

147 FERC ¶ 61,174  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;  
Philip D. Moeller, John R. Norris,  
and Tony Clark.

East Texas Electric Cooperative, Inc.  
Sam Rayburn G&T Electric Cooperative, Inc.

Docket No. ER14-1458-000

ORDER ACCEPTING PROPOSED RATE SCHEDULE AND ESTABLISHING  
HEARING PROCEDURES

(Issued May 30, 2014)

1. In this order, we accept for rate recovery purposes the East Texas Electric Cooperative, Inc. (East Texas) and the Sam Rayburn G&T Electric Cooperative, Inc. (Sam Rayburn) (collectively, the Applicants) proposed revenue requirements for providing Reactive Supply and Voltage Control from Generation Sources Service (reactive power) to become effective June 1, 2014, subject to refund, and establish hearing procedures, as discussed below.

**I. Background and Description of Filing**

2. East Texas is a not-for-profit, electric generating and transmission cooperative organized and operating pursuant to the Texas Electric Cooperative Corporation Act. East Texas was created by and on behalf of its members, Northeast Electric Cooperative, Inc., Sam Rayburn, and Tex-La Electric Cooperative of Texas, Inc. Sam Rayburn is also a non-profit generating and transmission cooperative headquartered in Texas in the same location as East Texas. Sam Rayburn provides wholesale electric service to its member distribution cooperatives.<sup>1</sup>

3. On March 7, 2014, the Applicants filed proposed cost-based revenue requirements, supporting testimony and cost data for providing reactive power from their generators to Midcontinent Independent System Operator, Inc. (MISO). The Applicants

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<sup>1</sup> Sam Rayburn's member distribution cooperatives are: Houston County Electric Cooperative, Inc., Jasper-Newton Electric Cooperative, Inc., and Sam Houston Electric Cooperative, Inc.

are submitting the filing to establish the annual revenue requirements for certain generating units to provide reactive power under Schedule 2 of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff). The Applicants state that they are submitting their proposed reactive power revenue requirements in accordance with the Commission's directives in its orders accepting Schedule 2 of the MISO Tariff.<sup>2</sup> The Commission there explained that to qualify to receive reactive power services, a non-public utility must submit its revenue requirements for acceptance by the Commission.

4. The proposed cost-based revenue requirements are based on the Applicants' ownership interests in the Roy S. Nelson Unit No. 6 (Nelson 6) and East Texas' ownership interest in the Independence Steam Electric Station Unit 2 (ISES 2). The Nelson 6 unit is located in the Entergy Louisiana, LLC transmission pricing zone and operated by Entergy Gulf States Louisiana, LLC. The ISES 2 unit is located in the Entergy Arkansas, Inc. (Entergy Arkansas) transmission pricing zone and is operated Entergy Arkansas.

5. The Applicants propose to collect reactive power revenue for their ownership interests in the Nelson 6 and ISES 2 units based on costs associated with the following equipment: (1) the generator and 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. The Applicants state that their fixed plant costs for the Nelson 6 and the ISES 2 units are based on accounting information provided by the cooperatives<sup>3</sup> and allocation factors determined by Entergy Services, Inc. for these units in its reactive power filing in Docket No. ER14-108-000.<sup>4</sup> The Applicants propose annual revenue requirements for East Texas of \$167,040 for the Nelson 6 unit and \$100,801 for the ISES 2 unit. The Applicants propose an annual revenue requirement for Sam Rayburn of \$169,909 for the Nelson 6 unit. The Applicants explain that they developed the reactive power revenue requirements based on the methodology set forth in *American Elec. Power Serv. Corp.*<sup>5</sup> The Applicants are not

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<sup>2</sup> Transmittal Letter at 4 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,046, at P 88 (2005)).

<sup>3</sup> The Applicants' accounting books are maintained in accordance with the Rural Utilities Service system of accounts. *Id.* at 4-5.

<sup>4</sup> *Id.* (citing Entergy Services, Inc., Application in Docket No. ER14-108-000, at Ex. ENT-4 (filed Oct. 16, 2013)).

<sup>5</sup> *Id.* at 4 (citing *American Elec. Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000)).

requesting to include a heating loss component in their respective revenue requirements at this time.

6. The Applicants request that the proposed revenue requirements become effective on the first day of the month immediately following Commission acceptance, or, if Commission acceptance occurs on the first day of the month, on that day. Further, the Applicants explain that under Schedule 2 of the MISO Tariff, MISO will not certify the Nelson 6 unit and the ISES 2 unit as a Qualified Generator<sup>6</sup> until the Commission issues an order accepting the proposed reactive power revenue requirements. Until certification as Qualified Generators occurs, the Applicants state they are not eligible to receive compensation for the reactive power services that they are technically capable of providing in the MISO markets.

7. In addition, the Applicants state that if the Commission conditionally accepts the proposed reactive power revenue requirements subject to the outcome of a hearing or settlement judge procedures, the Applicants commit that they will refund with interest any revenues they collect to the extent such revenues are in excess of the revenue requirement that the Commission ultimately approves in this proceeding following the completion of any hearing or settlement judge procedures.<sup>7</sup>

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

8. Notice of the Applicants' filing was published in the *Federal Register*, 79 Fed. Reg. 14,700 (2014) with comments, interventions, and protests due on or before March 28, 2014. MISO filed a timely motion to intervene. No comments or protests were filed.

## **III. Discussion**

### **A. Procedural Matters**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), MISO's timely, unopposed motion to intervene serves to make it a party to this proceeding.

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<sup>6</sup> A Qualified Generator is defined in the MISO Tariff as "The Generation Resource(s) having the technical capability of providing reactive supply and voltage control as determined by the Transmission Provider in accordance with the provisions specified in Schedule 2 of this Tariff." MISO, FERC Electric Tariff, Module A, 1.Q, Definitions-Q.

<sup>7</sup> Transmittal letter at 6.

**B. Substantive Matters**

10. The Applicants' proposed revenue requirements for reactive power raise issues of material fact that cannot be resolved based on the record before us, and that are more appropriately addressed in the hearing procedures ordered below. For instance, the Applicants did not provide adequate supporting documents for their generating facilities specifying the design power factor, including but not limited to, the generator electrical data, capability curves, and "vee" curves. In addition, the Applicants incorrectly calculated their Operation and Maintenance and Administrative and General expenses by allocating some of the non-allocable (energy related account) costs into the Balance of the Plant, which is inconsistent with the methodology approved by the Commission in *American Electric Power Service Corporation*.<sup>8</sup> The Applicants also failed to apply an allocator to the accessory electric equipment. Our preliminary analysis indicates that the Applicants' proposed revenue requirements for reactive power have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Therefore, we will accept the Applicants' proposed revenue requirements, make them effective June 1, 2014, as requested, subject to refund, and set them for hearing procedures.

11. We note that the Applicants have committed that they will make refunds with interest<sup>9</sup> of any revenues they collect for reactive power provided by their generation resources to the extent such revenues are in excess of the revenue requirements that the Commission ultimately approves in this proceeding following the completion of hearing procedures.<sup>10</sup> We find that this commitment is consistent with other proposals wherein non-public utilities have committed to provide refunds when submitting their proposals for cost recovery for Commission review.<sup>11</sup>

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<sup>8</sup> *American Elec. Power Serv. Corp.*, 88 FERC ¶ 61,141, *order on reh'g*, 92 FERC ¶ 61,001.

<sup>9</sup> The interest rates applicable to any refund made pursuant to this commitment will be calculated in accordance with the Commission's applicable regulations. *See* 18 C.F.R. § 35.19a (2013). *Pacific Gas & Elec. Co. v. FERC*, 306 F.3d 1112, 1116 (D.C. Cir. 2002).

<sup>10</sup> Transmittal Letter at 6.

<sup>11</sup> *See City of Riverside, California*, 136 FERC ¶ 61,137, at P 27 (2011); *New York Indep. Sys. Operator, Inc.*, 140 FERC ¶ 61,240, at P 31 (2012); *see also Lively Grove Energy Partners, LLC*, 140 FERC ¶ 61,252, at P 47 n.59 (2012); *American Municipal Power Inc.*, 141 FERC ¶ 61,073, at P 17 (2012). *Cf. Transmission Agency of Northern California v. FERC*, 495 F.3d 663, 672 (D.C. Cir. 2007); *Pacific Gas & Elec. Co. v. FERC*, 306 F.3d at 1116.

The Commission orders:

(A) The Applicants' proposed revenue requirements for reactive power are hereby accepted for filing to become effective June 1, 2014, as requested, subject to refund, as discussed in the body of this order.

(B) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by section 402(a) of the Department of Energy Organization Act and by the FPA, particularly sections 205 and 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the FPA (18 C.F.R., Chapter I), a public hearing shall be held concerning the Applicants' proposed revenue requirements for reactive power.

(C) A presiding judge, to be designated by the Chief Judge, shall, within fifteen (15) days of the date of the presiding judge's designation, convene a prehearing conference in these proceedings in a hearing room of the Commission, 888 First Street, NE, Washington DC 20426. Such a conference shall be held for the purpose of establishing a procedural schedule. The Presiding Judge is authorized to establish procedural dates and to rule on all motions (except motions to dismiss) as provided in the Commission's Rules of Practice and Procedure.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.