

131 FERC ¶ 61,184
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

Wolverine Power Supply
Cooperative, Inc.

Docket No. ER10-978-000

ORDER CONDITIONALLY ACCEPTING PROPOSED RATE SCHEDULE

(Issued May 28, 2010)

1. On March 31, 2010, Wolverine Power Supply Cooperative, Inc. (Wolverine) submitted for filing, under section 205 of the Federal Power Act (FPA),¹ a proposed rate schedule (Rate Schedule)² that sets forth its proposed revenue requirement for providing cost-based Reactive Supply Service and Voltage Control for Generation or Other Sources Service (reactive power) from its Sumpter Facility to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). In this order, we conditionally accept the proposed Rate Schedule to be effective June 1, 2010, as discussed below.

I. Background

2. Wolverine is a Michigan-based non-profit generation and transmission electric cooperative that provides wholesale service to its six member-owners and is subject to the Commission's jurisdiction under the FPA. Wolverine is a Midwest ISO member that generates and purchases energy primarily to serve its member-owners and supplements and balances its power supply portfolio with short-term purchases from, and sales into, the Midwest ISO market.

3. Wolverine recently purchased the Sumpter Facility, a 340 MW natural gas-fired combustion turbine generating facility located in Sumpter Township, Michigan from FirstEnergy Generation Corp. (FirstEnergy Genco). The Commission approved the sale

¹ 16 U.S.C. § 824d (2006).

² Wolverine uses the term "tariff" in its filing, but, as discussed below, we direct Wolverine to change its references to "Tariff" to "Rate Schedule."

on March 9, 2010,³ and it closed on March 31, 2010.⁴ Before the sale, FirstEnergy Solutions Corp. (FirstEnergy Solutions) provided reactive power from the Sumpter Facility to the Midwest ISO under a rate schedule accepted by the Commission in February 2005.⁵

II. Wolverine's Filing

4. Wolverine states that it is filing its cost-based revenue requirement to replace FirstEnergy Solutions' rate schedule and to receive compensation under Schedule 2 of the Midwest ISO Open Access Transmission Energy and Operating Reserve Markets Tariff (Tariff) for continuing to provide reactive power from the Sumpter Facility. Wolverine proposes to collect a revenue requirement that consists of the following costs: (1) fixed costs attributable to reactive power production capability (Fixed Capability Component); and (2) start-up costs per generating unit (Start-Up Cost Component).⁶ According to Wolverine, the Fixed Capability Component is designed to recover the portion of plant fixed costs attributable to the reactive power production capability of the Sumpter Facility. Wolverine states that it calculated the Fixed Capability Component according to the methodology set forth in *American Electric Power Service Corp.*, 88 FERC ¶ 61,141 (1999) (*AEP*).

5. Wolverine states that the Start-Up Cost Component is intended to recover the out-of-pocket costs Wolverine incurs when it must start an idle generating unit in order to provide reactive power.

6. Wolverine requests waiver of the Commission's notice and filing requirements⁷ to allow the proposed Rate Schedule to be effective April 1, 2010.

³ *Wolverine Power Supply Coop., Inc. and FirstEnergy Generation Corp.*, 130 FERC ¶ 62,204 (2010).

⁴ *See* Wolverine Notification of Closing, Docket No. EC10-41-000 (filed April 1, 2010).

⁵ *See FirstEnergy Solutions Corp.*, 110 FERC ¶ 61,142 (2005).

⁶ Wolverine Filing at 4.

⁷ 18 C.F.R. § 35.3(a) (2009).

III. Notice of Filing and Responsive Pleadings

7. Notice of Wolverine's filing was published in the *Federal Register*, 75 Fed. Reg. 18,194 (2010), with interventions and protests due on or before April 21, 2010.

8. Midwest ISO and Consumers Energy Company filed timely motions to intervene. The Detroit Edison Company (Detroit Edison) filed a motion to intervene and comments, and Wolverine filed an answer to Detroit Edison's comments.

9. Detroit Edison requests that the Commission establish hearing procedures or, alternatively, settlement procedures, to address two issues with respect to Wolverine's Fixed Capability Component. First, it maintains that Wolverine has not demonstrated that a reactive allocator of 31.11 percent, based on a .83 power factor, is required to meet the Midwest ISO Interconnection Agreement's requirements of a .95 leading to .95 lagging reactive power range. Detroit Edison asserts that the Sumpter Facility provides greater capability than is required, and it is inappropriate for Wolverine to include in its revenue requirement costs associated with this excess capability. Second, Detroit Edison asserts that the proposed 37 percent generator-exciter allocator is too high. Detroit Edison states that the generator-exciter allocator for GE 7EA turbines, which are used at the Sumpter Facility, should be approximately 27 percent.⁸

10. In its answer, Wolverine defends its use of both allocators. Wolverine explains that the .83 power factor is based on the capability of the Sumpter Facility and is the power factor required at the Sumpter Facility's generating terminals needed to achieve the required .95 power factor at the point of interconnection. Citing *AEP*, Wolverine states that it is appropriate to use the power factor based on the generator's capability to arrive at the resulting reactive allocator. Wolverine points out that the two cases cited by Detroit Edison to support its objections both use a power factor of .85, based on their own generator capacity.⁹

11. With respect to the disputed generator-exciter allocator, Wolverine explains that it determined the portion of the turbine generator investment associated with the generator and excitation system based on information from the Sumpter Facility's previous owner, FirstEnergy Genco, which in turn obtained the information directly from General

⁸ Detroit Edison Comments at 3 (citing *Old Dominion Coop.*, Application for Providing Cost-Based Reactive Power and Voltage Control and Generation Sources Service, Docket No. ER06-256-000 (filed Nov. 29, 2005); *DTE East China*, Proposed FERC Electric Tariff No. 5, Docket No. ER06-348-000 (filed Dec. 19, 2005)).

⁹ Wolverine Answer at 2-3.

Electric, the turbine's manufacturer. Wolverine included in its answer a copy of the correspondence from General Electric to FirstEnergy Genco, confirming that 37 percent of the Sumpter turbine generator investment is associated with the generator and excitation system.¹⁰

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2009), timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Wolverine's answer because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

13. We will conditionally accept, as discussed further below, Wolverine's proposed Rate Schedule, subject to the compliance filing discussed below, to become effective June 1, 2010.¹¹

14. With regard to the proposed Fixed Capability Component, we conclude that Wolverine's use of a .83 power factor is appropriate. In *AEP*, the Commission found that "the allocation factor should be based on the capability of the generators to produce VARs and that this capability should be measured at the generator terminals."¹² As Wolverine explains, the .83 power factor is based on the capability of the Sumpter Facility and is the power factor required at the Sumpter Facility's generating terminals. We also find, based on the statement of General Electric to FirstEnergy Genco that 37 percent of the Sumpter turbine generator investment is associated with the generator and excitation system, that

¹⁰ *Id.* at 3-4.

¹¹ We deny Wolverine's requested waiver of the prior notice requirement because Schedule 2 of the Midwest ISO Tariff provides that "Qualified Generator status is effective on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue requirement is on the first day of the month." Midwest ISO, FERC Electric Tariff, Third Revised Vol. 1, Second Revised Sheet No. 857B.

¹² *AEP*, 88 FERC at 61,457.

Wolverine's generator-exciter allocator of 37 percent is reasonable. We note that the Commission has accepted the use of manufacturer provided information in prior reactive power filings.¹³

15. With respect to the Start-Up Cost Component of the Rate Schedule, Wolverine states that it plans to recover "the out-of-pocket costs which Wolverine incurs when it must start an idle generating unit to comply with a request for Reactive Supply and Voltage Control Service."¹⁴ We find, however, that Wolverine fails to justify why its proposed start-up cost recovery mechanism is reasonable. For instance, when starting and operating a generator to comply with a request for Reactive Supply and Voltage Control Service, Wolverine may recover some or all of such start-up costs through sales of energy or operating reserves from the generator or may avoid costs by reducing the output of other generators. Yet Wolverine does not credit such revenues or avoided costs in its proposed start-up cost recovery mechanism. Therefore, we direct Wolverine, in a compliance filing to be submitted within 30 days of the date of this order, to remove the Start-Up Cost Component from its proposed Rate Schedule. Our rejection of Wolverine's Start-Up Cost Component is without prejudice to Wolverine making another section 205 filing that addresses our concerns.

16. Finally, we find that Wolverine incorrectly refers to the proposed Rate Schedule as a tariff, and we direct Wolverine, in the compliance filing ordered below, to replace the references to "Tariff" with references to "Rate Schedule."

The Commission orders:

(A) Wolverine's filing is hereby conditionally accepted to be effective June 1, 2010, as discussed in the body of this order.

(B) Wolverine is hereby directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

¹³ See, e.g., *Duke Energy Fayette, LLC*, 104 FERC ¶ 61,090 (2003).

¹⁴ Wolverine, FERC Electric Tariff, Original Volume No. 3, Original Sheet No. 1.