

157 FERC ¶ 61,130
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Entergy Louisiana, LLC

Docket Nos. ER16-1832-000
ER16-1832-001
ER16-1832-002

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

(Issued November 18, 2016)

1. On June 1, 2016, as amended July 22, 2016 and September 19, 2016, pursuant to section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations,² Entergy Services, Inc. submitted on behalf of Entergy Louisiana, LLC (Entergy Louisiana) a proposed rate schedule (Rate Schedule),³ which specifies Entergy Louisiana's revenue requirement under Schedule 2 for Reactive Supply and Voltage Control from Generation Sources Service (Reactive Supply Service) of the Midcontinent Independent System Operator, Inc. (MISO) Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) for Unit 6 at the Ninemile Point Electric Generating Station (Ninemile 6).⁴ In this order, we accept the Rate Schedule for filing, and suspend it for a nominal period, to become effective December 1, 2016, subject to refund. We also establish hearing and settlement judge procedures.

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2016).

³ Because the Rate Schedule filed on June 1, 2016, as amended July 22, 2016, was overtaken by the Rate Schedule submitted on September 19, 2016, the filings in Docket No. ER16-1832-000 and Docket No. ER16-1832-001 are not accepted.

⁴ Schedule 2 of the MISO Tariff, which governs the provision and compensation for Reactive Supply and Voltage Control Service, contains eligibility criteria necessary for a generator to receive reactive power compensation.

I. Entergy Louisiana's Filings

2. Entergy Louisiana states that it is a public utility that generates, transmits, distributes, and sells electric power to retail customers in portions of Louisiana.⁵ It states that Ninemile 6 is a 550 MW three-unit combined cycle electric generating facility with three combustion turbines, three heat recovery steam generators, one steam turbine, and other balance of plant equipment located in Westwego, Louisiana. Ninemile 6 is registered with MISO and provides capacity, energy, and ancillary services to customers located in the MISO balancing authority and is capable of being dispatched and operated to provide reactive power to the MISO transmission system for voltage support. Entergy Louisiana states that Ninemile 6 is a new facility for which it does not currently recover Reactive Supply Service revenue and that, because it is a new facility, there are no concerns about potential degradation of Ninemile 6's MVAR capability.⁶

3. Entergy Louisiana made the instant filing, as amended,⁷ containing the proposed Rate Schedule and seeking Commission approval to permit Entergy Louisiana to recover its cost-based revenue requirement for the Reactive Supply Service associated with its ownership of Ninemile 6.⁸ Entergy Louisiana states that it is eligible to recover its costs of Reactive Supply Service to MISO pursuant to Schedule 2 of the MISO Tariff. Entergy Louisiana states that Ninemile 6 is located in MISO's Entergy Louisiana transmission pricing zone.

4. Entergy Louisiana's proposed Rate Schedule consists of an annual Reactive Service Supply revenue requirement of \$2,200,948, collected as a fixed monthly charge of \$183,412.33, based on Ninemile 6's fixed capability component.⁹ Entergy Louisiana explains that the fixed capability component was calculated by: (1) identifying equipment associated with reactive power production and determining the installed cost of each asset; (2) calculating the reactive allocation factor for each category of reactive power production equipment; (3) calculating the installed cost of the reactive power

⁵ June Transmittal at 2.

⁶ *Id.*

⁷ Entergy Louisiana amended its filing on July 22, 2016 to correct inadvertent data input errors in its supporting cost information and provide additional information on Ninemile 6's accessory electrical equipment. July Transmittal at 1. Entergy Louisiana amended its filing on September 19, 2016 in order to request additional time for Entergy Louisiana to gather supplemental material. September Transmittal at 1.

⁸ June Transmittal at 2.

⁹ July Transmittal at 1.

production equipment by applying the reactive allocation factor; and (4) determining a fixed charge rate to apply to the allocated reactive power production equipment and multiplying that fixed charge rate by the reactive power production equipment investment. Entergy Louisiana states that it does not propose to recover heating losses at this time,¹⁰ and that its methodology is consistent with the Commission approved *AEP* methodology.¹¹

5. Entergy Louisiana states that it utilizes a return on equity (ROE) of 12.38 percent in determining the Reactive Supply Service revenue requirement for Ninemile 6.¹² Entergy Louisiana states that the Commission has permitted providers of Reactive Supply Service to utilize their Commission approved Attachment O ROEs for the purpose of establishing their Reactive Supply Service revenue requirements.¹³ Entergy Louisiana commits to adjust the proposed fixed charge rate and resulting Reactive Supply Service revenue requirement, and to make appropriate refunds of reactive compensation that it may collect, subject to the resolution of the ongoing ROE complaint proceeding currently pending before the Commission in Docket No. EL15-45-000.¹⁴

6. Entergy Louisiana states that pursuant to Schedule 2, it will be eligible to begin recovering its Reactive Service Supply revenue requirement from MISO on the first day of the month immediately following Commission acceptance of its Rate Schedule.¹⁵ Therefore, Entergy Louisiana requests that the Commission accept its Rate Schedule effective August 1, 2016. Entergy Louisiana states that it intends to complete the Schedule 2 certification process for Ninemile 6 by that date.

II. Notice of Filing

7. Notice of Entergy Louisiana's June 1, 2016 filing was published in the *Federal Register*, 81 Fed. Reg. 36,910 (2016), with interventions and protests due on or before

¹⁰ June Transmittal at 5.

¹¹ *Id.* at 3 (citing *American Elec. Power Serv. Corp.*, 80 FERC ¶ 63,006 (1997), *order on reh'g*, 88 FERC ¶ 61,141 (1999) (*AEP*)).

¹² *Id.* at 4.

¹³ *Id.* (citing *Union Elec. Co.*, Docket No. ER10-962-000, Letter Order (May 26, 2010) (delegated letter order)).

¹⁴ *Id.* at 4-5.

¹⁵ *Id.* at 6.

June 22, 2016. The Louisiana Public Service Commission (Louisiana Commission) filed a notice of intervention.

8. Notice of Entergy Louisiana's July 22, 2016 supplemental filing in Docket No. ER16-1832-001 was published in the *Federal Register*, 81 Fed. Reg. 49,638 (2016), with interventions and protests due on or before August 12, 2016. None was filed.

9. Notice of Entergy Louisiana's September 19, 2016 supplemental filing in Docket No. ER16-1832-002 was published in the *Federal Register*, 81 Fed. Reg. 66,010 (2016), with interventions and protests due on or before October 11, 2016. None was filed.

III. Commission Determination

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), the notice of intervention serves to make the Louisiana Commission a party to this proceeding.

B. Substantive Matters

11. Entergy Louisiana's proposed Rate Schedule 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.

12. Our preliminary analysis indicates that Entergy Louisiana'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. For example, we find that several components of Entergy Louisiana's proposed Rate Schedule are not adequately supported, including, but not limited to the cost figures provided concerning Entergy Louisiana's "indirects" category of costs.¹⁶ Although Entergy Louisiana has requested an effective date of August 1, 2016, we grant an effective date of December 1, 2016, subject to refund. Schedule 2 of the MISO Tariff provides a prospective date for proposed revenue requirements tied to generator self-certification of eligibility and Commission acceptance of a generator's proposed revenue requirement.¹⁷ The earliest

¹⁶ 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).

¹⁷ Section II.C provides that "Qualified Generator status is effective on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue
(*continued ...*)

possible effective date due to Entergy Louisiana's September amendment under the MISO Tariff is December 1, 2016. Therefore, we will accept Entergy Louisiana's proposed Rate Schedule for filing, suspend it for a nominal period, make it effective December 1, 2016, subject to refund, and set it for hearing and settlement judge procedures.

13. While we are setting these matters 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.¹⁸ If the parties desire, they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding.¹⁹ The Chief Judge, however, may not be able to designate the requested settlement judge based on workload requirements which determine judges' availability. 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 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) Entergy Louisiana's proposed Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective December 1, 2016, 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

requirement is on the first day of the month." MISO, FERC Electric Tariff, Schedule 2, Reactive Supply and Voltage Control From Generation or Other § II.C (32.0.0).

¹⁸ 18 C.F.R. § 385.603 (2016).

¹⁹ 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 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>).

reasonableness of Entergy Louisiana'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 parties 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 parties 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 parties' 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)

Nathaniel J. Davis, Sr.,
Deputy Secretary.