puget Sound Energy, Inc.*, 120 FERC ¶ 61,211 (2007) (September Order).

² BPA is a federal agency within the U.S. Department of Energy that operates an electric transmission system in the Pacific Northwest. While BPA is not a public utility subject to the Commission's jurisdiction under the Federal Power Act, it has a reciprocity Open Access Transmission Tariff (Tariff) on file with the Commission, and therefore has committed to comply with certain Commission requirements.

³ The independent power producers are: Puget Sound Energy, Inc. (Puget), Hermiston Power Partnership (Hermiston), Chehalis Power Generating, L.P. (Chehalis), PPM Energy, Inc. (PPM), and TransAlta Centralia Generation, L.L.C. (TransAlta).

TransAlta submitted separate rehearing requests, and BPA submitted a request for clarification. For the reasons discussed below, we deny the rehearing requests and grant the request for clarification.

I. Background

2. BPA previously compensated both the independent power producers and its merchant affiliate for reactive power inside the deadband. However, when BPA adopted its transmission and ancillary services rates for October 1, 2007 through September 30, 2009,⁴ it decided to cease compensating its merchant affiliate for reactive power inside the deadband. Subsequently, BPA filed a complaint pursuant to section 206 of the Federal Power Act⁵ alleging that the independent power producers' reactive power rate schedules were unjust and unreasonable, and should be reduced to zero, effective October 1, 2007.

3. The Commission granted the complaint, explaining that because BPA would cease compensating its merchant affiliate for reactive power inside the deadband as of October 1, 2007, the independent power producers would no longer be entitled to compensation under the Commission's comparability policy. The Commission rejected the independent power producers' claim that they remained entitled to compensation because BPA's affiliate could receive compensation through its wholesale power rates, noting that the independent power producers had similar opportunities to make up the revenue that they previously might have earned.

4. Despite its decision to grant BPA's complaint, the Commission stated that BPA will remain obligated to compensate the independent power producers for any reactive power provided outside the deadband. Although the Commission found the specifics of such compensation beyond the scope of the proceeding, it noted that to the extent that BPA wanted to maintain its safe harbor status under the Commission's open access rules, it would have to either add a rate to its Tariff for outside the deadband reactive power service, or institute some procedure for the independent power producers to follow in order to receive compensation for providing reactive power outside the deadband.⁶

⁴ See *U.S. Department of Energy-Bonneville Power Administration*, 120 FERC ¶ 61,240 (2007), *order approving rates on a final basis*, 122 FERC ¶ 61,143 (2008).

⁵ 16 U.S.C. § 824e (2006).

⁶ September Order, 120 FERC ¶ 61,211 at P 19-22.

II. PPM's and TransAlta's Rehearing Requests

A. Procedural Matters

5. PPM and TransAlta filed separate rehearing requests, and BPA filed an answer. Rule 713(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(d) (2008), prohibits an answer to a request for rehearing. Accordingly, we reject BPA's answer.

B. Substantive Issues

1. Comparability

a. Arguments on Rehearing

6. PPM and TransAlta allege that the September Order violates the Commission's comparability policy because it eliminates BPA's obligation to compensate non-affiliates for reactive power inside the deadband despite the possibility that BPA will recover such compensation through its power sales rates. TransAlta further claims that the Commission acted arbitrarily and capriciously in the September Order by disregarding this possibility and failing to explain its rationale for disregarding it.

7. PPM and TransAlta also contest the Commission's finding that non-affiliates and BPA have a comparable opportunity to recover reactive power capability costs through higher power sales rates.⁷ PPM and TransAlta argue that BPA can subsidize such costs through cost-based power sales rates collected from captive customers, but that non-affiliates cannot similarly restructure their rates without risking lost sales.

8. PPM and TransAlta argue that this case is distinguishable from *SPP*⁸ and the other cases relied on by the Commission in the September Order. PPM claims that unlike *SPP* there is no jurisdictional barrier in this proceeding preventing the Commission from

⁷ TransAlta also contests the Commission's finding that the cost of reactive power inside the deadband is minimal. TransAlta states that only the short-run marginal cost of producing the next increment of reactive power "can logically be described as minimal" because it excludes capability costs. TransAlta's Request for Rehearing at 12. We find that the issue of whether or not the cost is minimal is not relevant to whether the independent power producers are entitled to compensation.

⁸ *Southwest Power Pool, Inc.*, 119 FERC ¶ 61,199, at P 39 (2007) (*SPP I*), *reh'g denied*, 121 FERC ¶ 61,196, at P 18 (2007) (*SPP II*) (collectively, *SPP*).

considering “all forms of [BPA’s reactive power] compensation.”⁹ PPM explains that the transmission owners in *SPP* recovered their reactive power costs in bundled retail rates regulated by state commissions, whereas here BPA recovers its costs in Commission-approved rates. TransAlta claims that the Commission has an obligation under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act)¹⁰ to review the costs included in BPA’s rates, and further contends that the cases cited by the Commission in the September Order did not raise the same issue present in this case.

9. PPM also argues that in footnote 15 of the September Order the Commission failed to address whether BPA violates Order No. 888’s¹¹ functional unbundling requirement, which requires that transmission providers unbundle and separately list rates for power sales, transmission services, and ancillary services (such as reactive power). PPM alleges that BPA violates this requirement by recovering its reactive power costs in its power sales rates. PPM asserts that in footnote 15 the Commission merely recited its general policy on reactive power compensation, and erroneously suggested that Order Nos. 2003¹² and 890¹³ eliminated or modified the unbundling requirement.¹⁴ PPM argues that the unbundling requirement can only be altered through a formal rulemaking.

⁹ PPM’s Request for Rehearing at 12.

¹⁰ 16 U.S.C. § 839 (2006).

¹¹ *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

¹² *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh’g*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh’g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh’g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff’d sub nom. Nat’l Ass’n of Regulatory Util. Comm’rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

¹³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh’g*, Order No. 890-A,

(continued...)

b. Commission Determination

10. We deny rehearing and reject the claim that the September Order violates the Commission's comparability policy. A transmission provider must compensate non-affiliates for reactive power inside the deadband if it so compensates its own or affiliated generators.¹⁵ Since BPA has ceased compensating its merchant affiliate for reactive power inside the deadband, it is not required to compensate non-affiliates. In fact, by denying such compensation to all generators—its affiliate and non-affiliates—BPA is treating all generators on a comparable basis. Accordingly, we affirm our conclusion that PPM and TransAlta have no claim to compensation based on comparability.

11. Notwithstanding BPA's decision to cease compensating its merchant affiliate for reactive power inside the deadband, PPM and TransAlta argue that they remain entitled to compensation under the Commission's comparability policy because of the possibility that BPA will recover the revenue it would have collected through its reactive power rates in its power sales rates. The Commission, however, has previously rejected essentially this same argument. In *SPP*, the Commission found that eliminating reactive power compensation for both affiliated and non-affiliated generators treated all generators on a comparable basis notwithstanding that transmission owners in the Southwest Power Pool (SPP) might have the opportunity to recover the revenue they lost through their retail power sales rates. The Commission explained that this possibility did not create a comparability issue because there was no difference in the treatment that SPP accorded affiliated and non-affiliated generators.¹⁶ And just as BPA may try to recover its lost revenue through higher power sales rates, so the independent power producers may try to recover their lost revenue through their own higher power sales rates.¹⁷ In sum, just as in *SPP*, here BPA is treating its merchant affiliate generators comparably to

FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g and clarification*, Order No. 890-B, 123 FERC ¶ 61,299 (2008).

¹⁴ PPM's Request for Rehearing at 7.

¹⁵ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 416; *accord* Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 113, 119; Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 at P 34, 42-43; *Entergy Services, Inc.* 113 FERC ¶ 61,040, at P 22-24, 38-39 (2005), *reh'g denied*, 114 FERC ¶ 61,303 (2006) (*Entergy*).

¹⁶ *SPP II*, 121 FERC ¶ 61,196 at P 17.

¹⁷ *See* September Order, 120 FERC ¶ 61,211 at P 21 (citing *SPP I*, 119 FERC ¶ 61,199 at P 39).

the independent power producers' generators; neither will recover compensation for reactive power within the deadband and both will need to pursue recovery of any lost revenue in other ways.

12. PPM and TransAlta argue that this case is distinguishable from *SPP* because it involves BPA's power sales rates, over which the Commission has jurisdiction. PPM contends that this case does not present the "jurisdictional barrier" that prevented the Commission in *SPP* from considering "all forms of compensation" relevant to a

comparability analysis.¹⁸ PPM's implication is that the Commission would have decided *SPP* differently had it considered the potential that transmission owners in *SPP* might recover their lost revenue in their retail rates, but that the Commission could not and therefore did not consider this possibility because it lacks jurisdiction over retail rates.

13. We reject this argument and find that the possibility for recovery of lost revenue in Commission-jurisdictional power sales rates here, rather than in non-jurisdictional retail power sales rates as in *SPP*, is not a meaningful basis upon which to distinguish this case from *SPP*. When *SPP* came before the Commission on rehearing, two parties argued that the Commission failed to consider the alleged discrimination purportedly inherent in the possibility that affiliated generators might recover their lost revenue in retail power sales rates. These parties claimed that the Commission had an obligation under *FPC v. Conway*¹⁹ to take this alleged discrimination into account when considering reactive power rates. In *SPP II*, the Commission denied rehearing and stated that it did, in fact, consider all circumstances *relevant* to whether *SPP*'s revised Schedule 2 treated affiliated and non-affiliated generators on a comparable basis, including the possibility that affiliated generators might recover their lost revenue in retail power sales rates.²⁰ The Commission explained that *SPP*'s revised Schedule 2 treated all generators on a comparable basis because it denied compensation for reactive power inside the deadband to both affiliated and non-affiliated generators, and because both types of generators had an opportunity to recover their lost revenue through other means. Thus, *SPP II* belies any interpretation that *SPP* rests on the premise that the Commission decided as it did because of a lack of jurisdiction over retail rates. PPM's claim that the Commission was precluded by a "jurisdictional barrier" from considering "all forms of compensation" is thus inapposite; "all forms of compensation" is, in fact, an irrelevant consideration. In

¹⁸ PPM's Request for Rehearing at 12. As we explain below, however, we do not agree that consideration of "all forms of compensation" is, in fact, relevant to a comparability analysis.

¹⁹ *FPC v. Conway*, 426 U.S. 271 (1976) (*Conway*).

²⁰ *SPP II*, 121 FERC ¶ 61,196 at P 20 & n.15.

SPP II, rather, the Commission reinforced the principle that the relevant inquiry for purposes of the Commission's comparability policy is whether the transmission owner treats affiliated and non-affiliated generators on a comparable basis. The transmission owners did so in *SPP* by denying compensation for reactive power inside the deadband to both, and BPA does so here. This inquiry is unaffected by whether the opportunity of the generators, either affiliated or unaffiliated, to recover their lost revenue is through Commission-jurisdictional rates or non-jurisdictional rates.

14. We also reject TransAlta's assertion that in the September Order the Commission failed to address the possibility that BPA will recover its lost revenue through its other rates. In fact, the Commission did address it. In the September Order, the Commission stated that this was not a comparability argument, and that it had been rejected in previous Commission cases,²¹ and we likewise address it here, above.

15. Similarly, we reject PPM's and TransAlta's claim that non-affiliates do not have a comparable opportunity to recover their lost revenue through higher power sales rates because rate increases create the possibility of lost sales. This argument amounts to an assertion that the Commission should guarantee PPM and TransAlta full recovery of their lost revenue notwithstanding any drop in sales. In other words, PPM and TransAlta are seeking something more akin to a cost-of-service rate,²² while still otherwise retaining a market-based rate. However, in requesting that the Commission direct BPA to reinstate their reactive power rates and essentially guarantee full recovery of their reactive power costs, PPM and TransAlta are making a request that is well beyond the demands of comparability. As the Commission has previously explained, comparability requires only that affiliates and non-affiliates be treated comparably. Just as BPA's merchant affiliate has an opportunity to recover its lost revenue in its power sales rates, so the independent power producers have an opportunity to seek rates that make up the revenue that they previously might have earned through a separate charge for reactive power inside the deadband; comparability does not require that the Commission guarantee that affiliates and non-affiliates will be equally successful in pursuing such opportunities.²³ PPM and

²¹ September Order, 120 FERC ¶ 61,211 at P 21.

²² In fact, even a cost-of-service rate does not guarantee recovery of a utility's costs. See *Midwest Indep. Transmission Sys. Operator, Inc.*, 102 FERC ¶ 61,192, at P 27 & n.47, *reh'g denied*, 104 FERC ¶ 61,012 (2003), *aff'd sub nom. Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361 (D.C. Cir. 2004).

²³ *SPP II*, 121 FERC ¶ 61,196 at P 18; *Midwest ISO Transmission Owners*, 122 FERC ¶ 61,305, at P 65 (2008). See also *supra* note 22.

TransAlta have not contested the fact that they have an opportunity to recover their lost revenue in their market-based power sales rates; they simply have described a possible obstacle to full cost recovery.²⁴

16. We also reject PPM's claim that footnote 15 in the September Order fails to address whether BPA is violating Order No. 888's functional unbundling by recovering its reactive power costs in its wholesale power rates. In footnote 15, the Commission stated that:

[This] argument overlooks the evolution of Commission policy since Order No. 888, and amounts to a collateral attack on Order Nos. 2003 and 2003-A in which the Commission specifically addressed the circumstances and manner in which a transmission provider must pay for inside the deadband reactive power services. Order No. 890, moreover, which revised the Commission's [Open Access Transmission Tariff] requirements, continued the evolution of Commission policy.²⁵

17. At the outset, we note that whether BPA is violating functional unbundling is not at issue in this proceeding, the purpose of which is to consider whether the independent power producers' reactive power rate schedules are unjust, unreasonable, and unduly discriminatory. Moreover, the argument that BPA is violating functional unbundling is not a comparability argument because the argument does not allege that BPA treats its affiliates differently than it treats non-affiliates; rather, it is an argument that asserts that the Commission should reinstate the independent power producers' reactive power rate

²⁴ We further observe that, in the first instance, the Commission's reactive power compensation policy treats the provision of reactive power inside the deadband as an obligation of good utility practice rather than as a compensable service. *See Union Power Partners, L.P.*, 123 FERC ¶ 61,191, at P 20 & n.37 (2008), SPP I, 119 FERC ¶ 61,199 at P 28-29. Thus, barring a contractual agreement, Commission policy is that a non-affiliated generator should not be compensated for reactive power inside the deadband unless the transmission owner compensates its own or an affiliated generator. In other words, neither affiliated nor non-affiliated generators have an inherent right to any compensation for reactive power inside the deadband, and where the transmission owner does not compensate its own or affiliated generators, non-affiliates have no entitlement to compensation under the Commission's comparability policy.

²⁵ September Order, 120 FERC ¶ 61,211 at P 20 & n.15 (internal citations omitted).

schedules, which are unjust and unreasonable under the Commission's comparability policy,²⁶ because BPA's merchant affiliate allegedly recovers its reactive power costs in a manner prohibited by Order No. 888.²⁷

18. We also clarify that in footnote 15 the Commission was not, as PPM claims, suggesting that subsequent Commission precedent eliminated or modified Order No. 888's functional unbundling; rather, the Commission merely stated that any discussion of reactive power compensation cannot ignore subsequent developments in Commission policy, particularly Order Nos. 2003 and 2003-A, which specifically addressed the circumstances and manner in which a transmission provider must pay for reactive power inside the deadband.²⁸ In this vein, Order Nos. 2003 and 2003-A establish a reactive power compensation policy that, in the first instance, treats the provision of reactive power inside the deadband as an obligation of good utility practice rather than as a compensable service and permits compensation inside the deadband only as a function of comparability.²⁹ Thus, footnote 15 is responsive to PPM's unbundling argument because, in pointing to the Commission's reactive power compensation policy, it highlights the fact that PPM's argument is not relevant to whether the independent power producers should receive reactive power compensation.

19. In any event, functional unbundling is intended to provide customers of utilities the opportunity to purchase unbundled, as opposed to bundled, services from utilities.³⁰

²⁶ *Id.* P 20.

²⁷ Stated most plainly, this argument amounts to the claim that, because BPA is in the wrong, it is acceptable for the independent power producers to be in the wrong. When thus accurately characterized, the Commission's response that this argument must fail should come as no surprise.

²⁸ Thus, PPM's allegation that the Commission in the September Order modified Order No. 888 without a formal rulemaking is without merit. Our pointing out in that order that a discussion of reactive power compensation cannot overlook Order Nos. 2003 and 2003-A, both the products of a subsequent formal rulemaking, hardly qualifies as either a repeal, or indication of repeal, of Order No. 888.

²⁹ *See, e.g., SPP I*, 119 FERC ¶ 61,199 at P 29 (citing Order No. 2003 at P 546 and P 537). Indeed, section 9.6.2 of the Commission's Order No. 2003 *pro forma* Large Generator Interconnection Agreement expressly provided that generators are required "to operate. . . to produce or absorb reactive power within the design limitations" of the facility.

³⁰ Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,718.

That is *not* what is involved here. What is at issue here is not whether BPA's customers have access to unbundled services. Rather, what is at issue here is whether BPA should pay the independent power producers for the reactive power that they supply inside the deadband. The two issues are very different. The services that BPA's customers have access to will not change whether BPA ultimately does or does not pay the independent power producers. Whether BPA has functionally unbundled thus does not depend on whether it does or does not pay the independent power producers for the reactive power that they supply inside the deadband. Moreover, the only support PPM offers for its allegation that BPA is violating functional unbundling is the possibility that BPA might recover lost revenues in its power sales rates. However, the possibility that BPA might generate new revenue to replace the revenue lost by terminating reactive power compensation inside the deadband does not mean that it is bundling its reactive power costs or that customers are deprived of the opportunity to purchase unbundled services.

2. Full Recovery/Section 206

a. Arguments on Rehearing

20. PPM challenges the Commission's decision to set its reactive power rate at zero rather than fix a rate that recovers the cost of reactive power outside the deadband. PPM argues that because this is a section 206 proceeding, and because its rate schedule compensates it for providing reactive power both inside and outside the deadband, the Commission is required to determine whether PPM's outside the deadband compensation is just and reasonable, and if not, fix a just and reasonable rate or clarify that BPA will be subject to the replacement rate filed by PPM in Docket No. ER07-1414-000.

21. PPM also argues that the Commission erred by allowing BPA the option of adding a rate to its Tariff setting the charges it will pay for service outside the deadband. PPM claims that this option violates PPM's exclusive rights to file for a just and reasonable rate under section 205.

b. Commission Determination

22. We find that this issue has been resolved by the Commission's order accepting the uncontested settlement filed in Docket Nos. ER07-1414-000 and ER07-1414-001

between BPA and PPM.³¹ In the settlement, BPA and PPM established PPM's rates for reactive power service outside the deadband prospectively from October 1, 2007.³²

3. Opportunity for a Needs Test

a. Arguments on Rehearing

23. TransAlta argues that its reactive power is critical to BPA's transmission system, and that the Commission "acted precipitously" by terminating its reactive power tariff without first providing TransAlta the opportunity "to justify compensation for its critical reactive power capability based on a needs showing."³³ TransAlta contends that it should have the opportunity to demonstrate that its reactive power is needed by BPA. TransAlta observes that the Commission has previously stated that transmission providers may establish a "needs test" as a prerequisite to providing compensation for reactive power capability. TransAlta claims that, given the chance, it would show that it provides critical reactive power support to BPA's system, that any oversupply that exists on BPA's system is the result of the reactive power capability requirements imposed by BPA as a condition of interconnection, and that TransAlta mitigates for the decay in reactive power support supplied by BPA's remote generators.

b. Commission Determination

24. We deny rehearing and reject TransAlta's argument as an impermissible collateral attack on Order Nos. 2003 and 2003-A. TransAlta's claim that it should have an opportunity to demonstrate that BPA needs its reactive power presumes that successfully proving its claim will persuade the Commission to reinstate TransAlta's reactive power rate schedule. As we have explained, however, the Commission's reactive power compensation policy, as established in Order Nos. 2003 and 2003-A, is that an unaffiliated generator should not receive compensation for reactive power inside the deadband unless the transmission provider so compensates its own or affiliated generators.³⁴ Thus, regardless of its importance to BPA's system, TransAlta is not

³¹ *Iberdrola Renewables, Inc.*, 125 FERC ¶ 61,007 (2008).

³² We note that the parties have agreed to reduce the proposed rate for the provision of reactive power outside the deadband to zero, as of the date of the applicable rate schedule.

³³ TransAlta's Request for Rehearing at 9.

³⁴ Additionally, an independent power producer may receive compensation inside the deadband if it has an independent contractual right to such compensation. See *KGen Hinds LLC*, 115 FERC ¶ 61,028 (2006); *KGen Hot Spring LLC*, 115 FERC ¶ 61,029

(continued...)

entitled to compensation for reactive power inside the deadband based on comparability because BPA has ceased compensating its merchant affiliates for reactive power inside the deadband.

25. TransAlta correctly states that the Commission has indicated that transmission providers may propose a rate for all generators that compensates them comparably for the level of reactive power actually needed and used, so as to avoid remuneration in excess of those levels.³⁵ However, TransAlta fails to realize that this statement applies only if a *transmission provider* makes the threshold decision to compensate its own or affiliated generators for reactive power inside the deadband. Once a transmission provider makes this choice, which it is under no obligation to do, it must compensate affiliates and non-affiliates on a comparable basis. In determining how to provide comparable treatment, the transmission provider may opt for a system that compensates all generators based on their reactive power capability, or it may develop needs criteria that compensates all generators on a comparable basis. However, if a transmission provider chooses not to compensate its affiliates, then the question of what criteria to apply to affiliates and non-affiliates does not arise. The decision to compensate affiliates and non-affiliates rests with the transmission provider; once the transmission provider has decided not to compensate either affiliates or non-affiliates, no showing by non-affiliates that their reactive power is needed can create an entitlement to compensation that trumps the Commission's comparability policy. In denying rehearing, we do not contest TransAlta's claim that it provides an important service to BPA; rather, we affirm the Commission's established reactive power compensation policy.

III. BPA's Request for Clarification

26. BPA requests that the Commission clarify that existing procedures in BPA's Tariff, specifically Article 11.6 of its Standard Large Generator Interconnection Agreement, satisfy the requirements of the September Order.³⁶ BPA states that Article 11.6, which is identical to the applicable language in the Commission's *pro forma* Large

(2006); *Hot Spring Power Co., LP*, 115 FERC ¶ 61,027 (2006); *Entergy Services, Inc. v. Cottonwood Energy Co. LP*, 115 FERC ¶ 61,031 (2006); *Entergy Services, Inc. v. Union Power Partners, L.P.*, 115 FERC ¶ 61,030 (2006) (holding that the generators involved could raise their claims that they have independent contractual rights to compensation for reactive power within the deadband). However, no party has claimed such a right in this case.

³⁵ See, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 116 FERC ¶ 61,283, at P 23 (2006).

³⁶ BPA's Request for Clarification at 2.

Generator Interconnection Agreement, specifies that when BPA directs an interconnected generator to provide reactive power outside the deadband, BPA will compensate the interconnected generator in accordance with the interconnected generator's rate schedule then in effect, unless the provision of reactive power is subject to a Commission-approved regional transmission organization or independent system operator rate schedule. If no rate schedule is in effect when the interconnected generator is required to provide reactive power, Article 11.6 obligates BPA to compensate the interconnected generator in an amount that would have been due had the rate schedule been in effect at the time the service commenced, provided that the interconnected generator files a rate schedule with the Commission within sixty days of commencement of the service.

27. We grant BPA's request for clarification. In the September Order, the Commission stated that BPA would have to either add a rate to its Tariff for outside the deadband reactive power service, or institute some procedure for the independent power producers to follow in order to receive compensation for providing reactive power outside the deadband.³⁷ As BPA's explanation makes clear, Article 11.6 of its Large Generator Interconnection Agreement provides a procedure for independent power producers to follow in order to receive compensation for providing reactive power outside the deadband. Thus, we clarify that Article 11.6 of BPA's Large Generator Interconnection Agreement satisfies the requirements of the September Order.

The Commission orders:

The Commission hereby denies rehearing and grants clarification, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

³⁷ September Order, 120 FERC ¶ 61,211 at P 22.