

152 ¶ FERC 61,119
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

August 11, 2015

In Reply Refer To:
AEP Generation Resources, Inc.
Docket Nos. ER15-1432-000
ER15-1432-001

Steptoe & Johnson LLP
1330 Connecticut Avenue NW
Washington, DC 20036

Attention: Steven J. Ross

Dear Mr. Ross:

1. On April 1, 2015, as amended on June 12, 2015, AEP Generation Resources, Inc. (AEP Generation) submitted a rate schedule for Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service) to revise its annual revenue requirement to provide Reactive Service pursuant to Schedule 2 of the PJM Interconnection, L.L.C. Open Access Transmission Tariff.¹ As discussed below, we accept the amended rate schedule to become effective June 1, 2015, as requested.

2. AEP Generation states that the original revenue requirement was established in 2005 as part of a black box settlement, and included the total annual revenue requirement for Reactive Service provided by Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, and Wheeling Power Company –collectively, the AEP East Companies – and AEP Generation. AEP Generation states that the Commission accepted an annual revenue requirement of \$24,633,299 and approved an increase in the revenue requirement by \$1,457,832 to a total of \$26,091,131 to reflect the acquisition of the Twelvepole Creek facility upon closing of the associated transaction.²

¹ AEP Generation Resources Inc., Tariff Database, Rate Schedule No. 3, Reactive Supply and Voltage Control from Generation Service, 4.0.0.

² See *American Electric Power Service Corp.*, 113 FERC ¶ 61,294 (2005).

3. AEP Generation states that the Commission approved an increase in the revenue requirement in 2008 to reflect the acquisition of the Waterford, Lawrenceburg, and Darby generating facilities, resulting in the current annual revenue requirement of \$32,941,113.³ AEP Generation states that the Commission accepted an allocation of the revenue requirement between the AEP East Companies and AEP Generation proposed in a series of filings made in 2013 and 2014; AEP Generation's resulting revenue requirement was \$13,724,164.88.⁴

4. In the instant filing, AEP Generation states that it proposes to reduce the revenue requirement for Reactive Service to reflect the retirement of certain generating units, including the previous retirement of the following units: Conesville 1, which retired on December 31, 2005; Conesville 2, which retired on December 31, 2005; Sporn 5, which retired on February 13, 2012; and Conesville 3, which retired on December 31, 2012.⁵ AEP Generation states that, because the original black box settlement did not indicate the revenue requirements attributable to the individual units, it is appropriate to remove each of the retiring units' pro rata share of the revenue requirement using the nameplate reactive capability for each unit. Based on these calculations, AEP Generation's resulting annual revenue requirement for Reactive Service is \$11,996,984.⁶

5. On May 14, 2015, Commission staff issued a letter informing AEP Generation that its submittal was deficient and that additional information was required to process its filing (Deficiency Letter). Commission staff requested additional information related to: (1) AEP Generation's ownership interests in the jointly owned resources listed in the filing; (2) information related to the Beckjord units in which AEP Generation has or had an interest; and (3) whether the tariff record could contain the revenue requirement as allocated to each unit. On June 12, 2015, AEP Generation filed a response to the Deficiency Letter (Deficiency Letter Response).

³ See *American Electric Power Service Corp.*, Docket No. ER08-1521-000 (Dec. 18, 2008) (delegated letter order).

⁴ See *AEP Generation Resources Inc.*, Docket No. ER13-1689-000 (Aug. 27, 2013) (delegated letter order); *Appalachian Power Co.*, Docket No. ER14-87-000 (Dec. 11, 2013) (delegated letter order); *AEP Generation Resources Inc.*, Docket No. ER15-444-000 (Dec. 16, 2014) (delegated letter order).

⁵ AEP Generation Aff. Ex. AEP-1 at 7.

⁶ See AEP Generation Aff. Ex. AEP-2 at 1.

6. Notice of the Deficiency Letter Response was published in the *Federal Register*, 80 Fed. Reg. 35,343 (2015), with interventions and protests due on or before July 6, 2015. None was filed.

7. In the Deficiency Letter Response, AEP Generation provided its ownership interest in units referenced in its filing, and stated that Beckjord unit 6 retired on October 1, 2014. AEP Generation clarifies that, although the retirement date of Beckjord unit 6 was inadvertently omitted from its filing, the retirement was accounted for in the reduction of its annual revenue requirement. Finally, in its amended filing, AEP Generation lists the Reactive Service revenue requirement as attributed to each unit.

8. We will accept AEP Generation's revised rate schedule for Reactive Service. The Commission previously held that entities may propose pro rata reductions to the revenue requirements contained in reactive power tariffs resulting from unit deactivations or transfers.⁷ The Commission finds that AEP Generation's pro rata reduction results in a just and reasonable rate. Furthermore, as discussed in the Commission's November 20, 2014 Order to Show Cause in Docket No. EL15-15-000,⁸ given that AEP Generation may have continued to receive payments for Reactive Service for units that 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.

⁷ See *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,224, at P 24 (2015).

⁸ See *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,132, at P 10 (2014); see also *Duke Energy Conesville, LLC*, 150 FERC ¶ 61,229, at P 8 (2015) (referring to the Commission's Office of Enforcement the matter of the resource owner possibly receiving payments for Reactive Power Service after its units had retired and thus were no longer capable of providing that service); *Desoto Cnty. Generating Co., LLC*, 151 FERC ¶ 61,009, at P 14 (2015) (referring to the Commission's Office of Enforcement the matter of the resource owner possibly receiving payments for Reactive Power Service while its facility was incapable of providing that service).

9. Accordingly, we hereby accept the amended rate schedules, effective June 1, 2015, as requested, as discussed in the body of this order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.