

152 FERC ¶ 61,125  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

August 14, 2015

In Reply Refer To:  
Calpine New Jersey Generation, LLC  
Docket No. ER15-1427-001

Neil L. Levy  
Bruce L. Richardson  
King & Spalding LLP  
1700 Pennsylvania Avenue, NW  
Washington, DC 20006-4706

Dear Mr. Levy and Mr. Richardson:

1. On April 1, 2015, Calpine New Jersey Generation, LLC (Calpine), submitted a revised rate schedule to update its annual revenue requirement to provide Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service)<sup>1</sup> pursuant to Schedule 2 of the PJM Interconnection, L.L.C. (PJM) Open Access Transmission Tariff. As discussed below, we accept the amended rate schedule<sup>2</sup> to become effective January 28, 2015, as requested.

2. Calpine states that it is an exempt wholesale generator with market-based rates that owns and operates several generation facilities in New Jersey with a combined capacity of approximately 771 MW.<sup>3</sup> According to Calpine, it acquired these facilities as

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<sup>1</sup> Calpine New Jersey Generation, LLC, FERC Electric Tariffs, [Reactive Rate Schedule, FERC Electric Tariff, Volume No. 3, 0.0.0](#).

<sup>2</sup> Calpine New Jersey Generation, LLC, FERC Electric Tariffs, [Reactive Rate Schedule, FERC Electric Tariff, Volume No. 3, 0.1.0](#).

<sup>3</sup> Calpine states the facilities owned and operated by Calpine New Jersey are Carll's Corner Energy Center, Cedar Energy Center (which included now-retired Unit 1 and Unit 2), Cumberland 1, Cumberland 2, Mickleton Energy Center, Middle Energy Center, Missouri Avenue Energy Center, and Sherman Avenue Energy Center (collectively, New Jersey Plants).

part of a Commission-approved transaction with Conectiv Atlantic Generation, LLC (Conectiv Atlantic) (Transaction).<sup>4</sup> Calpine states that, following the consummation of the transaction, Conectiv Atlantic changed its name to Calpine New Jersey.

3. Calpine states that, in connection with the Transaction, the revenue requirement for Reactive Service for the New Jersey Plants in the PJM Atlantic City Electric Company zone (AE Zone) was transferred to Calpine Energy Services, L.P. (CES). Calpine states that PJM's list of Reactive Service revenue requirements published in February 2015 identifies an annual revenue requirement of \$2,622,105.94 for CES in the AE Zone.<sup>5</sup> Calpine states that CES is the Market Participant for Calpine New Jersey. Calpine states that CES's overall annual Reactive Service revenue requirement consists of an annual revenue requirement for: (i) Cumberland 2 of \$394,769, and (ii) the balance of the New Jersey Plants of \$2,227,336.94. Calpine states that it does not currently have a stand-alone tariff on file for Reactive Service and is seeking to implement one in this filing.

4. Calpine states that, by letters dated April 5, 2012, and January 11, 2013, Calpine gave notice to PJM of deactivation of the Cedar Energy Center effective May 31, 2015. Calpine states that, by letter dated January 20, 2015, however, it notified PJM that Cedar Energy Center's Unit 1 (Cedar Unit 1) generator had experienced a failure of a generator breaker on September 28, 2014 that resulted in mechanical damage to the rotor and stator. Calpine states that it explained that it was, at the time, considering various repair and replacement options, with a purchase of a new generator being the most feasible option, but that the installed cost and lead time were estimated to be approximately 15 months, which Calpine notes would run past the proposed May 31, 2015 deactivation date. As a result, Calpine states that it requested that PJM take the necessary steps to permit a retirement date effective as soon as possible. Calpine states that, eight days later on January 28, 2015, PJM confirmed a new deactivation date of January 28, 2015 for Cedar Unit 1. Thus, the proposed rate schedule for Reactive Service reflects the revised annual revenue requirement resulting from the January 28, 2015 retirement of Cedar Unit 1. Calpine determined the annual revenue requirement for the retired Cedar Unit 1 by allocating the entire revenue requirement for the New Jersey Plants to individual units,

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<sup>4</sup> See *New Dev. Holdings, LLC, et al.*, 131 FERC ¶ 62,266 (2010) (approving the transaction); *New Development Holdings, LLC, Notification of Consummation*, Docket No. EC10-64-000 (filed July 2, 2010).

<sup>5</sup> See PJM, *Reactive Supply and Voltage Control from Generation or Other Sources Service Revenue Requirements* (Feb. 2015), <http://www.pjm.com/~media/markets-ops/settlements/reactive-revenue-requirements-table-february-2015.ashx>.

using the MVAR nameplate rating of each unit. Based on this calculation, Calpine calculated Cedar Unit 1's revenue requirement to be \$133,326.51. Calpine deducted this amount from the annual revenue requirement for the New Jersey Plants and calculated a revised annual revenue requirement of \$2,094,010.43.

5. On May 14, 2015, Commission staff informed Calpine that its submittal was deficient and that additional information was required to process the filings (Deficiency Letter). Commission staff requested additional information related to: (1) whether the Cedar Unit 1 generator was capable of providing service any time after September 28, 2014; and (2) whether or not Deep Water units 1 and 6 were included in the rate schedule. On June 15, 2015, Calpine filed a response to the Deficiency Letter (Deficiency Letter Response).

6. Notice of the Deficiency Letter Response was published in the *Federal Register*, 80 Fed. Reg. 35,645 (2015), with interventions and protests due on or before July 6, 2015. None were filed.

7. In the Deficiency Letter Response, Calpine states that the Cedar Unit 1 generator was temporarily unable to provide Reactive Service beginning September 28, 2014 as a result of the failure of the generator breaker and the resulting damage to the rotor and stator. As such, Calpine states that Cedar Unit 1 went into a forced outage as of that date and that it continued to receive payments for Reactive Service for the Cedar Unit 1, as many generators do when their facilities are in forced outage or are otherwise taken out of service for limited periods. Additionally, Calpine states that the Deep Water units 1 and 6 were not included in the rate schedule it acquired from Conectiv Atlantic.

8. We will accept Calpine'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.<sup>6</sup> The Commission finds that Calpine'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,<sup>7</sup> given that Calpine 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.

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<sup>6</sup> See *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,224, at P 24 (2015).

<sup>7</sup> *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,132, at P 10 (2014).

9. Accordingly, we hereby accept the amended rate schedules, effective January 28, 2015, as requested, as discussed in the body of this order.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.