

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

Entergy Services, Inc.

Docket No. ER06-1000-000

ORDER ACCEPTING AND SUSPENDING PROPOSED TARIFF SHEETS

(Issued July 11, 2006)

1. On May 12, 2006, Entergy Services, Inc. (Entergy) filed proposed revisions to Schedule 2 of Entergy's Open Access Transmission Tariff (OATT), which will pass through to transmission customers the charges of certain third-party generators for Reactive Supply and Voltage Control from Generation Sources Service (reactive power). In this order, the Commission accepts Entergy's proposed tariff sheets reflecting revisions to Schedule 2, suspends them for a nominal period, to become effective November 1, 2005, as requested, subject to refund, subject to the outcome of certain proceedings, and subject to compliance filings.

**I. Background**

2. On September 2, 2005, in Docket No. ER05-1432-000, Entergy proposed to: (1) set to zero the charge for the provision of reactive power from its own generating units; and (2) pass through to transmission customers the costs that third-party generators are currently charging Entergy for reactive power pursuant to rate schedules already accepted for filing by the Commission. Entergy stated that it would replace its then current Schedule 2 rate of \$0.2 mills for each kWh transmitted under Schedule 2 with a rate that was essentially a pass through of the costs that two third-party generators may charge Entergy for reactive power service. Entergy proposed to convert the amount third-party generators charge it for reactive power to a cost/kWh rate that it stated would be based only on the independent generator revenue requirements for reactive power that have been approved or accepted by the Commission. Entergy argued that the resulting pass-through rate of \$0.05 mills for each kWh transmitted would result in a significant rate decrease from its then current fixed rate of \$0.2 mills per kWh.

3. While accepting Entergy's proposed Schedule 2 revision to set to zero the charge to its customers for providing reactive power within the dead band by Entergy's own generators, the Commission also found that Entergy's proposed modification to Schedule

2 to pass through to transmission customers the charges of third-party generators for reactive power costs had not been shown to be just and reasonable.<sup>1</sup> Accordingly, the Commission accepted that modification for filing, suspended it for a nominal period, made it effective November 1, 2005, subject to refund, and set it for hearing and settlement judge procedures. In addition, in light of concerns raised by parties in Docket No. ER05-1432-000, which may require a further reduction in rates, the Commission instituted an investigation under section 206 of the FPA into the justness and reasonableness of Entergy's proposed pass-through rate (Docket No. EL06-2-000).

## II. Proposed Tariff Revisions

4. On May 12, 2006, Entergy, on behalf of the Entergy Operating Companies,<sup>2</sup> filed a proposed revision to Schedule 2 of its OATT to modify its Schedule 2 charge to pass through to transmission customers the costs that three generators, KGen Hinds LLC (KGen Hinds), KGen Hot Spring LLC (KGen Hot Spring), and Hot Spring Power Company, LP (Hot Spring Power), may ultimately charge Entergy for reactive power service subject to the outcome of a hearing to be held on the proposed cost-based revenue requirements for providing reactive power by the three generators. Entergy explains that its current pass-through rate is based on the revenue requirements for reactive power service of Cottonwood Energy Company, LP (Cottonwood) and Union Power Partners (UPP), L.P., subject to the outcome of the proceedings in Docket Nos. ER05-483-000 and ER05-977-000.<sup>3</sup>

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<sup>1</sup> *Entergy Services, Inc.*, 113 FERC ¶ 61,040 (2005), *reh'g denied*, 114 FERC ¶ 61,303, *reh'g denied*, 115 FERC ¶ 61,378 (2006) (October 14, 2005 Order). In the October 14, 2005 Order, the Commission also granted Entergy's petition for declaratory order, confirming that if Entergy does not compensate its own or affiliated generators for reactive power service provided to transmission customers within the generator's specified power factor range (dead band), then Entergy need not on a prospective basis compensate a non-affiliated generator for maintaining reactive power within its dead band. *Id.* at P 22-24.

<sup>2</sup> The Entergy Operating Companies include Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., and Entergy New Orleans, Inc.

<sup>3</sup> *See Cottonwood Energy Company LP*, 110 FERC ¶ 61,303, *order on reh'g* 111 FERC ¶ 61,369 (2005); *see also Union Power Partners, L.P.*, 112 FERC ¶ 61,065, *order on reh'g* 113 FERC ¶ 61,272 (2005).

5. Entergy states that in its currently-effective Schedule 2, there is no charge for reactive power from Entergy-owned generating units. Entergy explains that the Commission subsequently allowed KGen Hinds, KGen Hot Spring, and Hot Spring Power to argue in hearings regarding their proposed reactive power service rates that they have a contractual authorization to be compensated for reactive power within the dead band.<sup>4</sup> Entergy states that while the actual amount of charges, if any, to be paid by Entergy to KGen Hinds, KGen Hot Spring, and Hot Spring Power is currently unknown, it is making the instant filing to incorporate generically the charges from these three generators into the Schedule 2 pass-through rate, subject to the outcome of the proceedings involving the three generators.

6. Entergy proposes to convert the amount charged by KGen Hinds, KGen Hot Spring, and Hot Spring Power for reactive power service from a fixed amount to a cost/kWh rate similar to the pass-through proposal accepted and suspended by the Commission in the October 14, 2005 Order. Entergy proposes to add \$0.055 mills/kWh to the existing pass-through rate of \$0.05 mills/kWh to recover the revenue requirements of KGen Hinds, KGen Hot Spring, and Hot Spring Power. Entergy states that it will only pass through to transmission customers the amounts that the three generators actually invoice and collect for reactive power from Entergy.

7. Entergy also requests that the Commission grant waiver of the 60-day prior notice requirement to allow an effective date of November 1, 2005, subject to the outcome of the proceedings involving KGen Hinds, KGen Hot Spring, and Hot Spring Power. Entergy asserts that good cause exists to grant this waiver, stating that prior to April 10, 2006 KGen Hinds, KGen Hot Spring, and Hot Spring were not allowed to charge Entergy for reactive power inside the bandwidth for the period after October 31, 2005, and therefore, there was no need for Entergy to make this section 205 filing until now.

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<sup>4</sup> See *Hot Spring Power Company, LP*, 115 FERC ¶ 61,027 at P 8 (2006), *reh'g pending*; *KGen Hinds LLC*, 115 FERC ¶ 61,028 at P 8 (2006); *KGen Hot Spring LLC*, 115 FERC ¶ 61,029 at P 8 (2006).

### **III. Notice of Filing and Responsive Pleadings**

8. Notice of Entergy's filing was published in the *Federal Register*, 71 Fed. Reg. 30,910 (2006), with interventions and protests due on or before June 2, 2006. Occidental Chemical Corporation, MDEA Cities,<sup>5</sup> East Texas Cooperative,<sup>6</sup> and Arkansas Cities<sup>7</sup> filed timely motions to intervene.

### **IV. Discussion**

#### **A. Procedural**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

#### **B. Entergy's Proposed Tariff Revision**

10. We will accept Entergy's proposed tariff sheets reflecting revisions to Schedule 2, suspend them for a nominal period, make them effective November 1, 2005,<sup>8</sup> as requested, subject to refund, subject to the outcome of the proceedings discussed below, and subject to the compliance filings directed below. Because Entergy's underlying Schedule 2 (Docket Nos. ER05-1432-000 and EL06-2-000) is currently in effect subject to refund and subject to the outcome of the proceedings in Docket Nos. ER05-483-000 and ER05-977-000, Entergy's proposed Schedule 2 tariff sheets are accepted subject to the outcome of those proceedings. In addition, because Entergy's proposed pass-through rate in this proceeding is based on the proposed revenue requirements for KGen Hinds (currently pending in Docket No. ER05-1358-000), KGen Hot Spring (currently pending

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<sup>5</sup> MDEA Cities includes Mississippi Delta Energy Agency, the Clarksdale Public Utilities Commission of the City of Clarksdale, Mississippi, and the Public Service Commission of Yazoo City of the City of Yazoo City, Mississippi.

<sup>6</sup> East Texas Cooperative includes East Texas Electric Cooperative, Inc., Sam Rayburn G&T Electric Cooperative, Inc., and Tex-La Electric Cooperative of Texas.

<sup>7</sup> Arkansas Cities includes Conway Corporation, the West Memphis Utilities Commission, the City of Osceola, Arkansas.

<sup>8</sup> See 16 U.S.C. § 824d (2000); see also 18 C.F.R. § 35.11 (2005). We find that good cause exists to grant Entergy's requested waiver of the Commission's 60-day prior notice requirement given that KGen Hinds, KGen Hot Spring, and Hot Spring originally were not permitted to charge Entergy for reactive power inside the bandwidth for the period after October 31, 2005.

in Docket No. ER05-1394-000), and Hot Spring Power (currently pending in Docket No. ER05-1419-000), we direct Entergy to submit a compliance filing, revising Schedule 2 to reflect the revenue requirements determined for each individual generator, within 30 days following the issuance of a Commission order in each of the three identified proceedings.

The Commission orders:

(A) Entergy's proposed tariff sheets reflecting the revisions to Schedule 2 are hereby accepted for filing and suspended for a nominal period, to become effective November 1, 2005, as requested, subject to refund, subject to the outcome of certain proceedings, and subject to certain compliance filings, as discussed in the body of this order.

(B) Entergy is hereby directed to make compliance filings, as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.