

152 FERC ¶ 61,004
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.

Municipal Energy Agency of Mississippi

Docket No. NJ15-13-000

ORDER CONDITIONALLY ACCEPTING REVENUE REQUIREMENT

(Issued July 1, 2015)

1. On April 30, 2015, as amended on May 1, 2015, the Municipal Energy Agency of Mississippi (MEAM) submitted for Commission acceptance or approval MEAM's specification of its cost-based revenue requirement for the provision of Reactive Supply and Voltage Control From Generation or Other Sources Service (reactive service) from MEAM's 6.0 percent ownership interest in the Plum Point Energy Station (Plum Point Station). In this order, we conditionally accept MEAM's proposed revenue requirement for reactive service, effective July 1, 2015,¹ subject to the outcome of the proceedings in Docket Nos. EL14-12-000 and EL15-45-000 (Complaint Proceedings), and subject to MEAM submitting a compliance filing within 15 days of the date of this order in which MEAM commits to provide refunds, as discussed herein.²

I. Background

2. MEAM states that it is a municipal joint action agency organized under Chapter 363, Laws of Mississippi of 1978. MEAM's members are the cities of Greenwood, Leland, Kosciusko, Canton, Durant, and Itta Bena, Mississippi. As such, MEAM states that it is exempt from the Commission's regulatory jurisdiction under Part II of the Federal Power Act.

¹ Municipal Energy Agency of Mississippi FERC FPA Electric Tariff Tariffs and Agreements, [Plum Point Energy Station, Revenue Requirement for Reactive Supply and Voltage Control, 1.0.0](#).

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

3. MEAM states that Plum Point Station is a 670 MW (net) coal-fired electric generating station that has been in commercial operation since September 2010. The plant is located near Osceola, Arkansas, and is interconnected to the transmission system owned by Entergy Arkansas, Inc. (Entergy Arkansas). MEAM states that its share of Plum Point Station's reactive power production capability is utilized by Midcontinent Independent System Operator, Inc. (MISO) to provide reactive service pursuant to Schedule 2 of MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff).

4. MEAM seeks Commission approval to permit it to recover its cost-based revenue requirement for the reactive service production capability associated with its ownership of the Plum Point Station. MEAM states that the Plum Point Station has been providing reactive power support to the MISO transmission system since Entergy Arkansas placed its transmission facilities under MISO's functional control on December 19, 2013. However, MEAM has not yet begun recovering its costs of providing reactive support from Plum Point Station.

5. MEAM 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.

6. In support of its filing, MEAM submitted the affidavit of Robert C. Smith. MEAM states that Mr. Smith developed MEAM's proposed revenue requirement in accordance with the methodology approved by the Commission in *American Electric Power Service Corp.*³ Consistent with the *AEP* methodology, MEAM is seeking to recover fixed costs attributable to its reactive power production capability (fixed capability component). MEAM states that it is not seeking to recover costs associated with incremental heating losses or other costs associated with the production of reactive power. MEAM states that it reserves the right to seek such costs at a later time.

7. MEAM asserts that the *AEP* methodology generally reflects the fixed costs associated with four groups of plant equipment that contribute to the provision of reactive power and voltage control service: (1) the generator-exciter system; (2) the generator step-up transformer; (3) Accessory Electrical Equipment that supports the operation of the generator-exciter; and (4) the remaining plant investment. MEAM states that to identify MEAM's investment in each of the four relevant categories of plant equipment, MEAM relied on a cost study of original construction costs that Plum Point Energy Associates, the operator of the Plum Point Station, prepared and provided to the station's

³ Application at 4 (citing *American Elec. Power Serv. Corp.*, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000) (*AEP*)).

other joint owners. For this purpose, Plum Point Energy Associates collected and reviewed original project construction records (such as plant construction accounting records and manufacturer invoices) and other information provided by major component vendors. From this, Plum Point Energy Associates compiled detailed information that allowed it to attribute the total original cost investment in Plum Point Station to specific systems and items of equipment within the plant, including the four categories of equipment identified in *AEP* as relevant for reactive revenue requirement determinations.

8. MEAM explains that because plant components within each of the four relevant categories are involved in the production of both reactive power and real power, the *AEP* methodology calls for the application of appropriate allocation factors to separate the annual revenue requirements associated with these components between real power and reactive power production. MEAM states that the allocation factors used to derive MEAM's revenue requirement are explained in Mr. Smith's testimony.

9. MEAM states that in calculating its annual fixed charge rate, MEAM adopted and applied Entergy Arkansas' overall weighted cost of capital of 8.01 percent because the Plum Point Station is interconnected to Entergy Arkansas' transmission system.⁴ MEAM explains that this overall return for Entergy Arkansas, as filed in Docket No. ER14-108-000, incorporates the 12.38 percent return on common equity currently authorized for MISO transmission owners — including Entergy Arkansas and other Entergy transmission owners following their integration into MISO — and for non-jurisdictional suppliers of reactive power to MISO.⁵ However, MEAM acknowledges that the 12.38 percent MISO-wide return on equity is the subject of an ongoing section 206 complaint proceeding in Docket No. EL14-12-000.⁶ MEAM commits that, if the MISO-wide return on equity is modified as a result of the complaint proceeding in Docket No. EL14-12-000, MEAM will submit a filing that adjusts its revenue requirement to incorporate the

⁴ *Id.* at 6. MEAM notes that it obtained Entergy Arkansas' weighted cost of capital from the October 16, 2013 rate filing by Entergy Services, Inc. in Docket No. ER14-108-000, in which Entergy Services, Inc., on behalf of its public utility affiliates, submitted cost-based revenue requirements for the reactive power production capabilities of certain generating facilities in order to recover those costs under Schedule 2 of the MISO OATT. MEAM explains that although Docket No. ER14-108-000 was set for hearing and subsequently settled, the settlement was a "black box" settlement with no specification of the underlying cost components. *Id.* at 6 (citing *Entergy Louisiana, LLC*, 145 FERC ¶ 61,219 (2013); *Entergy Louisiana, LLC*, 150 FERC ¶ 61,135 (2015)).

⁵ *Id.* (citations omitted).

⁶ *Id.* at 6-7 (citing *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, 149 FERC ¶ 61,049 (2014)).

modified MISO-wide return on equity in the calculation of MEAM's fixed charge rate for the same time period as that during which the modified MISO-wide return on equity is effective for Entergy Arkansas in its rate calculations under the MISO OATT.⁷ MEAM states that, if and to the extent that the foregoing adjustment of MEAM's fixed charge rate results in a difference between the reactive compensation received by MEAM and the adjusted reactive revenue requirement, and insofar as the Commission requires other MISO entities to make refunds in connection with implementing the outcome of Docket No. EL14-12-000, MEAM will pay such difference to MISO, including interest calculated in accordance with section 35.19a of the Commission's regulations.⁸ MEAM also commits that if the Commission sets MEAM's proposed revenue requirement for hearing and/or settlement judge procedures, MEAM will make refunds with interest of any revenues it collects for Plum Point reactive power service that exceed the revenue requirement the Commission ultimately approves in this docket.⁹

10. MEAM states that its 12.57 percent annual fixed charge rate was applied to MEAM's aggregate investment in the relevant four categories of equipment at Plum Point Station, resulting in an annual cost-based revenue requirement for MEAM's provision of reactive service from its ownership interest in Plum Point Station to be \$60,842 per year, or \$5,070.17 monthly.

11. MEAM requests an effective date of May 1, 2015, for its proposed revenue requirement.

II. Notice of Filing

12. Notice of MEAM's filing was published in the *Federal Register*, 80 Fed. Reg. 26,920 (2015), with interventions and protests due on or before May 21, 2015. None was filed.

III. Discussion

13. MEAM is using the interconnected utility's as-filed rate of return in Docket No. ER14-108-000, including return on common equity, as a proxy for its own rate of return, and that return on common equity is the subject of the complaint proceeding in Docket No. EL14-12-000,¹⁰ as MEAM acknowledges, as well a complaint proceeding in

⁷ *Id.* at 9.

⁸ *Id.* at 9-10.

⁹ *Id.* at 4, 9.

¹⁰ See *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys.*
(continued ...)

Docket No. EL15-45-000.¹¹ MEAM commits to adjust its fixed charge rate, and the resulting revenue requirement for reactive service, to reflect the effect of a final Commission order in Docket No. EL14-12-000 that modifies the currently authorized MISO-wide return on equity. We find that MEAM'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. Therefore, given that we are not setting MEAM's proposed revenue requirement for hearing or settlement judge procedures, and its refund commitment is otherwise limited to the return on equity resulting from Docket No. EL14-12-000, we conditionally accept MEAM's proposed revenue requirement for reactive service effective July 1, 2015, subject to MEAM submitting a compliance filing within 15 days of the date of this order in which MEAM supplements its commitment to provide refunds to also reflect the outcome of the complaint proceeding in Docket No. EL15-45-000. Alternatively, in the absence of such a commitment, the effective date will be the date the Commission makes MEAM's proposed revenue requirement effective in a future order once it issues orders resolving the Complaint Proceedings.¹²

14. Although MEAM has requested an effective date of May 1, 2015, we grant an effective date of July 1, 2015. Schedule 2 of the MISO Tariff provides a prospective effective date for proposed revenue requirements tied to generator self-certification of eligibility and Commission acceptance of a generator's proposed revenue requirement.¹³

The Commission orders:

MEAM's proposed revenue requirement for reactive service is hereby conditionally accepted for filing, effective July 1, 2015, subject to the outcome of the

Operator, Inc., 149 FERC ¶ 61,049.

¹¹ See *Arkansas Elec. Coop. Corp., v. ALLETE, Inc.*, 151 FERC ¶ 61,219 (2015).

¹² See, e.g., *Lively Grove Energy Partners, LLC*, 140 FERC ¶ 61,252, at P 2 (2012).

¹³ Section II.C provides that "Qualified Generator status is effective on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue requirement is on the first day of the month." MISO, FERC Electric Tariff, Schedule 2, Reactive Supply and Voltage Control From Generation or Other § II.A (30.0.0).

Complaint Proceedings, and subject to MEAM submitting a compliance filing within 15 days of the date of this order in which MEAM supplements its commitment to provide refunds, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.