

152 FERC ¶ 61,092
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

July 31, 2015

In Reply Refer To:
City Water and Light Plant of the
City of Jonesboro
Docket No. EL15-51-000

Gillis, Borchardt & Barthel LLP
160 Old Derby Street
Hingham, MA 02043

Attention: Ralph B. Gillis

Dear Mr. Gillis:

1. On March 5, 2015, as supplemented on July 8, 2015 and July 9, 2015, the City Water and Light Plant of the City of Jonesboro (Jonesboro) submitted its proposed revenue requirements for providing Reactive Supply and Voltage Control from Generation Sources Service (reactive service) to Midcontinent Independent System Operator, Inc. (MISO). As discussed below, we accept Jonesboro's proposed revenue requirements for reactive service to become effective August 1, 2015, subject to refund, and subject to the outcome of the proceedings in Docket Nos. EL14-12-000 and EL15-45-000 (Complaint Proceedings).

I. Background

2. Jonesboro is a Consolidated Municipal Improvement District located in Jonesboro, Arkansas providing water, sewer and electricity services to its customers. Jonesboro states that it has approximately 35,000 electric customers, 35,000 water customers and 23,000 sewer customers. Jonesboro is a Market Participant and asset owner under MISO as of December 19, 2013. Jonesboro has co-ownership in several power plants with Entergy Arkansas, Inc. (Entergy Arkansas) and seeks to charge for reactive power services provided in the Entergy Arkansas transmission pricing zones of MISO.

3. In March 5, 2015 Jonesboro filed a proposed rate schedule seeking Commission approval to recover the cost-based revenue requirement for reactive service under Schedule 2 of the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff). On July 8, 2015 and July 9, 2015, Jonesboro revised its

March 5, 2015 filing to include a request that the proposed ROE of 10.578 percent be subject to refund pending the Complaint Proceedings.¹ In addition, Jonesboro filed additional cost support documents.

4. The Jonesboro generating units at issue in this proceeding are: (1) Independence Unit 1 and Independence Unit 2; and (2) White Bluff Unit 1 and White Bluff Unit 2. Jonesboro states that it owns a five percent interest in Independence Unit 1, 15 percent in Independence Unit 2, and five percent in White Bluff Units 1 and 2.

5. Jonesboro states that, consistent with Commission precedent and Schedule 2, Jonesboro is eligible to recover its costs of providing reactive power to MISO upon establishing its satisfaction of the eligibility requirements therein.

6. Jonesboro proposes that the annual revenue requirements for its MISO area generating units are as follows:

Independence Unit 1	\$66,225
Independence Unit 2	\$107,365
Independence Common ²	\$837
White Bluff Unit 1	\$29,427
White Bluff Unit 2	\$34,664
White Bluff Common	\$1,809

The total annual reactive service revenue requirement for Jonesboro's MISO area generating units is \$240,353.

7. In support of its filing, Jonesboro submitted the testimony, accompanying attachments and workpapers of Alan C. Heintz. Mr. Heintz explains that the reactive service revenue requirements were developed based on the methodology consistent with *American Electric Service Corp.* and *Dynegy Energy Midwest Generation, Inc.*³

¹ Jonesboro July 9 Filing at 1 (citing *Ass'n of Bus. Advocating Tariff Equity, et al. v. Midcontinent Indep. Sys. Operator, Inc., et al.*, 149 FERC ¶ 61,049 (2014); *Arkansas Elec. Coop. Corp., et al. v. ALLETE, Inc., et al.*, 151 FERC ¶ 61,219 (2015)).

² Independence Common and White Bluff Common refer to common facilities, such as fences, etc.

³ Prepared Direct Testimony of Alan C. Heintz, Exhibit No. CWL-1 at 5 (citing *American Electric Power Service Corp.*, 88 FERC ¶ 61,141 (1999) (*AEP*); *Dynegy*

8. In determining the reactive portion of the plant investment associated with the generator and exciter, generator step-up transformer, accessory electrical equipment and balance of plant, Mr. Heintz explains that the installed cost of each of the four components was determined for Jonesboro's proportional ownership share of the units from investment data provided by Entergy Arkansas. For the generator/exciter component, Mr. Heintz explains that Jonesboro used percentages supported by Entergy Arkansas which were provided by the manufacturers. Mr. Heintz states that the plant investment for the generator step-up transformer was identified through a study of accounting records. Mr. Heintz further states that the plant investment cost related to the accessory electrical equipment is booked to Account 315 for steam plants, Account 324 for nuclear plants, Account 334 for hydro plants and Account 345 for other production plants. Mr. Heintz explains that the plant investment cost for the balance of plant was determined by taking the total plant investment for each plant and subtracting the reactive portion of the plant investment of the three prior components (generator and exciter, generator step-up transformer and accessory electrical equipment).

9. Mr. Heintz states that the reactive portion for the generator and exciter was calculated by multiplying the plant investment by a reactive allocator that equals the square of the reactive power rating (MVar) divided by the square of the total power ratings for each of the plants. Mr. Heintz explains that, for the generator step-up transformers, the reactive power portion of the plant was determined by multiplying the plant investment by the reactive allocator.

10. Mr. Heintz states that, for accessory electrical plant, Jonesboro used a 10 percent factor consistent with *AEP*. Mr. Heintz explains that the reactive portion of the balance of plant investment was determined by allocating the investment using the ratio of the maximum MVar output of the fleet at the time of the system peak to the MVar capability of the fleet times the ratio of the fleet exciter megawatt rating to the fleet generator megawatt rating. Mr. Heintz states that Jonesboro used the same fleet allocator as supported in *AEP*. According to Mr. Heintz, the calculations result in a 0.1 percent allocation for the balance of plant investment cost to reactive power.

11. Jonesboro states that, in calculating its fixed charge rate, it will utilize a return on equity (ROE) of 10.578 percent. Jonesboro notes that the rate is lower than the 12.38 percent recently requested by Entergy Services, Inc.⁴ Jonesboro states that the

Energy Midwest Generation, Inc., Opinion No. 498, 121 FERC ¶ 61,025 (2007), *order on reh'g*, 125 FERC ¶ 61,280 (2009) (*Dynegy*)).

⁴ Jonesboro March 5 Filing at 4 (citing *Entergy Louisiana Inc.*, 150 FERC ¶ 61,135 (2015) (accepting settlement agreement with revised reactive power revenue

(continued ...)

Commission has permitted providers of reactive service under Schedule 2 to utilize the Commission-approved Tariff Attachment O ROEs for the purpose of establishing their reactive power revenue requirements.

12. Finally, Jonesboro explains that, pursuant to Schedule 2, absent a deficiency in the certification of Qualified Generator status under Schedule 2, Jonesboro will be eligible to begin recovering reactive power in the MISO transmission system for Qualified Generators on the first day of the month immediately following the Commission's acceptance of its reactive power revenue requirements and attainment of Qualified Generator status, or the first day of the month if the Commission accepts its revenue requirements on the first day of the month. Jonesboro requests that the Commission accept and make effective its proposed reactive service revenue requirements as of April 1, 2015, so that Jonesboro may begin recovering costs of providing reactive power as soon as Qualified Generator status is obtained.

13. Notice of Jonesboro's filing was published in the *Federal Register*, 80 Fed. Reg. 13,537 (2015) and 80 Fed. Reg. 43,078 (2015), with interventions and protests due on or before March 27, 2015 and July 20, 2015. None was filed.

14. Jonesboro has committed to make its proposed ROE subject to the outcome of the Complaint Proceedings, including refunds, if necessary. Jonesboro is using a rate of return that is lower than the authorized rate of return, including return on common equity, of Entergy Arkansas, the interconnected utility. As Jonesboro acknowledges, Entergy Arkansas' return on common equity is the subject of the complaint proceedings in Docket No. EL14-12-000⁵ and Docket No. EL15-45-000.⁶ We find that Jonesboro's proposed revenue requirement should be subject to the outcome of the complaint proceedings in Docket Nos. EL14-12-000 and EL15-45-000. Therefore, given that we are not setting Jonesboro's proposed revenue requirement for hearing or settlement judge procedures, we accept Jonesboro's proposed revenue requirement for reactive service effective

requirements after original filing with 12.38 percent ROE received objections); *ITC Holdings Corp.*, 143 FERC ¶ 61,257, at P 60 (2013) ("We accept the use of the MISO ROE [of 12.38 percent] for the Entergy Operating Companies").

⁵ See *Ass'n of Bus. Advocating Tariff Equity, et al. v. Midcontinent Indep. Sys. Operator, Inc., et al.*, 149 FERC ¶ 61,049.

⁶ See *Arkansas Elec. Coop. Corp., et al. v. ALLETE, Inc., et al.*, 151 FERC ¶ 61,219.

August 1, 2015, subject to refund, and subject to the outcome of the Complaint Proceedings.

By direction of the Commission.

Kimberly D. Bose,
Secretary.