

156 FERC ¶ 61,143  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

NRG Power Midwest LP  
NRG Power Midwest LP

Docket No. ER16-2665-000  
Docket Nos. ER16-1443-000  
EL16-72-000  
(consolidated)

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

(Issued November 22, 2016)

1. On September 26, 2016, NRG Power Midwest LP (NRG Midwest) submitted for filing its FERC Rate Schedule No. 2 (Revised Reactive Rate Schedule), pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Schedule 2 of the PJM Interconnection, L.L.C. (PJM) Open Access Transmission Tariff (OATT). NRG Midwest seeks to increase its revenue requirement for reactive supply and voltage control service (Reactive Service) to update the revenue requirement for its Avon Lake and New Castle facilities and include the cost of Reactive Service for its Cheswick and Brunot Island facilities in its Revised Reactive Rate Schedule. In this order, we accept the Revised Reactive Rate Schedule for filing,<sup>2</sup> suspend it for a nominal period, to become effective November 1, 2016, as requested, subject to refund, and establish hearing and settlement judge procedures. We also grant NRG Midwest's request to consolidate this proceeding with the proceedings in Docket Nos. ER16-1443-000 and EL16-72-000 (Initial Proceeding).<sup>3</sup>

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> NRG Power Midwest LP, Cost-Based Rate Schedules, Reactive Rate Schedule, Rate Schedule FERC No. 2, 6.0.0.

<sup>3</sup> *NRG Power Midwest, LP*, 155 FERC ¶ 61,256 (2016).

## I. Background

2. Schedule 2 of the PJM OATT, which covers Reactive Service, provides that PJM will compensate owners of generation and non-generation resources for providing Reactive Service. Specifically, Schedule 2 states 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. Schedule 2 requires that at least 90 days before deactivating or transferring a resource receiving compensation for reactive supply and voltage support, the resource owner either: (1) submit a filing to terminate or adjust its cost-based rate schedule to account for the deactivated or transferred unit; or (2) submit an informational filing explaining the basis for the decision by the Reactive Service supplier not to terminate or revise its cost-based rate schedule.<sup>4</sup>

3. NRG Midwest states that it is an indirect, wholly owned subsidiary of NRG Energy, Inc.<sup>5</sup> NRG Midwest states that it currently owns and operates the following generation facilities: Niles, Avon Lake (Units 9 and 10), New Castle (Units 3, 4, and 5), Cheswick, and Brunot Island facilities (collectively, NRG Midwest Units).<sup>6</sup> NRG Midwest notes that the NRG Midwest Units have a combined generation capacity of approximately 2,034 MW.<sup>7</sup> NRG Midwest states that the Niles, Avon Lake, and New Castle facilities interconnect to the American Transmission System, Inc. (ATSI) transmission grid and are located in the PJM market within the ATSI zone.<sup>8</sup> NRG Midwest states that the Cheswick and Brunot Island facilities interconnect to the Duquesne Light Company (Duquesne) transmission grid and are located in the PJM market within the Duquesne zone.<sup>9</sup>

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<sup>4</sup> PJM, Intra-PJM Tariffs, OATT, Schedule 2 (3.1.0).

<sup>5</sup> NRG Midwest September 26, 2016 filing at 4 (citing *NRG Energy, Inc.*, 141 FERC ¶ 61,207 (2012)) (September 26 Filing).

<sup>6</sup> *Id.* at 4-5.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 5.

<sup>9</sup> *Id.*

4. NRG Midwest states that on April 15, 2016, as supplemented on April 18, 2016, NRG Midwest filed an amended Rate Schedule to reflect the April 16, 2016 deactivation of Unit 7 at the Avon Lake facility (Current Reactive Rate Schedule).<sup>10</sup> NRG Midwest notes that the Commission accepted NRG Midwest's Current Reactive Rate Schedule, effective April 16, 2016, and established the current Reactive Service revenue requirement of \$1,606,687.94.<sup>11</sup> NRG Midwest notes that, in addition to accepting NRG Midwest's Current Reactive Rate Schedule, the Commission instituted a Section 206 proceeding and established hearing and settlement judge procedures in Docket No. EL16-72-000.<sup>12</sup> NRG Midwest states that the Commission identified two areas of concern: the heating losses component and whether the MVAR output has been subject to degradation due to the age of the units.<sup>13</sup>

5. NRG Midwest states that in the course of settlement discussions in the Initial Proceeding, NRG Midwest agreed to file a motion to hold the Initial Proceeding in abeyance to enable NRG Midwest to complete and file the September 26 Filing.<sup>14</sup> NRG Midwest states that the motion requested that the Initial Proceeding be held in abeyance until January 2, 2017 to allow time for the Commission to issue an order on the September 26 Filing.<sup>15</sup> NRG Midwest states that on August 8, 2016, the Acting Chief Administrative Law Judge issued an order granting the motion in part and holding the settlement process in abeyance for NRG Power Midwest to make the September 26 Filing by October 31, 2016.<sup>16</sup>

6. According to NRG Midwest, the Current Reactive Rate Schedule is a cost-based rate schedule that reflects NRG Midwest's revenue requirement of \$1,606,687.94 for Reactive Service for the Avon Lake (Units 9 and 10) and New Castle (Units 3, 4, and 5) facilities.<sup>17</sup> NRG Midwest submits that the Revised Reactive Rate Schedule represents a

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<sup>10</sup> *Id.* at 7.

<sup>11</sup> *Id.* at 7-8.

<sup>12</sup> *Id.* at 8.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 9.

revenue requirement of \$2,274,508.63 for Reactive Service for the NRG Midwest Units and is consistent with the AEP Methodology.<sup>18</sup> NRG Midwest explains that the annual revenue requirement continues to consist of three components: (1) the fixed cost attributable to reactive power production capability; (2) the increased generator and step-up transformer heating losses that result from the production of reactive power; and (3) lost opportunity costs in the event a facility is directed to start units or modify its energy output to produce additional reactive power. NRG Midwest requests that the Commission adhere to the AEP Methodology until that methodology is revised through a rulemaking process.<sup>19</sup>

7. NRG Midwest requests that the Commission waive its 60-day notice requirement so that the Revised Reactive Rate Schedule may go into effect on November 1, 2016.<sup>20</sup> As discussed above, NRG Midwest notes that the Initial Proceeding is currently being held in abeyance to enable NRG to prepare and file this filing.<sup>21</sup> NRG Midwest states that, because of the nexus between the September 26 Filing and the Initial Proceeding, consolidation is appropriate.<sup>22</sup> As such, NRG Midwest requests that the Commission consolidate this proceeding with the Initial Proceeding.<sup>23</sup>

## **II. Notice and Responsive Pleadings**

8. Notice of NRG Midwest's September 26, 2016 Filing was published in the *Federal Register*, 81 Fed. Reg. 68,011 (2016) with interventions and protests due on or before October 15, 2016. PJM and the Independent Market Monitor for PJM (Market Monitor) submitted timely motions to intervene.

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<sup>18</sup> *Id.* (citing *American Elec. Power Serv. Corp.*, 88 FERC ¶ 61,141 (1999), *on reh'g*, 92 FERC ¶ 61,001 (2000) (AEP Methodology)).

<sup>19</sup> *Id.* at 11 n.2.

<sup>20</sup> *Id.* at 12.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

### **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 (2016), PJM's and the Market Monitor's, unopposed motions to intervene serve to make them parties to this proceeding.

#### **B. Substantive Matters**

10. We find that NRG Midwest's proposed revenue requirement for Reactive Service provided by the NRG Midwest Units 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.

11. Our preliminary analysis indicates that NRG Midwest's proposed Revised Reactive 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 note that the NRG Midwest Units may be subject to MVAR output degradation, which reduces the reactive power capability of the generating facilities due to the age of the generating units.<sup>24</sup> Accordingly, we accept NRG Midwest's proposed Revised Reactive Rate Schedule for filing, suspend it for a nominal period, to become effective November 1, 2016, as requested, subject to refund, and establish hearing and settlement judge procedures.<sup>25</sup>

12. NRG Midwest's September 26 Filing proposes a different revenue requirement than the revenue requirement that the Commission set for hearing and settlement judge procedures in the Initial Proceeding. Because these filings involve the same parties and closely related issues, we will consolidate this proceeding with the proceeding in Docket Nos. ER16-1443-000 and EL16-72-000 for purposes of hearing and settlement discussions.

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<sup>24</sup> 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).

<sup>25</sup> We will waive the Commission's 60-day prior notice requirement. 18 C.F.R. § 35.3 (2016).

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 are commenced. To aid the parties in their settlement efforts, we will hold the hearing in abeyance. The settlement judge or presiding judge, as appropriate, designated in Docket Nos. ER16-1443-000 and EL16-72-000, shall determine the procedures best suited to accommodate the consolidation ordered herein. The settlement judge shall report to the Chief Judge and the Commission within 30 days of the date of this order 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) NRG Midwest's proposed Revised Reactive Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective November 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 NRG Midwest's Rate Schedule, as discussed in the body of this order.

(C) Docket No. ER16-2665-000 is hereby consolidated with the hearing and settlement judge proceedings in Docket Nos. ER16-1443-000 and EL16-72-000.

(D) The settlement judge or presiding judge, as appropriate, in Docket Nos. ER16-1443-000 and EL16-72-000 shall determine the procedures best suited to accommodate the consolidation ordered herein.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.