

148 FERC ¶ 61,224
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

Entergy Power, LLC

Docket No. ER14-2502-000

ORDER ACCEPTING AND SUSPENDING PROPOSED RATE SCHEDULE AND
ESTABLISHING HEARING PROCEDURES

(Issued September 22, 2014)

1. On July 24, 2014, Entergy Power, LLC (Entergy Power) filed a cost-based revenue requirement, supporting testimony, and cost data for providing reactive power to the Midcontinent Independent System Operator, Inc. (MISO). In this order, we accept for rate recovery purposes Entergy Power's proposed revenue requirement for reactive power, suspend it for a nominal period, to become effective September 1, 2014, subject to refund, and establish hearing procedures, as discussed below.

I. Background and Description of Filing

2. Entergy Power is a wholly-owned indirect subsidiary of Entergy Corporation. It owns a 14 percent interest in the Independence Steam Electric Station (Independence 2), an 850 megawatt (MW) (nameplate) coal-fired generating facility located in Arkansas. Entergy Power is a public utility with a market-based wholesale power sales rate tariff on file with the Commission.¹

3. Entergy Power is affiliated with the Entergy Operating Companies, public utilities that generate, transmit, distribute, and sell electric power to customers primarily in Arkansas, Louisiana, Mississippi, and Texas. On December 19, 2013, Entergy Power, the Entergy Operating Companies, and certain other of their affiliates became members of MISO, integrated their operations into MISO, and became participants in the wholesale markets administered by MISO pursuant to MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff). Entergy

¹ *Entergy Arkansas, Inc.*, 145 FERC ¶ 61,243 (2013).

Power states that the Entergy Operating Companies have established reactive power revenue requirements for their generating facilities in Docket No. ER14-108-000.²

4. Entergy Power states that upon its integration into MISO on December 19, 2013, Independence 2, which is registered with MISO and capable of producing and supplying reactive power to the transmission grid, became capable of being dispatched and operated to provide reactive power to the MISO transmission system for voltage support. Independence 2 is located in MISO's Arkansas transmission pricing zone.

5. Entergy Power states that it is submitting the filing to establish the annual revenue requirement to provide reactive power under Schedule 2 of the MISO Tariff. Entergy Power contends that consistent with Commission precedent³ and MISO Tariff Schedule 2, in order to be eligible to recover its costs of providing reactive power to MISO pursuant to MISO Tariff Schedule 2, Entergy Power must first receive Commission acceptance of its cost-based reactive power revenue requirement, and then satisfy MISO's eligibility requirements established in MISO Tariff Schedule 2, including the satisfaction of technical criteria. Entergy Power also states that it recognizes that pursuant to MISO Tariff Schedule 2, MISO develops rates for Schedule 2 service based on approved revenue requirements and applicable divisors and applies that rate to the applicable transmission reservations in the relevant MISO transmission pricing zone. Entergy Power states that, consistent with Schedule 2, qualified generators receive a *pro rata* distribution of the Schedule 2 revenue collected each month, rather than a pre-set, equal monthly payment. Entergy Power proposes an annual revenue requirement of \$217,245 in the Arkansas transmission pricing zone.

6. In support of its filing, Entergy Power states that it has determined its reactive power revenue requirement using the Commission-approved *AEP* methodology.⁴ It further states that the reactive power revenue requirement was developed on the basis of

² In an order issued on December 19, 2013, the Commission accepted the Entergy Operating Companies' proposed rate schedule for reactive power, suspended it for a nominal period, to be effective on January 1, 2014, as requested, subject to refund, and established hearing and settlement judge procedures. *Entergy Louisiana, LLC*, 145 FERC ¶ 61,219 (2013).

³ Transmittal Letter at 3 (citing *Union Elec. Co.*, Docket No. ER10-962-000 (May 26, 2010) (delegated letter order)).

⁴ *Id.* (citing *American Elec. Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000) (*AEP*); *Dynegy Midwest Generation, Inc.*, 121 FERC ¶ 61,025 (2007), *order on reh'g*, 125 FERC ¶ 61,280 (2009)).

the costs of that unit's reactive power production capabilities.⁵ In summary, Entergy Power states that its witness completed the following steps: (1) identified all equipment associated with the reactive power production capability of the generating facility and the installed cost of the identified equipment; (2) explained the calculations for the reactive allocation factor to be applied to the generator and exciter, step-up transformer, and accessory electrical equipment; (3) explained the application of the reactive allocation factors to each category of equipment to determine the total reactive investments; and (4) supported the development and application of the fixed carrying charges used to determine the reactive revenue requirement for its facility.⁶

7. Entergy Power requests that the Commission accept its reactive power revenue requirement rate schedule effective as of September 1, 2014. According to Entergy Power, pursuant to MISO Tariff Schedule 2, it will be eligible to begin recovering its costs of providing reactive power to the MISO transmission system on the first day of the month immediately following the Commission's acceptance of its reactive power revenue requirement rate or the first day of the month if the Commission accepts its revenue requirement effective the first day of the month.

8. Entergy Power states that it initially submitted its proposed reactive power revenue requirement on July 3, 2014, a date 60 days prior to September 1, 2014, so it could begin recovering its costs of providing reactive power beginning in September 2014. Entergy Power states it withdrew its July 3, 2014 filing to correct the inadvertent use of an incorrect eTariff filing type code and promptly refiled with a correct code. Entergy Power requests the same September 1, 2014 effective date as it originally requested and respectfully requests any waivers of the Commission's notice requirements as necessary to permit a September 1, 2014 effective date.

II. Notice and Responsive Filings

9. Notice of Entergy Power's filing was published in the *Federal Register*, 79 Fed. Reg. 44,760 (2014), with interventions and protests due on or before August 14, 2014. MISO filed a timely motion to intervene. No comments or protests were filed.

⁵ *Id.* at 4 (citing Ex. Nos. ENT-1 through ENT-3).

⁶ *Id.* at 3-4.

III. Discussion

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), MISO's timely, unopposed motion to intervene serves to make it a party to this proceeding.

B. Substantive Matters

11. Entergy Power's proposed revenue requirement for reactive power raises 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 example, Entergy Power's cost support contains a 29 percent allocation of turbogenerator costs to generator-exciter costs, but Entergy Power does not provide the supporting documents for this allocation, stating only that "[f]or the generator/exciter component, manufacturers provided the generator/exciter breakout from the turbogenerator accounts."⁷ Similarly, Entergy Power states that the plant investment associated with the generator step-up transformers was "identified through a study of accounting records,"⁸ but does not provide supporting documentation. Entergy Power's use of two fixed charge rates of 18.65 percent for reactive plant and 16.23 percent for balance of plant is inconsistent with respect to the *AEP* methodology because balance of plant should not be included in the calculation of the fixed charge rate. In addition, it could not be determined if Entergy Power used only 14 percent (i.e., its ownership share) of the Independence 2 unit's plant and operating costs to develop the reactive power revenue requirement.

12. Our preliminary analysis indicates that Entergy Power's proposed revenue requirement for reactive power has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Therefore, we will accept Entergy Power's proposed revenue requirement, suspend it for a nominal period, make it effective September 1, 2014, as requested, subject to refund, and set it for hearing procedures.

13. For good cause shown, we will grant Entergy Power's request for a waiver of the Commission's prior notice requirement.⁹ Parties have been on notice because Entergy

⁷ Ex. No. ENT-1 at 5.

⁸ Transmittal Letter at 6.

⁹ *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,339 (finding that the Commission will grant waiver of the 60-day prior notice requirement if good cause is shown), *reh'g denied*, 61 FERC ¶ 61,089 (1992).

Power initially submitted its proposed reactive power revenue requirement on July 3, 2014, a date 60 days prior to September 1, 2014 and Entergy Power avers that the instant filing is substantially identical to the July 3, 2014 filing.

The Commission orders:

(A) Entergy Power's proposed revenue requirement for reactive power is hereby accepted for filing and suspended for a nominal period, to become effective September 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 Federal Power Act (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 Entergy Power's proposed revenue requirement 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 those 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.