

133 FERC ¶ 61,138  
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.

Great River Energy

Docket No. EL10-87-000

ORDER ACCEPTING REACTIVE POWER REVENUE REQUIREMENT

(Issued November 18, 2010)

1. In this order, we accept for rate recovery purposes Great River Energy's (Great River) proposed revenue requirement for providing Reactive Supply and Voltage Control from Generation and Other Sources Service (reactive power) to become effective December 1, 2010, as discussed below.

**I. Background and Description of Filing**

2. On September 10, 2010, Great River filed a proposed revenue requirement and supporting cost data for providing reactive power from Great River's generating resources to Midwest Independent Transmission System Operator, Inc. (Midwest ISO). Great River is a non-public utility electric generation and transmission cooperative and transmission-owning member of Midwest ISO. Great River states that it provides reactive power to Midwest ISO from seven generating facilities that have a total rated capacity of 2901.2 MW.<sup>1</sup> These are: (1) Coal Creek Station (Units 1 & 2); (2) Stanton Station (Unit 1); (3) Cambridge Station (Unit 2); (4) Elk River Peaking Station; (5) Lakefield Junction Station (Units 1-6); (6) Pleasant Valley Station (Units 11-13); and (7) St. Bonifacious Station.

3. Great River 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 seven facilities. Great River states that each of the seven facilities and related units meet the technical requirements under Schedule 2 of the Tariff. In addition, Great River states that non-public utility entities are eligible to recover their

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<sup>1</sup> Ex. GRE-9, Schedules B through G.

costs of supplying reactive power upon the submission of their revenue requirements for Commission acceptance.<sup>2</sup>

4. Great River proposes to collect a revenue requirement for the seven generating facilities that consists of the following costs: (1) fixed operating and ownership costs attributable to reactive power production capability; and (2) variable costs of incremental heating losses associated with providing reactive power. Great River's total proposed annual revenue requirement for the seven generating facilities is \$5,269,085. This amount includes \$5,215,805 for the operating and ownership costs and \$53,280 for the incremental heating losses.<sup>3</sup> Great River explains that it developed its reactive power revenue requirements consistent with the basic methodology used in *American Electric Power Service Corp.* and *Dynegy Midwest Generation, Inc.*<sup>4</sup>

5. Great River states that as a transmission-owning member of Midwest ISO, it has on file with the Commission a transmission revenue requirement that includes the rate of return on common equity of 12.38 percent currently authorized by the Commission for use by Midwest ISO transmission-owning members. Great River used this rate of return on common equity in developing the proposed revenue requirement.<sup>5</sup>

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

6. Notice of Great River's filing was published in the *Federal Register*, 75 Fed. Reg. 57,759 (2010), with comments, interventions, and protests due on or before October 1, 2010. Midwest ISO filed a timely motion to intervene. No comments or protest were filed.

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<sup>2</sup> Great River Transmittal Letter at 3 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,046, at P 88 & n.13 (2005) (October 17 Order), *reh'g denied*, 114 FERC ¶ 61,046 (2006)). Great River further asserts that the Commission made clear that while "a non-public utility would need to submit a revenue requirement with the Commission," the non-public utility "need not file a rate schedule in order to be compensated for reactive power." *Id.* at 3 n.4 (quoting October 17 Order, 113 FERC ¶ 61,046 at P 88 & n.13).

<sup>3</sup> *Id.* at 6.

<sup>4</sup> *Id.* at 1 (citing *Am. Elec. Power Serv. Corp.*, 88 FERC ¶ 61,141 (1999), *on reh'g*, 92 FERC ¶ 61,001 (2000) (*AEP*); *Dynegy Midwest Generation, Inc.*, Opinion No. 498, 121 FERC ¶ 61,025 (2007), *on reh'g*, 125 FERC ¶ 61,280 (2009) (*Dynegy*)).

<sup>5</sup> *Id.* at 6 (citing *Dynegy*, 121 FERC ¶ 61,025 at P 54; Eicher Test. at 18).

### III. Discussion

#### A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), Midwest ISO's timely, unopposed motion to intervene serves to make it a party to this proceeding.

#### B. Substantive Matters

8. 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>6</sup>

9. Our review of Great River's proposed reactive power revenue requirement indicates that Great River has properly used the *AEP* methodology and is consistent with *Dynegy* in determining the variable costs of heating losses associated with the provision of reactive power. Accordingly, we accept its proposed reactive power revenue requirement for rate recovery purposes, to become effective on December 1, 2010.<sup>7</sup>

#### The Commission orders:

Great River's proposed reactive power revenue requirement is hereby accepted for rate recovery purposes, to become effective on December 1, 2010, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>6</sup> See *WPS Secretary. Westwood Generation, L.L.C.*, 101 FERC ¶ 61,290, at P 14 (2002).

<sup>7</sup> The earliest effective date for Great River's revenue requirement permitted under Schedule 2 of Midwest ISO's Tariff is December 1, 2010. See Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, Original Sheet No. 1765 (stating "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").