

156 FERC ¶ 61,173
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Logan Generating Company, L.P.

Docket No. ER16-2217-000

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

(Issued September 12, 2016)

1. On July 15, 2016, Logan Generating Electric Company (Logan) submitted its proposed Rate Schedule FERC No. 2 (Rate Schedule)¹ as an initial rate under section 35.12 of the Commission's regulations and section 205 of the Federal Power Act (FPA).² The filing sets forth Logan's proposed revenue requirement for the provision of Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service) for its 242.25 MW (nameplate) cogeneration facility located in Logan Township, New Jersey (Facility). In this order, we accept for filing Logan's proposed Rate Schedule and suspend it for a nominal period, to become effective September 1, 2016, subject to refund.³ We also establish hearing and settlement judge procedures. Finally, we grant Logan's request for waiver of the Commission's 60-day notice requirement.⁴

¹ Logan Generating Company, L.P., FERC FPA Electric Tariff, Reactive Tariff, Logan Generating Co., Reactive Power Tariff, 0.0.0.

² 18 C.F.R. § 35.12 (2016); 16 U.S.C. § 824d (2012).

³ Although Logan cites to section 35.12 of the Commission's regulations establishing procedures for initial rate filings, we conclude that Logan's filing is a proposed rate change under section 205(d) of the Federal Power Act because Logan has been providing reactive power service to PJM Interconnection, L.L.C. (PJM) prior to this filing, *Keystone Energy Serv. Co., L.P.*, Docket No. ER94-306-000 (Apr. 28, 1994); *Logan Generating Co., L.P.*, Docket No. ER95-471-000 (Mar. 6, 1995) (redesignating Rate Schedule FERC No. 1 under Logan's name); *see also Logan Generating Co., L.P.*,

(continued ...)

I. Logan'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. Logan states that it will own and operate the Facility, which will interconnect to the transmission system owned by Atlantic City Electric Company (ACE). Logan proposes to calculate the Facility's revenue requirement in accordance with the *AEP* methodology.⁶ Logan 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 Logan proposes an annual revenue requirement of \$955,810, which includes \$953,039 for the Fixed Capability Component and \$2,771 for the Heating Losses Component.⁸

4. Logan proposes to calculate the Fixed Capability Component by calculating the portion of plant costs that are attributable to the production of Reactive Service. Because the relevant equipment, namely the generator-associated exciter equipment and the generator step-up transformers, contribute to both real and reactive power, Logan applies

Docket No. ER95-246-000 (Jan. 17, 1995) (amending the power sales agreement). *See Calpine Oneta Power, L.P.*, 103 FERC ¶ 61,338, at P 11 (2003) ("The Oneta Project has been providing reactive power service to PSO under Section 3.5 of its Interconnection Agreement, albeit without charge. Thus, the proposed rates for Reactive Power Service in the instant proceeding are not initial rates, but are changed rates."); *Chehalis Power Generating, L.P.*, 152 FERC ¶ 61,050, at P 14 (2015) ("In order for a rate to be considered an initial rate, it must provide for a new service to a new customer." (citing *Sw. Elec. Power Co.*, 39 FERC ¶ 61,099, at 61,293 (1987))).

⁴ 18 C.F.R. § 35.3 (2016).

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 July 15, 2016 Transmittal Letter at Attachment A – Reactive Service Tariff.

⁸ *Id.* at Attachment A, Logan Rate Reactive Service Tariff.

an allocation factor to apportion plant costs between real and reactive functions. Logan further states that it incorporated the costs of accessory electrical equipment that supports the operation of the generator-exciter system and balance of plant by using an allocation factor to apportion such costs between the Facility's real and reactive functions.⁹ Logan explains that it added up the individual amounts attributable to Reactive Supply and multiplied that sum by a fixed charge to produce the Fixed Capability Component of Logan's annual revenue requirement for Reactive Service.

5. In determining the cost of capital, Logan proposes to use the authorized rate of return for ACE, the utility to which the Facility is interconnected.¹⁰ Logan explains that it included the Heating Losses 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.¹¹

6. Logan requests that the Commission waive its 60-day notice requirement so that the Rate Schedule may go into effect on September 1, 2016.¹²

II. Notice and Responsive Pleadings

7. Notice of Logan's July 15, 2016 filing was published in the *Federal Register*, 81 Fed. Reg. 48,786 (2016) with interventions and protests due on or before August 5, 2016. PJM and ACE submitted timely motions to intervene.

III. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), PJM's and ACE's timely, unopposed motions to intervene serve to make them parties to this proceeding.

⁹ *Id.* at 5.

¹⁰ *Id.* at 6.

¹¹ *Id.*

¹² *Id.* at 2.

B. Substantive Matters

9. We find that Logan'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 hearing and settlement judge procedures. Accordingly, we accept Logan's proposed Rate Schedule for filing, suspend it for a nominal period, to become effective September 1, 2016, subject to refund, and establish hearing and settlement judge procedures.¹³ Although we are setting the Rate Schedule for hearing in its entirety, we note that Logan's turbine generator cost of \$54,313,533 and the generator and exciter cost of \$21,725,413 appear excessive since the generator manufacturer's letter in Exhibit No. LGC-2, Schedule 2, Attachment A depicts the turbine generator cost as approximately \$22 million and the generator and exciter cost as approximately \$8.8 million.¹⁴

10. While we are setting this matter for a trial-type evidentiary hearing, we encourage the parties to make every effort to settle their dispute before hearing procedures commence. To aid the parties 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.¹⁵ If the parties desire they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding. The Chief Judge, however, may not be able to designate the requested settlement judge based on workload requirements which determine judges' availability.¹⁶ The settlement judge shall report to the Chief Judge and the Commission within thirty (30) days of the date of the appointment of the settlement judge, concerning the status of settlement discussions. Based on this report, the Chief Judge shall provide the parties with

¹³ We will waive the Commission's 60-day prior notice requirement. 18 C.F.R. § 35.3 (2016).

¹⁴ 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).

¹⁵ 18 C.F.R. § 385.603 (2016).

¹⁶ If the parties decide to request a specific judge, they must make their joint request to the Chief Judge by telephone at (202) 502-8500 within five (5) 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>).

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) Logan's proposed Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective September 1, 2016, 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 Logan's Rate Schedule, 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 (2016), the 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 Chief Judge designates the settlement judge. If the participants decide to request a specific judge, they must make their request to the 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 Chief Judge on the status of the settlement discussions. Based on this report, the 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 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 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.