

151 FERC ¶ 61,182  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

May 29, 2015

In Reply Refer To:  
The City of Alexandria, Louisiana  
Docket No. EL15-49-000

McCarter English, LLP  
1015 Fifteenth Street, NW  
Twelfth Floor  
Washington, DC 20005

Attn: John Michael Adragna

Dear Mr. Adragna:

1. On February 26, 2015, pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure,<sup>1</sup> the City of Alexandria, Louisiana (Alexandria) petitioned the Commission for approval of Alexandria's cost-based annual revenue requirement for its contribution to the supply of Reactive Power and Voltage Control from Generation Sources Service (reactive service) under the Midcontinent Independent System Operator, Inc. (MISO) Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff). As discussed below, we conditionally accept Alexandria's proposed revenue requirement for reactive service effective June 1, 2015, subject to the outcome of the proceedings in Docket Nos. EL14-12-000 and EL15-45-000 (Complaint Proceedings), and subject to Alexandria submitting a compliance filing within 15 days of the date of this order in which Alexandria commits to provide refunds, as discussed herein.<sup>2</sup>

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<sup>1</sup> 18 C.F.R. § 385.207(a)(5) (2014).

<sup>2</sup> Alternatively, the effective date will be the date the Commission makes Alexandria's revenue requirement effective in a future order once it issues orders resolving the Complaint Proceedings.

2. Alexandria states that it is a home rule charter municipality organized under the Constitution and the statutes of the State of Louisiana as a municipal corporation in the Parish of Rapides with a population of approximately 48,000. Alexandria owns and operates a not-for-profit electric utility system in order to provide the electric power necessary to serve its retail customers. Alexandria states that it is a non-jurisdictional municipal utility system and, as such, is not subject to the Commission's plenary jurisdiction under the Federal Power Act (FPA).<sup>3</sup> Alexandria states that it is a market participant and transmission owning member of MISO and explains that Schedule 2 of the MISO Tariff requires that Alexandria obtain Commission acceptance or approval of its annual revenue requirement before Alexandria may receive payment from MISO for the reactive power services it supplies.

3. Alexandria states that in 2014, it purchased Bayou Cove Generating Station Unit No. 1 (Bayou Cove Unit No. 1), one of four separate generating units that comprise the Bayou Cove Generating Station, a natural gas-fired electric generating facility with an aggregate generating capacity of approximately 393 MW located in Acadia Parish, near Jennings, Louisiana (the Bayou Cove Generating Station or the Facility). Alexandria acquired Bayou Cove Unit No. 1 from Bayou Cove Peaking Power, LLC (Bayou Cove). Alexandria owns 100 percent of Bayou Cove Unit No. 1, a 50 percent interest in one of the two generator step-up transformers at the Facility, a 50 percent interest in one of the two fuel gas heaters at the Facility, and a 25 percent interest in certain shared facilities serving the Facility. Together these assets provide Alexandria with a 25 percent interest in the Bayou Cove Generating Station. The Bayou Cove Generating Station is interconnected with the transmission system of Entergy Gulf States Louisiana, LLC (Entergy Gulf States) and is located in the Entergy Gulf States transmission pricing zone in the MISO market.

4. Alexandria notes that on November 26, 2014, as supplemented and revised on January 21, 2015, Bayou Cove filed in Docket Nos. ER15-502-000 and ER15-502-001, respectively, a cost-based revenue requirement for reactive service from Bayou Cove Units Nos. 2, 3, and 4.<sup>4</sup> On March 20, 2015, the Commission accepted Bayou Cove's proposed revenue requirement for reactive service, suspended it for a nominal period to become effective April 1, 2015, subject to refund, and subject to the outcome of the complaint proceeding in Docket No. EL14-12-000.<sup>5</sup>

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<sup>3</sup> 16 U.S.C. § 824(f) (2012).

<sup>4</sup> Alexandria Filing at 3.

<sup>5</sup> *Bayou Cove Peaking Power, LLC*, 150 FERC ¶ 61,215, at PP 1, 14 (2015).

5. In its February 26, 2015 filing, Alexandria submitted a cost-based charge for reactive service from the Alexandria-owned portion of the Bayou Cove Generating Station. Alexandria explains that it reviewed the cost-based rate calculation developed in the November 26, 2014 Bayou Cove reactive power rate filing for Bayou Cove Unit Nos. 2, 3 and 4. Alexandria states that the Bayou Cove filing identifies the reactive investment and expenses related to both Bayou Cove's and Alexandria's individual ownership shares in the Bayou Cove facility. Alexandria states that based on this data, it developed a fixed reactive revenue requirement for Alexandria's 25 percent ownership share of the Bayou Cove facility. In support of its filing, Alexandria submitted the affidavit of Robert C. Smith, who stated that he calculated Alexandria's revenue requirement based on the cost support data in Bayou Cove's filing and using the methodology set forth in *American Electric Power Service Corp.*, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000).<sup>6</sup>

6. Alexandria states that on January 21, 2015, Bayou Cove made two additional filings in Docket No. ER15-502.<sup>7</sup> Alexandria notes that those supplemental filings included revised cost support for Bayou Cove's proposed revenue requirement as well as additional accounting support and descriptions of certain data included in Bayou Cove's November 26, 2014 filing. Alexandria states that it has utilized the updated cost support data submitted by Bayou Cove in order to develop its revenue requirement, and has included Bayou Cove's November 26, 2014 and January 21, 2015 filings as part of its filing.

7. Alexandria proposes an annual reactive revenue requirement of \$203,209 for its 25 percent ownership share of the Bayou Cove Generating Station. In calculating this figure, Alexandria used as a proxy, *inter alia*, Entergy Gulf States' rate of return, including a return on common equity of 12.38 percent, because the Bayou Cove facility is interconnected to Entergy Gulf States' transmission system.<sup>8</sup> Alexandria recognizes that the 12.38 percent proxy return on equity is the subject of the complaint proceeding in Docket No. ER14-12-000, which the Commission has set for hearing and settlement judge procedures. Alexandria commits to making a compliance filing with the

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<sup>6</sup> Alexandria Filing at 3-4.

<sup>7</sup> One of these additional filings was in Docket No. ER15-502-000, and the other was in Docket No. ER15-502-001.

<sup>8</sup> Alexandria Filing at 5.

Commission within 30 days of a final, non-appealable order in the complaint proceeding in Docket No. ER14-12-000 to establish prospectively a revised revenue requirement.<sup>9</sup>

8. Alexandria explains that although it is not subject to the Commission's plenary jurisdiction under the FPA, it has attempted to provide all of the information itemized in 18 C.F.R. § 35.13 to support its request for approval of its revenue requirement. Alexandria requests that the Commission accept its revenue requirement effective April 27, 2015. To the extent required, Alexandria requests that the Commission grant waiver of the requirements of 18 C.F.R. § 35.13 and any other Part 35 requirement that may be applicable to its filing and any other necessary waivers to permit the approval of Alexandria's revenue requirement to become effective as requested.

9. Notice of Alexandria's February 26, 2015 filing was published in the *Federal Register*, 80 Fed. Reg. 12,161 (2015), with interventions and protests due on or before March 20, 2015. On March 17, 2015, NRG Power Marketing LLC and GenOn Energy Management, LLC (collectively, the NRG Companies) filed a motion to intervene.

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

11. Alexandria is using the interconnected utility's authorized rate of return, including return on common equity, as a proxy for its own rate of return, and the return on common equity is the subject of the complaint proceeding in Docket No. EL14-12-000,<sup>10</sup> as Alexandria acknowledges, as well a complaint proceeding in Docket No. EL15-45-000. Further, Alexandria proposes to establish *prospectively* a revised revenue requirement using the return on equity established in the complaint proceeding in Docket No. EL14-12-000, within 30 days of a final non-appealable order in that proceeding. We find that Alexandria's proposed revenue requirement should be subject to the outcome of both the complaint proceeding in Docket No. EL14-12-000 as well as the complaint proceeding in Docket No. EL15-45-000, and subject to adjustment not only prospectively following final non-appealable orders in those proceedings, but also as of the effective date of June 1, 2015, to track any changes to the return on common equity adopted in the Complaint Proceedings. Therefore, we conditionally accept Alexandria's proposed revenue requirement for reactive service effective June 1, 2015, subject to Alexandria

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<sup>9</sup> *Id.* at 5 n.6 (citing *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, 149 FERC ¶ 61,049 (2014)).

<sup>10</sup> See *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, 149 FERC ¶ 61,049.

submitting a compliance filing within 15 days of the date of this order in which Alexandria commits to provide refunds to the extent its revenue requirement exceeds what the revenue requirement would be if based upon the return on common equity determined to be just and reasonable in the Complaint Proceedings. Alternatively, in the absence of such a commitment, the effective date will be the date the Commission makes Alexandria's proposed revenue requirement effective in a future order once it issues orders resolving the Complaint Proceedings.<sup>11</sup>

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>11</sup> See, e.g., *Lively Grove Energy Partners, LLC*, 140 FERC ¶ 61,252, at P 2 (2012).