

135 FERC ¶ 61,025  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Prairie Power, Inc.

Docket No. EL11-16-000

ORDER ACCEPTING REACTIVE POWER REVENUE REQUIREMENT

(Issued April 12, 2011)

1. In this order, we accept for rate recovery purposes Prairie Power, Inc.'s (Prairie Power) proposed revenue requirement for providing Reactive Supply and Voltage Control from Generation and Other Sources Service (reactive power) to become effective April 1, 2011, as requested.

**I. Background and Description of Filing**

2. On January 25, 2011, Prairie Power filed a proposed cost-based revenue requirement and supporting testimony and cost data for providing reactive power from its generators to Midwest Independent Transmission System Operator, Inc. (Midwest ISO). Prairie Power states that it provides reactive power from five generation facilities that have been granted formal certification for this service by Midwest ISO.<sup>1</sup> All five generation units are located at Prairie Power's Aley generating plant in Aley, Illinois, and include: (1) Aley 1 and Aley 2, both Westinghouse 251B natural gas fired combustion turbine generating units; (2) Aley 3 and Aley 4, both GE aero-derivative LM2500 natural gas fired combustion turbine generating units; and (3) Aley 5, a Westinghouse 251AA natural gas fired combustion turbine generating unit.

3. Prairie Power seeks compensation under Schedule 2 of Midwest ISO's Open Access Transmission Energy and Operating Reserve Markets Tariff (Tariff) for providing reactive power from the five generation units. Prairie Power states that each of the five units meets the technical requirements under Schedule 2 of the Tariff.

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<sup>1</sup> See Exhibit PPI-A (Mr. Daniel Breden's Testimony) at 5-7.

4. Prairie Power proposes to collect a revenue requirement for the five generation units that consists of costs associated with the following equipment: (1) the generator and the exciter; (2) the generator step-up transformers; (3) accessory electrical equipment; and (4) balance of plant, or the remaining production plant investment not covered by the preceding three categories.<sup>2</sup> Prairie Power's total proposed annual revenue requirement for the five generation facilities is \$213,993.<sup>3</sup> As set forth in Mr. Smith's testimony, Prairie Power explains that it developed its reactive power revenue requirement based on the methodology set forth in *American Elec. Power Serv. Corp. (AEP)*,<sup>4</sup> using the Commission-approved 12.38 percent ROE for development of transmission rates in the Midwest ISO.<sup>5</sup> Prairie Power is not requesting to include a heating loss component in its revenue requirement for reactive power service at this time.

5. Prairie Power is a non-public utility because it is an electric cooperative that sells less than 4 million MWh of electricity annually,<sup>6</sup> a jurisdictional threshold added by amendments to the Federal Power Act (FPA) that were enacted as part of the Energy Policy Act of 2005 (EPAAct).<sup>7</sup> However, Prairie Power asserts that non-public utility entities are eligible to recover their costs of supplying reactive power upon application

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<sup>2</sup> See Exhibit PPI-B at 8.

<sup>3</sup> See Exhibit PPI-B at 6; see also Exhibit PPI-C at 1, lines 1-25.

<sup>4</sup> *American Electric Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000).

<sup>5</sup> *Dynegy Midwest Generation, Inc.*, Opinion No. 498, 121 FERC ¶ 61,025 (2007), *order on reh'g*, 125 FERC ¶ 61,280 (2008) (*Dynegy*).

<sup>6</sup> 16 U.S.C. § 824(f) (2006).

<sup>7</sup> EPAAct, Pub. L. No. 109-58, Title XII, § 1291(c), Applicability, 119 Stat. 985 (2005) (amending the FPA at 16 U.S.C. § 824(f) to exempt electric cooperatives that sell less than 4 million megawatt hours of electricity per year). Prior to enactment of EPAAct, during the period that Prairie Power was a jurisdictional public utility, it made requisite filings with the Commission. Once EPAAct was enacted, including its amendment exempting cooperatives selling less than 4 million megawatt hours of electricity per year, Prairie Power notified the Commission that it was no longer a jurisdictional public utility, and the Commission accepted that notice. See *Soyland Power Cooperative, Inc.*, Notice of Change in Jurisdictional Status, Docket No. ER06-51-000 (Oct. 19, 2005); *Soyland Power Cooperative, Inc.*, Docket No. ER06-51-000 (Nov. 22, 2005) (Delegated Letter Order).

and acceptance of their revenue requirement by the Commission.<sup>8</sup> In addition, Prairie Power states that similar revenue requirement filings by non-jurisdictional electric generation and transmission cooperatives operating within the Midwest ISO system have been recently accepted by the Commission.<sup>9</sup>

6. Prairie Power requests that the Commission accept its proposal as soon as possible. Prairie Power explains that 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.”<sup>10</sup>

## **II. Notice and Responsive Filings**

7. Notice of Prairie Power’s filing was published in the *Federal Register*, 76 Fed. Reg. 5799 (2011), with comments, interventions, and protests due on or before February 15, 2011. Midwest ISO and Ameren Services Company filed timely motions to intervene. No comments or protest were filed.

## **III. Discussion**

### **A. Procedural Matters**

8. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), Midwest ISO’s and Ameren Services’ timely, unopposed motions to intervene serve to make them parties to this proceeding.

### **B. Substantive Matters**

9. The Commission has stated that all generators seeking to recover a reactive power revenue requirement based on actual cost data must use the methodology employed in *AEP*.<sup>11</sup>

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<sup>8</sup> See *Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,046, at P 88 & n.13 (2005), *reh’g denied*, 114 FERC ¶ 61,192 (2006).

<sup>9</sup> Prairie Power Transmittal Letter at 2 (citing *Great River Energy*, 133 FERC ¶ 61,138 (2010)).

<sup>10</sup> See Schedule 2 of the Midwest ISO Tariff at section II.C.

<sup>11</sup> See *WPS Westwood Generation, L.L.C.*, 101 FERC ¶ 61,290, at P 14 (2002).

10. Our review of Prairie Power's proposed reactive power revenue requirement indicates that Prairie Power has properly used the *AEP* methodology and is consistent with *Dynegy*. Accordingly, we accept its proposed reactive power revenue requirement for rate recovery purposes, to become effective on May 1, 2011, the earliest date permitted under Schedule 2 of the Midwest ISO Tariff.

The Commission orders:

Prairie Power's proposed reactive power revenue requirement is hereby accepted for rate recovery purposes, to become effective on May 1, 2011, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.