

151 FERC ¶ 61,081  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Marshfield Utilities

Docket Nos. ER15-900-000  
ER15-900-001

ORDER CONDITIONALLY ACCEPTING PROPOSED REVENUE REQUIREMENT  
AND ESTABLISHING HEARING AND SETTLEMENT JUDGE PROCEDURES

(Issued April 30, 2015)

1. In this order, we conditionally accept, for rate recovery purposes, the City of Marshfield, Wisconsin's (Marshfield) proposed revenue requirement for providing Reactive Supply and Voltage Control From Generation or Other Sources Service (reactive service)<sup>1</sup> for its city-owned water and electric utility (Marshfield Utilities), to become effective May 1, 2015, subject to Marshfield submitting a compliance filing within 15 days of the date of this order reflecting Marshfield's commitment to provide refunds.<sup>2</sup> We also establish hearing and settlement judge procedures.

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<sup>1</sup> Marshfield Utilities, FERC Electric Tariff, Rate Schedules, [Section 1, Rate Schedule No. 2, 2.0.0](#).

<sup>2</sup> Alternatively, the effective date will be the date the Commission makes Marshfield's proposed revenue requirement effective when it issues an order approving Marshfield's proposed revenue requirement following the hearing and settlement judge procedures ordered below.

## **I. Background**

2. Marshfield Utilities owns a 55 MW combustion turbine generating unit (M-1 CT Unit) that is interconnected to the regional transmission grid operated by the Midcontinent Independent System Operator, Inc. (MISO) through facilities owned by American Transmission Company LLC (American Transmission Company) and located in the Wisconsin Public Service Corporation (WPSC) load balancing area. Marshfield Utilities participates in the MISO energy markets under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (MISO Tariff), using the services of Great Lakes Utilities, which is a registered MISO market participant.
3. On January 23, 2015, as amended March 12, 2015, Marshfield made the instant filing seeking Commission approval to permit Marshfield to recover its cost-based revenue requirement for the reactive service production capability associated with its ownership of the Marshfield Utilities. Marshfield seeks to recover the costs of reactive service under Schedule 2 of the MISO Tariff.
4. Marshfield states that, historically, Marshfield Utilities has purchased certain ancillary services from WPSC, including reactive power, for which it is being billed currently from WPSC. Marshfield states that, through this filing and request for approval of the proposed rate schedule, Marshfield Utilities seeks to register its generator with MISO as a source of reactive power so that it can receive a cost-based revenue stream and thus be compensated for a service it has previously been providing to MISO for free.
5. Marshfield states that, under Schedule 2 of the MISO Tariff, a Generation Resource must be determined by MISO to be a Qualified Generator in order to receive compensation for reactive service. Schedule 2 sets forth the technical qualifications required for a Generation Resource to be designated as a Qualified Generator. Marshfield states that the M-1 CT Unit is technically capable of providing reactive service and Marshfield Utilities will submit the required request to MISO for certification of Qualified Generator status on behalf of the M-1 CT Unit in due course.
6. Marshfield states that its proposed rate schedule sets forth a cost-based rate that represents Marshfield Utilities' fixed cost revenue requirement for providing reactive power capability from the M-1 CT Unit. Marshfield states that Marshfield Utilities has developed the proposed revenue requirement in accordance with the methodology approved by the Commission in *AEP*.<sup>3</sup> Consistent with the *AEP* methodology, Marshfield Utilities is seeking fixed costs attributable to its reactive power production

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<sup>3</sup> Application at 3 (citing *American Elec. Power Serv. Corp.*, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000) (*AEP*)).

capability (fixed capability component). Marshfield states that it is not seeking to recover costs associated with heating losses or lost opportunity costs stemming from Marshfield Utilities' reduction of actual energy output when called upon to produce additional reactive power. Marshfield states that it reserves the right to seek such costs in a future filing.

7. Marshfield explains that the fixed capability component was calculated by analyzing the costs associated with the reactive power of the M-1 CT Unit, along with a step-up transformer and Accessory Electrical Equipment; Balance of Plant, which is derived from Production plant only, was also analyzed. Marshfield states that its total allocated investment in reactive power capability associated with these facilities is \$181,275. Marshfield states that the allocation factor is based on the relationship between real and reactive power in accordance with the *AEP* methodology. Marshfield states that the carrying cost consists of a levelized return component, along with payments in lieu of taxes, operations and maintenance costs and administrative and general costs. Marshfield adds that the overall carrying cost is 11.65 percent.<sup>4</sup>

8. With respect to its levelized return set at 7.27 percent, Marshfield states that it incorporates a rate of return and discount, which is the weighted average cost of capital from Marshfield Utilities' most recent rate proceeding at the Public Service Commission of Wisconsin. Marshfield states that it could have elected to use a much higher proxy derived from the capital structure and return on equity of either American Transmission Company, the transmission owner of the system with which it is interconnected, or WPSC, the control area operator.<sup>5</sup> However, Marshfield states that it believes that use of its own state-approved rate of return leads to a more conservative, but ultimately more genuine, cost-based revenue requirement. Specifically, Marshfield proposes an annual revenue requirement of \$19,453, or \$1,621 monthly.

9. Marshfield requests waiver of the Commission's notice requirements so that Marshfield's proposed revenue requirement may become effective on April 1, 2015 or as soon as practicable for this previously uncompensated service.

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.* (citing *City of Vernon, California*, 93 FERC ¶ 61,103 (2000), *reh'g denied*, 94 FERC ¶ 61,148 (2001) (*City of Vernon, Cal.*)).

## II. Notice of Filing

10. Notice of Marshfield's filing was published in the *Federal Register*, 80 Fed. Reg. 5101 (2015) and 80 Fed. Reg. 14,104 (2015), with interventions and protests due on or before February 13, 2015 and March 26, 2015. WPSC filed a timely motion to intervene.

## III. Discussion

### A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>6</sup> the timely, unopposed motion to intervene serves to make WPSC a party to this proceeding.

### B. Substantive Matters

12. Marshfield's proposed revenue requirement raises issues of material fact that cannot be resolved based on the record before us and are more appropriately addressed in the hearing and settlement judge procedures ordered below. Specifically, Marshfield did not use the Commission's accepted discounted cash flow methodology to determine a rate of return,<sup>7</sup> nor has it applied to use the underlying cost of capital and capital structure of the utility to which the generator is interconnected.<sup>8</sup> Therefore, the rate of return Marshfield incorporates may not be just and reasonable.

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<sup>6</sup> 18 C.F.R. § 385.214 (2014).

<sup>7</sup> See *Martha Coakley, Mass. Attorney General; Conn. Pub. Util. Reg. Authority; Mass. Dept. of Public Util.; New Hampshire Pub. Util. Comm'n; Conn. Office of Consumer Counsel; Maine Office of the Public Advocate; George Jepsen, Conn. Attorney General; New Hampshire Office of Consumer Advocate; Rhode Island Division of Pub. Util. and Carriers; Vermont Dept. of Pub. Serv.; Mass. Municipal Wholesale Elec. Co.; Associated Industries of Mass.; The Energy Consortium; Power Options, Inc.; and the Industrial Energy Consumer Group v. Bangor Hydro-Electric Co.; Central Maine Power Co.; New England Power Co. d/b/a National Grid; New Hampshire Trans. LLC d/b/a NextEra; NSTAR Electric and Gas Corp.; Northeast Util. Serv. Co.; The United Illuminating Co.; Unutil Energy Systems, Inc. and Fitchburg Gas and Electric Light Co.; Vermont Transco, LLC*, 147 FERC ¶ 61,234 (2014).

<sup>8</sup> See, e.g., *City of Vernon, Cal.*, 93 FERC ¶ 61,103; *FPL Energy MH50*, 96 FERC ¶ 61,035 (2001); *Safe Harbor Water Power Corp.*, 102 FERC ¶ 61,272 (2003).

13. Our preliminary analysis indicates that Marshfield's proposed revenue requirement has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Therefore, we will conditionally accept Marshfield's proposed revenue requirement for filing, to become effective May 1, 2015, subject to Marshfield submitting a compliance filing within 15 days of the date of this order reflecting Marshfield's commitment to provide refunds as of May 1, 2015 and set the proposed revenue requirement for hearing and settlement judge procedures. Alternatively, the effective date will be the date the Commission makes the proposed revenue requirement effective when it issues an order approving the proposed revenue requirement following the hearing and settlement judge procedures ordered below.<sup>9</sup>

14. While we are setting these matters for a trial-type evidentiary hearing, we encourage the parties to make every effort to settle their disputes before hearing procedures are commenced. To aid the parties in their settlement efforts, we will hold the hearing in abeyance and direct that a settlement judge be appointed, pursuant to Rule 603 of the Commission's Rules of Practice and Procedure.<sup>10</sup> If the parties desire, they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding; otherwise, the Chief Judge will select a judge for this purpose.<sup>11</sup> The settlement judge shall report to the Chief Judge and the Commission within 30 days of the date of this order concerning the status of settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions or provide for commencement of a hearing by assigning the case to a presiding judge.

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<sup>9</sup> We note that in other instances the Commission has established a prospective effective date when non-public utilities have submitted their proposals for cost recovery for Commission review without committing to provide refunds. *See Lively Grove Energy Partners, LLC*, 140 FERC ¶ 61,252, at P 2 (2012).

<sup>10</sup> 18 C.F.R. § 385.603 (2014).

<sup>11</sup> If the parties decide to request a specific judge, they must make their joint request to the Chief Judge by telephone at (202) 502-8500 within five days of the date of this order. The Commission's website contains a list of Commission judges and a summary of their background and experience (<http://www.ferc.gov/legal/adr/availjudge.asp>).

The Commission orders:

(A) Marshfield's proposed reactive service revenue requirement is hereby conditionally accepted, effective May 1, 2015, subject to Marshfield submitting a compliance filing within 15 days of the date of this order reflecting Marshfield's commitment to provide refunds as of May 1, 2015 or alternatively, the effective date will be the date the Commission makes the proposed revenue requirement effective when it issues an order approving the proposed revenue requirement following hearing and settlement judge procedures, 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 and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the Federal Power Act (18 C.F.R., Chapter I), a public hearing shall be held concerning Marshfield's proposed revenue requirement, as discussed in the body of this order. However, the hearing shall be held in abeyance to provide time for settlement judge procedures, as discussed in Ordering Paragraphs (C) and (D) below.

(C) Pursuant to Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (2014), the Chief Administrative Law Judge is hereby directed to appoint a settlement judge in this proceeding within 15 days of the date of this order. Such settlement judge shall have all powers and duties enumerated in Rule 603 and shall convene a settlement conference as soon as practicable after the Chief Judge designates the settlement judge. If the parties decide to request a specific judge, they must make their request to the Chief Judge within five days of the date of this order.

(D) Within 30 days of the appointment of the settlement judge, the settlement judge shall file a report with the Commission and the Chief Judge on the status of the settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate. If settlement discussions continue, the settlement judge shall file a report at least every 60 days thereafter, informing the Commission and the Chief Judge of the parties' progress toward settlement.

(E) If settlement judge procedures fail and a trial-type evidentiary hearing is to be held, a presiding judge, to be designated by the Chief Judge, shall, within 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.