

109 FERC ¶ 61,109
FEDERAL ENERGY REGULATORY COMMISSION
Washington, D.C. 20426

October 29, 2004

In Reply Refer To:
Pythagoras Global Investors, L.P.
Docket Nos. ER04-1113-000 and
ER04-1113-001

Van Ness Feldman, P.C.
Attn: Margaret A. Moore, Esq.
Counsel for Pythagoras Global Investors, L.P.
1050 Thomas Jefferson St., N.W.
Washington, D.C. 20007

Dear Ms. Moore:

1. On August 11, 2004, as amended on September 9, 2004, Pythagoras Global Investors, L.P. (Pythagoras) filed an application for market-based rate authority, with an accompanying tariff. The proposed market-based rate tariff provides for the sale of capacity, energy, and ancillary services at market-based rates,¹ the reassignment of transmission capacity, and the resale of firm transmission rights (FTRs). It also includes the Commission's market behavior rules.² Pythagoras's submittal, as discussed below, satisfies the Commission's standards for market-based rate authority and is accepted for filing, effective October 1, 2004, as requested.³

¹ Pythagoras plans to sell certain ancillary services in the markets administered by PJM Interconnection, L.L.C. (PJM), New York Independent System Operator, Inc. (NYISO), ISO New England (ISO-NE), and California Independent System Operator, Inc. (CAISO). Pythagoras also intends to engage in the sale of certain ancillary services to third party suppliers in other markets consistent with *Avista Corp.*, 87 FERC ¶ 61,223, *order on reh'g*, 89 FERC ¶ 61,136 (1999).

² *Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations*, 105 FERC ¶ 61,218 (2003), *order on reh'g*, 107 FERC ¶ 61,175 (2004).

³ Rate Schedule FERC No. 1, Original Sheet Nos. 1-5. Waiver of section 35.3 of the Commission's regulations is granted to allow for the effective date noted above.

2. Pythagoras is a limited liability company with its principal place of business in Cambridge, Massachusetts. Pythagoras states that it will operate as a marketer and broker of electric power and ancillary services.

Procedural Matters

3. Notice of Pythagoras's application was published in the *Federal Register*, 69 Fed. Reg. 52,005 (2004), with comments, protests, and interventions due on or before September 1, 2004. Notice of Pythagoras's amendment to its application was published in the *Federal Register*, 69 Fed. Reg. 57,275 (2004), with comments protests and interventions due on or before September 20, 2004. None was filed.

Discussion

Market-Based Rate Authorization

4. The Commission allows power sales at market-based rates if the seller and its affiliates do not have, or have adequately mitigated, market power in generation and transmission and cannot erect other barriers to entry. The Commission also considers whether there is evidence of affiliate abuse or reciprocal dealing.⁴ As discussed below, the Commission concludes that Pythagoras satisfies the Commission's standards for market-based rate authority.

5. In its order issued in *AEP Power Marketing, Inc., et al.*, 107 FERC ¶61,018, *order on reh'g*, 108 FERC ¶ 61,026 (2004), the Commission adopted two indicative screens for assessing generation market power. Pythagoras states that none of the owners of Pythagoras, its general partner PGA I, or any of their affiliates owns or controls electric generation facilities in the United States. Accordingly, the Commission finds that Pythagoras satisfies the Commission's generation market power standard for the grant of market-based rate authority.

6. Pythagoras states that neither it nor any of its affiliates owns or controls any transmission facilities. Based on this representation, the Commission finds that Pythagoras satisfies the Commission's transmission market power standard for the grant of market-based rate authority.

⁴ See, e.g., *Progress Power Marketing, Inc.*, 76 FERC ¶ 61,155 at 61,919 (1996), *Letter Order Approving Settlement*, 79 FERC ¶ 61,149 (1997); *Northwest Power Marketing Co., L.L.C.*, 75 FERC ¶ 61,281 at 61,899 (1996); *accord Heartland Energy Services, Inc., et al.*, 68 FERC ¶ 61,223 at 62,062-63 (1994).

7. Pythagoras states that neither it nor any of its affiliates owns or controls fuel supplies, unique land sites, or other inputs to electric power generation that could be used to prevent competitors from entering markets in the United States. Based on this representation, the Commission is satisfied that Pythagoras cannot erect barriers to entry.

8. Pythagoras states that it is not affiliated with a public utility with a franchised service territory. Based on this representation, the Commission finds that Pythagoras satisfies the Commission's concerns with regard to affiliate abuse.

9. Pythagoras requests authority to engage in the sale of certain ancillary services (listed in the proposed tariff) at market-based rates into the markets administered by the ISO-NE, PJM, NYISO, and CAISO. Consistent with Commission precedent granting authority to sellers to engage in such transactions in those markets, the Commission will grant Pythagoras's request.⁵ Pythagoras also intends to engage in the sale of certain ancillary services to third party suppliers in other markets consistent with *Avista Corp.*, 87 FERC ¶ 61,223, *order on reh'g*, 89 FERC 61,136 (1999). The Commission will grant this request.

10. Pythagoras also requests authority to reassign transmission capacity, and resell FTRs. The Commission finds these provisions consistent with the Commission's requirements.⁶

Other Waivers, Authorizations and Reporting Requirements

11. Pythagoras requests the following waivers and authorizations: (1) waiver of Subparts B and C of Part 35 of the Commission's regulations requiring the filing of cost-of-service information, except as to sections 35.12(a), 35.13(b), 35.15 and 35.16; (2) waiver of Parts 41, 101 and 141 of the Commission's accounting and periodic reporting requirements; (3) abbreviated filings with respect to interlocking directorates under Part 45 of the Commission's regulations; and (4) blanket authorization under Part 34 of the Commission's regulations for all future issuances of securities and assumptions of liability.

⁵ See, e.g., *New England Power Pool*, 85 FERC ¶ 61,379 (1998), *reh'g denied*, 95 FERC ¶ 61,074 (2001); *Atlantic City Electric Company, et al.*, 86 FERC ¶ 61,248, clarified, 86 FERC ¶ 61,310 (1999); *Central Hudson Gas & Electric Corporation, et al.*, 86 FERC ¶ 61,062, *order on reh'g*, 88 FERC ¶ 61,138 (1999); *AES Redondo Beach, L.L.C., et al.*, 85 FERC ¶ 61,123 (1998), *order on reh'g*, 87 FERC ¶ 61,208 (1999), *order on reh'g and clarification*, 90 FERC ¶ 61,036 (2000).

⁶ See *Southwestern Public Service Company*, 80 FERC ¶ 61,245 (1997) and *California Independent System Operator, Inc.*, 89 FERC ¶ 61,153 (1999).

12. The Commission will grant the requested waivers and authorizations consistent with those granted other entities with market-based rate authorizations.⁷ Notwithstanding the waiver of the accounting and reporting requirements here, the Commission expects Pythagoras to keep its accounting records in accordance with generally accepted accounting principles.

13. Within 30 days of the date of the issuance of this order, any person desiring to be heard or to protest the Commission's blanket approval of issuances of securities or assumptions of liabilities by Pythagoras should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.211 and 385.214 (2004).

14. Absent a request to be heard within the period set forth above, Pythagoras is hereby authorized to issue securities and assume obligations or liabilities as guarantor, endorser, surety, or otherwise in respect of any security of another person; provided that such issue or assumption is for some lawful object within the corporate purposes of Pythagoras, compatible with the public interest, and reasonably necessary or appropriate for such purposes.

15. Until further order of this Commission, the full requirements of Part 45 of the Commission's regulations, except as noted below, are hereby waived with respect to any person now holding or who may hold an otherwise proscribed interlocking directorate involving Pythagoras. Any such person instead shall file a sworn application providing the following information:

- (1) full name and business address; and
- (2) all jurisdictional interlocks, identifying the affected companies and the positions held by that person.

⁷ It should be noted that the Commission is examining the issue of continued applicability of the waivers of its accounting and reporting requirements (18 C.F.R. Parts 41, 101 and 141) as well as continued applicability of the blanket authorization for the issuance of securities and the assumption of obligations and liabilities, (18 C.F.R. Part 34). *See Accounting and Reporting of Financial Instruments, Comprehensive Income, Derivatives and Hedging Activities*, Order No. 627, 67 Fed. Reg. 67,691 at P 23 and P 24 (October 10, 2002), FERC Stats. & Regs. ¶ 32,558 (2002).

16. The Commission reserves the right to modify this order to require a further showing that neither the public nor private interests will be adversely affected by continued Commission approval of Pythagoras's issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

17. Consistent with the procedures the Commission adopted in Order No. 2001, an entity with market-based rates must file electronically with the Commission an Electric Quarterly Report containing: (1) a summary of the contractual terms and conditions in every effective service agreement for market-based power sales; and (2) transaction information for effective short-term (less than one year) and long-term (one year or greater) market-based power sales during the most recent calendar quarter.⁸ Electric Quarterly Reports must be filed quarterly no later than 30 days after the end of the reporting quarter.⁹ Accordingly, Pythagoras must file its first Electric Quarterly Report no later than 30 days after the first quarter Pythagoras's rate schedule is in effect.¹⁰

18. Pythagoras is directed to inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. These characteristics include, but are not limited to: (1) ownership of generating or transmission facilities or inputs to electric power production

⁸ *Revised Public Utility Filing Requirements, Order No. 2001*, 67 Fed. Reg. 31,043 (May 8, 2002), FERC Stats. & Regs. ¶ 31,127 (2002). Required data sets for contractual and transaction information are described in Attachments B and C of Order No. 2001. The Electric Quarterly Report must be submitted to the Commission using the EQR submission System Software, which may be downloaded from the Commission's website at <http://www.ferc.gov/Electric/eqr/eqr.htm>.

⁹ The exact filing dates for these reports are prescribed in 18 C.F.R. § 35.10b (2004).

¹⁰ Failure to file an Electric Quarterly Report (without an appropriate request for extension), or failure to report an agreement in an Electric Quarterly Report, may result in forfeiture of market-based rate authority, requiring filing of a new application for market-based rate authority if the applicant wishes to resume making sales at market-based rates.

other than fuel supplies; or (2) affiliation with any entity not disclosed in the filing that owns generation or transmission facilities or inputs to electric power production, or affiliation with any entity that has a franchised service area.¹¹

19. Pythagoras is directed to file an updated market power analysis within three years of the date of this order, and every three years thereafter. The Commission also reserves the right to require such an analysis at any intervening time.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

¹¹ The Commission issued a Notice of Proposed Rulemaking in Docket No. RM04-14-000 in which the Commission is proposing to amend its regulations and to modify the market-based rate authority of current market-based rate sellers to establish a reporting obligation for changes in status that apply to public utilities authorized to make wholesale power sales in interstate commerce at market-based rates. *Reporting Requirement for Changes in Status for Public Utilities With Market-Based Rate Authority*, 69 Fed. Reg. 61,180 (Oct. 15, 2004), FERC Stats. & Regs. ¶ 32,576 (2004). The change of status requirements outlined herein are subject to the outcome of the rulemaking.