

150 FERC ¶ 61,229
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 27, 2015

In Reply Refer To:

Duke Energy Conesville, LLC, Duke Energy
Dicks Creek, LLC, Duke Energy Killen, LLC,
Duke Energy Zimmer, LLC, Duke Energy
Ohio, Inc., Duke Energy Miami Fort, LLC,
Duke Energy Stuart, LLC
Docket Nos. ER15-493-001, ER15-494-001,
ER15-495-001, ER15-496-001, ER15-497-001,
ER15-498-001, and ER15-607-001

Jennifer L. Key
Steptoe & Johnson LLP
1330 Connecticut Avenue, NW
Washington, DC 20036

Dear Ms. Key:

1. On November 26, 2014, Duke Energy Ohio, Inc. (Duke Ohio) submitted a notice of cancellation of Duke Ohio Rate Schedule No. 66 and Duke Energy Conesville, LLC (Conesville), Duke Energy Dicks Creek, LLC, Duke Energy Killen, LLC, Duke Energy Miami Fort, LLC, Duke Energy Stuart, LLC,¹ and Duke Energy Zimmer, LLC (collectively, the Remaining Generator Owners) submitted amendments to the rate schedules under which they will continue to jointly provide Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service) in the PJM Interconnection,

¹ On December 10, 2014, Duke Energy Stuart, LLC filed via eTariff the amendments to its rate schedule, which was inadvertently not submitted with the November 26, 2014, Filing.

L.L.C. (PJM) region.² As discussed below, we accept the amended rate schedules, to become effective December 1, 2014, as requested, and accept the notice of cancellation of Duke Ohio Rate Schedule No. 66, to become effective November 30, 2014, as requested.

2. Duke Ohio and the Remaining Generator Owners (collectively, the Filing Parties) state that they have been receiving payment for providing Reactive Service to PJM under Duke Ohio Rate Schedule No. 66. That Rate Schedule provides for a total annual revenue requirement of \$5,217,770 and a total monthly revenue requirement of \$434,814. According to the Filing Parties, the Commission accepted this revenue requirement, which was derived from a settlement.³ The Filing Parties explain that, in May 2014, Duke Ohio amended Duke Ohio Rate Schedule No. 66 to reflect that it was transferring six of its seven generating plants to separate, affiliated limited liability companies and that these companies would provide Reactive Service on a joint basis with Duke Ohio.⁴ The Filing Parties state that the spin-off of the seventh Duke Ohio coal plant, Beckjord, was to occur on December 1, 2014, after which time most of the plant would be retired and would no longer be providing Reactive Service. Thus, the Filing Parties' claim that the purpose in making these filings was to: (1) cancel Duke Ohio Rate Schedule No. 66; (2) have Conesville take the role as designated filer for the joint rate schedule, and update the concurrences accordingly; and (3) reduce the total annual revenue requirement in the joint rate schedule to reflect Beckjord's retirement.

3. Noting that Conesville is taking the role as designated filer for the joint rate schedule, the Filing Parties propose in Conesville's Rate Schedule No. 1 to reduce the total annual revenue requirement from \$5,217,770 to \$4,529,024 to reflect the retirement

² These filings were submitted under Docket Nos. ER15-493-000 (Conesville), ER15-494-000 (Duke Energy Dicks Creek, LLC), ER15-495-000 (Duke Energy Killen, LLC), ER15-496-000 (Duke Energy Zimmer, LLC), ER15-497-000 (Duke Ohio), ER15-498-000 (Duke Energy Miami Fort, LLC), and ER15-607-000 (Duke Energy Stuart, LLC).

³ See *Duke Energy Ohio, Inc.*, Docket No. ER12-479-000 (Jan. 18, 2012) (delegated letter order).

⁴ Duke Energy Conesville, LLC, Duke Energy Dicks Creek, LLC, Duke Energy Killen, LLC, Duke Energy Zimmer, LLC, Duke Energy Ohio, Inc., Duke Energy Miami Fort, LLC, Duke Energy Stuart, LLC November 26, 2014 Filing at 1–2 (November 26 Filing) (citing *Duke Energy Ohio, Inc.*, Docket Nos. ER14-1944-000, ER14-1945-000, ER14-1946-000, ER14-1947-000, ER14-1948-000, ER14-1949-000, ER14-1950-000, and ER14-1951-000 (July 7, 2014) (delegated letter order)).

of Beckjord. The Filing Parties state that they calculated this amount by examining the recent operating history of the seven generators; specifically, they measured the actual hourly mega volt-ampere reactive (MVAR) output of the seven plants from May 1, 2011 to April 30, 2012. The Filing Parties note that Beckjord has been retired incrementally, so they chose this timeframe because it reflects a time period prior to any retirements. According to the Filing Parties, they determined that Beckjord represented about 13.2 percent of the total MVAR output from the relevant time period and, thus, the total annual revenue requirement should be reduced by that percentage.⁵

4. Notice of the Filing Parties' filing was published in the *Federal Register*, 79 Fed. Reg. 71,991-92 (2014)⁶ and 79 Fed. Reg. 75,134-35 (2014),⁷ with interventions and protests due on or before December 17, 2014, and December 31, 2014, respectively. PJM filed a timely motion to intervene in all dockets. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁸ PJM's timely, unopposed motion to intervene serves to make it a party to this proceeding.

5. On December 30, 2014, the Commission staff informed the Filing Parties that their submittals were deficient and that additional information was required to process the filings (Deficiency Letter). The Commission staff requested additional information related to: (1) Beckjord's incremental retirement; and (2) where the Filing Parties' total annual revenue requirement is listed on PJM's website. On January 26, 2015, the Filing Parties filed a response to the Deficiency Letter (Deficiency Letter Response).

6. Notice of the Deficiency Letter Response was published in the *Federal Register*, 80 Fed. Reg. 5741 and 80 Fed. Reg. 7444-46 (2015),⁹ with interventions and protests due on or before February 17, 2015. None were filed.

7. In the Deficiency Letter Response, the Filing Parties provide a table with the dates that Duke Ohio incrementally retired each Beckjord unit, the megawatts and MVARs

⁵ November 26 Filing, Attachment B (spreadsheet showing MVAR data).

⁶ Docket Nos. ER15-493-000, ER15-494-000, ER15-495-000, ER15-496-000, ER15-497-000, and ER15-498-000.

⁷ Docket No. ER15-607-000.

⁸ 18 C.F.R. § 385.214 (2014).

⁹ Docket Nos. ER15-493-001, ER15-494-001, ER15-495-001, ER15-496-001, ER15-497-001, ER15-498-001, and ER15-607-001.

retired, and the type of generator retired (i.e., gas turbine, steam turbine, etc.). The Filing Parties assert that, because they determined the total annual revenue requirement on a fleet-wide basis, and pursuant to a black box settlement, the retirement of any particular unit or portion of a unit does not necessarily warrant a change in that revenue requirement.¹⁰ Given that Duke Ohio was transferring six of its seven generating plants to a third party, the Filing Parties state that, rather than expend resources on developing a revised new revenue requirement for the joint service, they state they decided to use a reasonable and logical allocation approach to reduce the existing rate to account for the retirement of Beckjord.

8. We will accept the Filing Parties' proposed amended rate schedules and notice of cancellation of Duke Ohio Rate Schedule No. 66. Furthermore, as discussed in the Commission's November 20, 2014 Order to Show Cause in Docket No. EL15-15-000,¹¹ given that Duke Ohio may have continued to receive payments for Reactive Service from some of Beckjord's units after it retired those units, and, thus, after "the units were no longer capable of providing that service," we have referred such concern to the Commission's Office of Enforcement for further examination and inquiry as may be appropriate.

9. Accordingly, we hereby accept the amended rate schedules, effective December 1, 2014, as requested, and accept the notice of cancellation of the Duke Ohio Rate Schedule No. 66, effective November 30, 2014, as requested, as discussed in the body of this order.

By direction of the Commission. Commissioner Moeller is concurring with a separate statement to be issued at a later date.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹⁰ Duke Energy Conesville, LLC, Duke Energy Dicks Creek, LLC, Duke Energy Killen, LLC, Duke Energy Zimmer, LLC, Duke Energy Ohio, Inc., Duke Energy Miami Fort, LLC, Duke Energy Stuart, LLC January 26, 2015 Response to Deficiency Letter at 3.

¹¹ *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,132, at P 10 (2014) (Order to Show Cause concerning payments for Reactive Service in PJM).