

155 FERC ¶ 61,085
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

Roundtop Energy LLC

Docket No. ER16-1004-000

ORDER ACCEPTING AND SUSPENDING PROPOSED RATE SCHEDULE AND
ESTABLISHING HEARING AND SETTLEMENT JUDGE PROCEDURES

(Issued April 22, 2016)

1. On February 25, 2016, Roundtop Energy LLC (Roundtop) submitted its proposed Rate Schedule FERC No. 2 (Rate Schedule)¹ under section 35 of the Commission's regulations and section 205 of the Federal Power Act (FPA).² The filing sets forth Roundtop's proposed revenue requirement for the provision of Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service) for its facility located in Susquehanna County, Pennsylvania (Facility).³ In this order, we accept for filing Roundtop's proposed Rate Schedule and suspend it for a nominal period, effective April 1, 2016, subject to refund. We also establish hearing and settlement judge

¹ Roundtop Energy LLC, Reactive Power, Rate Schedule FERC No. 2, 0.0.0.

² 18 C.F.R. § 35.13 (2015); 16 U.S.C. § 824d(d) (2012). Roundtop filed this tariff in the Commission's electronic filings system as a compliance filing in the Commission's electronic filing system (Type of Filing Code 70). The Commission finds that this filing is a proposed rate change under section 35.13 because Roundtop has been providing reactive power service to PJM Interconnection, L.L.C (PJM) prior to the instant filing. *See Calpine Oneta Power, L.P.*, 103 FERC ¶ 61,338, at P 11 (2003) (stating that, as the Oneta Project has been providing reactive power service under Section 3.5 of its Interconnection Agreement, albeit without charge, "the proposed rates for Reactive Power Service in the instant proceeding are not initial rates, but are changed rates.").

³ On March 11, 2016, Roundtop amended its Reactive Service filing by providing supplemental direct testimony of its witness.

procedures and grant Roundtop's request for waiver of the Commission's 60-day prior notice requirement (Waiver Request).⁴

I. Roundtop's Filing

2. Schedule 2 of the PJM Open Access Transmission Tariff (PJM Tariff) states that PJM will compensate owners of generation and non-generation resources for maintaining the capability to provide reactive power to PJM. Specifically, Schedule 2 provides that, for each month of Reactive Service provided by generation and non-generation resources in the PJM region, PJM shall pay each resource owner an amount equal to the resource owner's monthly revenue requirement, as accepted or approved by the Commission.⁵

3. Roundtop owns and operates the Facility, which is interconnected to the transmission system owned by the Penelec and operated by PJM. Roundtop proposes to calculate the Facility's revenue requirement in accordance with the *AEP* methodology.⁶ Roundtop explains that the revenue requirement consists of a Fixed Capability Component, which represents the fixed cost attributable to the production of reactive power, and a Heating Losses Component.⁷ Roundtop proposes an annual revenue requirement of \$415,373, which includes \$351,872 for the Fixed Capability Component and \$63,501 for the Heating Losses Component.⁸

4. Roundtop proposes to calculate the Fixed Capability Component by calculating the portion of plant costs that are attributable to the production of Reactive Supply Service. This includes analyzing the reactive portion of investment in the generator and associated exciter equipment and generator step-up transformers. Because this equipment contributes to both real and reactive power, Roundtop applies an allocator to apportion plant costs between real and reactive functions. Roundtop states it incorporated costs for accessory electrical equipment supporting the operation of the generator-exciter system and balance of plant by using an allocator to attribute such costs to reactive functions.⁹ Roundtop explains that individual allocated amounts attributable

⁴ 18 C.F.R. § 35.3 (2015).

⁵ PJM, Intra-PJM Tariffs, OATT, Schedule 2 (3.1.0).

⁶ *Am. Elec. Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141, at 61,456-57 (1999).

⁷ Roundtop February 25, 2016 Transmittal Letter at 4-5 (Transmittal Letter).

⁸ *Id.* at Attachment A, Roundtop Rate Schedule.

⁹ *Id.* at 4-5.

to Reactive Supply are then summed and multiplied by a fixed charge consistent with Commission precedent to produce the Fixed Capability Component of Roundtop's annual revenue requirement for Reactive Service.

5. In determining the cost of capital, Roundtop proposes to use a rate of return on equity of 9.60 percent,¹⁰ the authorized rate of return of Penelec, the utility to which the Facility is interconnected.¹¹ With regard to the Heating Losses Component, Roundtop explains that it included this component in the revenue requirement in order to recover the costs associated with losses that occur from resistive heating associated with the armature winding and field winding of the generator.¹²

6. In support of its Waiver Request, Roundtop states that PJM Tariff Schedule 2 provides that Roundtop will be eligible for recovering the cost of providing reactive power within PJM on the first day of the month in which the Commission accepts or approves the revenue requirement. Therefore, Roundtop requests that the Commission issue an order by the end of April 2016 with an effective date of April 1, 2016.¹³

II. Notice and Responsive Pleadings

7. Notice of Roundtop's February 25, 2016 filing was published in the *Federal Register*, 81 Fed. Reg. 11,555 (2016), with interventions and protests due on or before March 17, 2016. PJM submitted a timely motion to intervene and comments.

8. PJM explains that it determines the monthly revenue requirement by dividing the annual revenue requirement approved by the Commission by 12 and rounding to the second decimal. Therefore, under the proposed Rate Schedule, PJM would provide Roundtop \$34,614.42 per month if the filing is approved by the Commission.¹⁴

¹⁰ *Id.* at Attachment B, Supporting Schedules Exhibit No. RT-2, Attachment C at line 16.

¹¹ *Id.* at 5.

¹² *Id.*

¹³ *Id.* at 6.

¹⁴ PJM March 16, 2016 Comments at 2.

III. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), PJM's timely, unopposed motion to intervene serves to make it a party to this proceeding.

B. Substantive Matters

10. Our preliminary analysis indicates that Roundtop's proposed Rate Schedule has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. We find that Roundtop's proposed revenue requirement for Reactive Service provided by the Facility raises issues of material fact that cannot be resolved based on the record before us, and that are more appropriately addressed in the hearing and settlement judge procedures ordered below. Accordingly, we accept Roundtop's proposed Rate Schedule for filing, suspend it for a nominal period, to be effective April 1, 2016, subject to refund, and establish hearing and settlement judge procedures. Although we are setting the rate for hearing in its entirety, we note that Roundtop's use of locational marginal price to calculate the Heating Losses Component of its reactive power revenue requirement is contrary to Commission precedent.¹⁵

11. While we are setting these matters for a trial-type evidentiary hearing, we encourage the participants to make every effort to settle their dispute before hearing procedures commence. To aid the participants in their settlement efforts, we will hold the hearing in abeyance and direct that a settlement judge be appointed, pursuant to Rule 603 of the Commission's Rules of Practice and Procedure.¹⁶ If the participants desire, they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding; otherwise the Acting Chief Judge will select a judge for this purpose.¹⁷

¹⁵ The Commission recently provided guidance on establishing or revising rates for Reactive Service. *Wabash Valley Power Association, Inc.*, 154 FERC ¶ 61,245, at PP 24-29 (2016); *Wabash Valley Power Association, Inc.*, 154 FERC ¶ 61,246, at PP 23-28 (2016).

¹⁶ 18 C.F.R. § 385.603 (2015).

¹⁷ If the participants decide to request a specific judge, they must make their joint request to the Acting Chief Judge by telephone at (202) 502-8500 within five days of this order. The Commission's website contains a list of Commission judges available for settlement proceedings and a summary of their background and experience (<http://www.ferc.gov/legal/adr/avail-judge.asp>).

The settlement judge shall report to the Acting Chief Judge and the Commission within 30 days of the date of the appointment of the settlement judge, concerning the status of settlement discussions. Based on this report, the Acting Chief Judge shall provide the participants with additional time to continue their settlement discussions or provide for commencement of a hearing by assigning the case to a presiding judge.

The Commission orders:

(A) We accept Roundtop's proposed Rate Schedule, and suspend it for a nominal period, to become effective April 1, 2016, as requested, subject to refund, as discussed in the body of this order.

(B) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by section 402(a) of the Department of Energy Organization Act and the FPA, particularly sections 205 and 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the FPA (18 C.F.R. Chapter I), a public hearing shall be held concerning the justness and reasonableness of Roundtop's Reactive Power Tariff, as discussed in the body of this order. However, the hearing shall be held in abeyance to provide time for settlement judge procedures, as discussed in Ordering Paragraphs (C) and (D) below.

(C) Pursuant to Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (2015), the Acting Chief Judge is hereby directed to appoint a settlement judge in this proceeding within fifteen (15) days of the date of this order. Such settlement judge shall have all powers and duties enumerated in Rule 603 and shall convene a settlement conference as soon as practicable after the Acting Chief Judge designates the settlement judge. If the participants decide to request a specific judge, they must make their request to the Acting Chief Judge within five (5) days of the date of this order.

(D) Within thirty (30) days of the appointment of the settlement judge, the settlement judge shall file a report with the Commission and the Acting Chief Judge on the status of the settlement discussions. Based on this report, the Acting Chief Judge shall provide the participants with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate. If settlement discussions continue, the settlement judge shall file a report at least every sixty (60) days thereafter, informing the Commission and the Acting Chief Judge of the participants' progress toward settlement.

(E) If settlement judge procedures fail and a trial-type evidentiary hearing is to be held, a presiding judge, to be designated by the Acting Chief Judge, shall, within fifteen (15) days of the date of the presiding judge's designation, convene a prehearing

conference in these proceedings in a hearing room of the Commission, 888 First Street, NE, Washington, DC 20426. Such a conference shall be held for the purpose of establishing a procedural schedule. The presiding judge is authorized to establish procedural dates, and to rule on all motions (except motions to dismiss) as provided in the Commission's Rules of Practice and Procedure.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.