

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Chehalis Power Generating, L.P.

Docket No. ER06-1548-000

ORDER CONDITIONALLY ACCEPTING AND SUSPENDING PROPOSED
TARIFF SHEETS

(Issued November 28, 2006)

1. On September 29, 2006, Chehalis Power Generating, L.P. (Chehalis)¹ filed proposed revisions to its rate schedule for supplying Reactive Supply and Voltage Control from Generation Sources Service (reactive power) to Bonneville Power Administration (Bonneville). In this order, the Commission accepts Chehalis' updated service factor, reflected on the proposed tariff sheets, as consistent with the Commission-approved TransAlta Settlement Agreement.² In addition, the Commission conditionally accepts Chehalis' proposed tariff sheets for filing, suspends them for a nominal period, to become effective October 1, 2006, as requested, subject to refund, subject to the outcome of the proceeding in Docket No. ER05-1056-000, and subject to a compliance filing.

Background

2. In the TransAlta Settlement Agreement, which was approved by the Commission on April 19, 2005, Chehalis and Bonneville agreed that Chehalis would base its reactive power rates on the rate methodology established by the Commission in *American Electric Power Service Corporation*, 88 FERC ¶ 61,141 (1999) (*AEP Methodology*). Chehalis and Bonneville further agreed to multiply the revenue requirement produced by the *AEP*

¹ Chehalis is an exempt wholesale generator. See *Chehalis Power Generation L.P.*, 96 FERC ¶ 62,204 (2001). It is authorized to make wholesale sales of power at market-based rates. See *Chehalis Power Generation L.P.*, Docket No. ER03-717-000 (May 9, 2003)(unpublished letter order).

² *TransAlta Centralia Generation, L.L.C.*, 111 FERC ¶ 61,087 (2005) (TransAlta Settlement Agreement).

Methodology by a service factor, which is a measure of Chehalis' electric generating facility's (Facility) operation. Under the terms of the TransAlta Settlement Agreement, the service factor is to be recalculated each year in August based on the three-year rolling average of the operational hours of the Facility. Applying the recalculated service factor to the revenue requirement produced by the AEP Methodology determines the rate for the next year (October through September) effective October 1 of each year.

3. On May 31, 2005, in Docket No. ER05-1056-000, Chehalis filed a proposed rate schedule pursuant to the TransAlta Settlement Agreement containing a formula to calculate its revenue requirement for supplying reactive power to Bonneville from the Facility. In an order issued on July 27, 2005, the Commission accepted Chehalis' proposed rate schedule, suspended it for a nominal period to become effective August 1, 2005, subject to refund, and established hearing and settlement procedures.³ The hearing in that proceeding is currently ongoing.

4. On September 29, 2006, in the instant proceeding, Chehalis filed revised tariff sheets reflecting the updated service factor and its impact on annual and monthly rates. Chehalis requests that the revised tariff sheets be made effective October 1, 2006, subject to the outcome of the proceeding in Docket No. ER05-1056-000. Pursuant to Chehalis' tariff revisions, the annual rate for reactive power will change from \$2,505,026.86 to \$1,982,494.53. In addition, Chehalis attached to its filing as Appendices D and E, calculations and support for updates to the fixed capability component and the heating losses component of the revenue requirement. Chehalis states that the TransAlta Settlement Agreement provides for the recalculation of the service factor and updates to the components of the revenue requirement to be effective October 1, 2006.

5. Chehalis also notes that one of the issues being addressed at the hearing in Docket No. ER05-1056-000 is whether Chehalis' may update its rate for reactive power annually (other than for updates to the service factor). Chehalis explains that, although it believes that the TransAlta Settlement agreement provides for updates other than those to the service factor, it understands that Bonneville does not. Chehalis further explains that it provided the information regarding the additional updates to "support a rate up to the Revised Annual Rate in the event the Commission ultimately agrees with Chehalis'

³ *Chehalis Power Generating, L.P.*, 112 FERC ¶ 61,144 (2005). The Commission stated that the material issues of fact to be decided at the hearing include, but are not limited to: (1) the power factor used in Chehalis' calculation of the reactive power allocator; (2) Chehalis' inclusion of a heating loss component in its proposed rate; and (3) Chehalis' methodology used to determine the tax and depreciation components of the fixed charge rate.

interpretation of the TransAlta Settlement Agreement.” However, the only change made by Chehalis on its proposed tariff sheets was to reflect the use of an updated service factor.

Notice of Filing and Responsive Pleadings

6. Notice of Chehalis’ filing was published in the *Federal Register*, 71 Fed. Reg. 59,769 (2006), issued on October 11, 2006, with comments, interventions or protests due on or before October 20, 2006. Bonneville filed a timely motion to intervene and protest. Chehalis filed an answer to Bonneville’s protest.

7. In its protest, Bonneville acknowledges that, with regard to the updated service factor, Chehalis’ revised reactive power rate schedule complies with the TransAlta Settlement Agreement. However, Bonneville argues that Chehalis improperly included updates to other components of the rate schedule in its filing. According to Bonneville, these additional updates violate the TransAlta Settlement Agreement, which only provides for annual updates to the service factor and does not permit Chehalis to otherwise revise its revenue requirement or rate for any effective date prior to October 1, 2007. Bonneville adds that, even if the TransAlta Settlement Agreement did authorize Chehalis to make additional updates to its rate schedule, it is unclear how Chehalis would implement these updates. In addition, Bonneville argues that Chehalis failed to provide the necessary data to support the additional updates. As such, Bonneville requests that the Commission approve Chehalis’ proposed rate incorporating the updated service factor (subject to modification to reflect the outcome of the proceeding in Docket No. ER05-1056-000), but reject the other updates in Chehalis’ filing.

Discussion

Procedural Matters

8. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F. R. § 385.214 (2005), Bonneville’s timely, unopposed motion to intervene serves to make it a party to this proceeding.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2005), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept Chehalis's answer and will, therefore, reject it.

Analysis

10. We will accept Chehalis’ unopposed, updated service factor as consistent with the TransAlta Settlement Agreement and otherwise conditionally accept and suspend

Chehalis' proposed tariff sheets, for a nominal period, to be effective October 1, 2006, as requested, subject to refund, subject to the outcome of the proceeding in Docket No. ER05-1056-000, and subject to a compliance filing. As for appendices⁴ and data attached to the filing that purport to support additional updates to the reactive power rate schedule other than the service factor, we view them as purely informational. Chehalis has proposed no changes to its tariff sheets to reflect these additional updates.

11. We are making the proposed tariff sheets subject to the outcome of the proceeding in Docket No. ER05-1056-000 because the revenue requirement underlying the proposed rate schedule is currently in effect subject to refund and subject to the outcome of that proceeding. Moreover, we direct Chehalis to make a compliance filing in this proceeding within 30 days of the date of a final order in Docket No. ER05-1056-000.

The Commission orders:

(A) Chehalis' proposed updated service factor is hereby accepted and Chehalis' proposed tariff sheets are otherwise hereby conditionally accepted for filing, suspended for nominal period, to become effective October 1, 2006, as requested, subject to refund, subject to the outcome of the proceeding in Docket No. ER05-1056-000, and subject to a compliance filing, as discussed in the body of this order.

(B) Within 30 days of the date of a final order in Docket No. ER05-1056-000, Chehalis is hereby directed to make a compliance filing as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁴ Appendices D and E.