

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D.C. 20426

June 16, 2005

In Reply Refer To:
Onondaga Cogeneration Limited Partnership
Docket Nos. ER00-895-001 and
ER00-895-006

VanNess Feldman Attorneys At Law
Attn: Margaret A. Moore, Esq.
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1050 Thomas Jefferson Street, N.W.
Washington, D.C. 20007-3877

Dear Ms. Moore:

1. On November 4, 2003, Onondaga Cogeneration Limited Partnership (Onondaga) filed an updated market power analysis¹ pursuant to the requirements of the Commission's order granting Onondaga authority to sell capacity and energy at market-based rates.²
2. On March 24, 2005, Onondaga filed an updated market power analysis pursuant to the Commission's order issued on May 13, 2004.³ As discussed below, the Commission concludes that Onondaga satisfies the Commission's standards for market-based rate authority.

¹ Onondaga should have filed its updated market power analysis by February 9, 2003, which is three years from the date the Commission accepted its previous analysis. Onondaga did not file its analysis until November 4, 2003. Its next updated market power analysis is due within three years of the date of this order and we expect that filing to be made in a timely fashion.

² *Onondaga Cogeneration Limited Partnership, et al.*, 90 FERC ¶ 61,115 (2000).

³ *Acadia Power Partners, LLC*, 107 FERC ¶ 61,168 (2004) (May 13 Order).

3. In addition, Onondaga has included in its filing an amendment to its market-based rate tariff to incorporate the change in status reporting requirement adopted by the Commission in Order No. 652.⁴ The Commission also accepts Onondaga's amended market-based rate tariff, effective March 21, 2005.⁵

4. Onondaga, a New York limited partnership, owns and operates a 105.8 MW dual fuel, combined-cycle generation facility located in the New York Independent System Operator, Inc. (New York ISO) market. Onondaga states that its affiliates have a 238.7 MW interest in four other generation plants in the New York ISO and own generation located in the ISO New England, Inc. (ISO New England) market (86.9 MW) and PJM Interconnection, L.L.C. (PJM) (1,040.1 MW) market.

5. Onondaga states that it is indirectly wholly-owned by Teton Power Funding, Inc. (Teton Funding), which is a wholly-owned direct subsidiary of Atlantic Power Holdings, LLC (Atlantic Holdings).⁶ Onondaga states that Atlantic Holdings is owned by Atlantic Power Corporation (Atlantic) (58.1 percent), Teton Power Holdings, LLC (Teton Holdings) (20.71 percent), Epsilon Power Holdings, LLC (Epsilon Holdings) (6.65 percent), and Umatilla Power Holdings, LLC (Umatilla Holdings) (14.48 percent). Onondaga states that Atlantic is a publicly-traded corporation listed on the Toronto Stock Exchange. Onondaga states that Teton Holdings is owned by ArcLight Energy Partners Fund I (ArcLight I) (40 percent), ArcLight Energy Partners Fund II (ArcLight II) (40 percent) and Caithless Teton, LLC (20 percent), which is a wholly-owned subsidiary of Caithless Energy, LLC (Caithless). Onondaga states that Epsilon Holdings is a wholly-owned subsidiary of ArcLight I and Umatilla Holdings is a wholly-owned subsidiary of ArcLight II. Onondaga explains that ArcLight I and ArcLight II are each Delaware limited partnership and a private equity investment fund with a focus on the independent power sector. Onondaga states that John Hancock Life Insurance Company and its affiliates own 10 percent or more of the limited partnership interests in each ArcLight I and ArcLight II while the remaining interests in ArcLight I and ArcLight II are held by

⁴ *Reporting Requirement for Changes in Status for Public Utilities with Market-Based Rate Authority*, Order No. 652, 70 Fed. Reg. 8,253 (Feb. 18, 2005), FERC Stats. & Regs. ¶ 31,175 (2005).

⁵ FERC Electric Tariff, Original Volume No. 1, Second Revised Sheet No. 1 (Superseding First Revised Sheet No. 1).

⁶ Onondaga states that its ownership structure is the result of a series of transactions approved by the Commission under section 203 of the Federal Power Act. *See Onondaga Cogeneration Limited Partnership*, 106 FERC ¶ 62,041 (2004); *Onondaga Cogeneration Limited Partnership, et al.*, 107 FERC ¶ 62,080 (2004); *Delta Person Limited Partnership, et al.*, 109 FERC ¶ 62,056 (2004).

investors, none of whom has an interest greater than 10 percent. Onondaga indicates that Caithless is a privately owned company that specializes in power project development and geothermal resource exploration around the world.

Procedural Matters

6. Notice of Onondaga's November 4, 2003 filing was published in the *Federal Register*, 68 Fed. Reg. 65,694 (2003), with interventions and protests due on or before November 25, 2003. None was filed.

7. Notice of Onondaga's March 24, 2005 filing was published in the *Federal Register*, 70 Fed. Reg. 17,441 (2005), with interventions and protests due on or before April 14, 2005. None was filed.

Discussion

Market-Based Rate Authorization

8. The Commission allows power sales at market-based rates if the seller and its affiliates do not have, or have adequately mitigated, market power in generation and transmission and cannot erect other barriers to entry. The Commission also considers whether there is evidence of affiliate abuse or reciprocal dealing.⁷ As discussed below, the Commission concludes that Onondaga satisfies the Commission's standards for market-based rate authority.

9. In its order issued in *AEP Power Marketing, Inc.*, 107 FERC ¶ 61,018 (April 14 Order), *order on reh'g*, 108 FERC ¶ 61,026 (2004), the Commission adopted two indicative screens for assessing generation market power, the pivotal supplier screen and the wholesale market share screen. Onondaga has prepared both the pivotal supplier and the wholesale market share screen analyses for the New York ISO market.

10. The Commission has reviewed Onondaga's generation market power screens and has determined that Onondaga passes both the pivotal supplier and wholesale market share screens. Accordingly, the Commission finds that Onondaga satisfies the Commission's generation market power standard for the grant of market-based rate authority.

⁷ See, e.g., *Progress Power Marketing, Inc.*, 76 FERC ¶ 61,155 at 61,919 (1996); *Northwest Power Marketing Co., L.L.C.*, 75 FERC ¶ 61,281 at 61,899 (1996); *accord Heartland Energy Services, Inc.*, 68 FERC ¶ 61,223 at 62,062-63 (1994).

11. Onondaga states that neither it nor its affiliates own or control transmission facilities in the New York ISO, other than the interconnection equipment necessary to interconnect the generation facilities owned or operated by a qualifying facility and an exempt wholesale generator to the transmission grid. No intervenors have raised transmission market power concerns. Based on these representations, the Commission finds that Onondaga satisfies the Commission's transmission market power standard for the grant of market-based rate authority.

12. Onondaga explains that neither Onondaga nor its affiliates have dominant control over plant sites or other scarce inputs to generation that could be used to prevent competitors from entering the New York ISO wholesale electricity markets. Onondaga states that neither it nor its affiliates control any interstate fuel transportation systems. No intervenors have raised concerns regarding barriers to entry. Based on these representations, the Commission is satisfied that Onondaga cannot erect barriers to entry.

13. Onondaga states that it has no affiliates that are public utilities with a franchised electric service territory. In addition, Onondaga states that its market-based rate wholesale power sales tariff prohibits sales of electric energy and capacity to a franchised electric utility affiliate without first receiving Commission approval. Based on Onondaga's representations, we find that Onondaga satisfies the Commission's concerns with regard to affiliate abuse.

14. Consistent with the procedures the Commission adopted in Order No. 2001, an entity with market-based rates must file electronically with the Commission an Electric Quarterly Report containing: (1) a summary of the contractual terms and conditions in every effective service agreement for market-based power sales; and (2) transaction information for effective short-term (less than one year) and long-term (one year or greater) market-based power sales during the most recent calendar quarter.⁸ Electric Quarterly Reports must be filed quarterly no later than 30 days after the end of the reporting quarter.⁹

⁸ *Revised Public Utility Filing Requirements*, Order No. 2001, 67 Fed. Reg. 31,043 (May 8, 2002), FERC Stats. & Regs. ¶ 31,127 (2002). Required data sets for contractual and transaction information are described in Attachments B and C of Order No. 2001. The Electric Quarterly Report must be submitted to the Commission using the EQR Submission System Software, which may be downloaded from the Commission's website at <http://www.ferc.gov/docs-filing/eqr.asp>.

⁹ The exact dates for these reports are prescribed in 18 C.F.R. § 35.10b (2004). Failure to file an Electric Quarterly Report (without an appropriate request for extension), or failure to report an agreement in an Electric Quarterly Report, may result in forfeiture of market-based rate authority, requiring filing of a new application for market-based rate authority if the applicant wishes to resume making sales at market-based rates.

15. Our review of Onondaga's market-based rate tariff indicates that it has not submitted the Commission's market behavior rules as directed in the Market Behavior Rules Order.¹⁰ Accordingly, Onondaga is directed, within 30 days of the date of issuance of this order, to revise its market-based rate tariff to incorporate the market behavior rules.

16. Onondaga must timely report to the Commission any change in status that would reflect a departure from the characteristics the Commission relied upon in granting market-based rate authority.¹¹ Order No. 652 requires that the change in status reporting requirement be incorporated in the market-based rate tariff of each entity authorized to make sales at market-based rates. Onondaga has incorporated the change in status reporting requirement in its market-based rate tariff.

17. Onondaga is directed to file an updated market power analysis within three years of the date of this order, and every three years thereafter. The Commission also reserves the right to require such an analysis at any intervening time.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.

¹⁰ *Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations*, 105 FERC ¶ 61,218 (2003) (Market Behavior Rules Order), *order on reh'g*, 107 ¶ FERC 61,175 (2004).

¹¹ *Reporting Requirement for Changes in Status for Public Utilities With Market-Based Rate Authority*, Order No. 652, FERC Stats. & Regs. ¶ 31,175 (2005) (Order No. 652).