

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Carville Energy LLC

Docket No. ER03-1114-000

ORDER DISMISSING RATE FILING

(Issued September 10, 2003)

1. On July 24, 2003, pursuant to Section 205 of the Federal Power Act (FPA),¹ Carville Energy LLC (Carville) submitted a filing (July 24 Filing) that proposed a cost-based rate for reactive power service to Entergy Gulf States, Inc. (Entergy). In this order, the Commission dismisses Carville's filing, as discussed below.

Background

2. Carville states that its facility is an approximately 517 MW gas-fired "2 on 1" combined cycle generating facility located in St. Gabriel, Iberville Parish, Louisiana and interconnected to the Entergy control area.² Carville's facility commenced commercial operations in June 2003. Carville was granted qualifying facility (QF) status.³

3. Carville's proposed revenue requirement for reactive power services has two components: (1) a fixed capability component to recover the portion of its plants costs attributable to the reactive power capability of its facility; and (2) a heating loss component to recover the cost of increased generator heating losses resulting from the production of reactive power.

¹ 16 U.S.C. § 824d (2000).

² The amended Interconnection and Operating Agreement (Amended IOA) was accepted for filing by the Commission in a letter issued under delegated authority in Docket Nos. ER00-2212-000 and ER00-2212-001 on June 13, 2000.

³ Carville Energy LLC, 89 FERC ¶ 62,046 (1999). Carville subsequently self-recertified as a QF in QF98-83-002.

4. In testimony submitted with its filing, Carville states that the level of its investment for use in the fixed cost component of its revenue requirement is determined in accordance with the methodology of American Electric Power Service Corporation.⁴ As Carville is a “non-utility generator” that does not use the Commission’s Uniform System of Accounts (US of A),⁵ its return on equity and overall rate of return uses proxy data based on the capital structure and return on equity of Entergy, and on accounting methods described as “comparable” to those required by the US of A.

Notice of Filing and Interventions

5. Notice of Carville’s July 24 Filing was published in the Federal Register, 68 Fed. Reg. 46,598 (2003), with comments, protests, or interventions due on or before August 14, 2003. Duke Energy North America, LLC and Duke Energy Trading and Marketing, L.L.C. (collectively, Duke) filed a timely motion to intervene which raised no issues.

6. A motion to intervene and protest was filed by Entergy Services.⁶ Entergy states that Carville’s proposal is inconsistent with the terms of its Amended IOA, with Commission precedent, and with the Commission’s recent Order No. 2003 which sets forth standards for generator interconnections.⁷ According to Entergy, Carville’s reactive power tariff should only apply to services rendered in the event Entergy requests Carville to redispatch in order to maintain system security.

7. Entergy states that Carville mischaracterizes the Amended IOA provisions relating to reactive power. First, the Amended IOA states that, when its facility is operating, Carville is obligated to operate it to maintain a voltage schedule as prescribed by Entergy’s system dispatcher and within the facility’s design limitations. The Amended IOA does not provide for or contemplate Entergy paying Carville for operating within these limits. Second, the Amended IOA provides separate terms and conditions for Carville providing reactive power in an Emergency Condition. In an Emergency Condition, Entergy may request Carville to redispatch the MW or MVAR output of its

⁴ 88 FERC ¶ 61,141 (1999).

⁵ In fact, Carville is a QF. See supra note 3.

⁶ According to Entergy, Carville’s reactive power tariff filing is nearly identical to the filing made by another Calpine Corporation affiliate, Pine Bluff Energy LLC, on July 1, 2003, in Docket No. ER03-1015-000.

⁷ Standardization of Generation Interconnection Agreements and Procedures, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 546 (2003).

facility to maintain system security. Under this circumstance, the Amended IOA allows Carville to request payment for reactive power requested by Entergy to relieve the emergency.

8. Entergy states that Carville's filing is inconsistent with Commission precedent. Entergy states that in Detroit Edison Company, Arizona Public Service Company, and Michigan Electric Transmission Company,⁸ the Commission concluded that a generator has no right to compensation for producing reactive power within its design limitation. Entergy adds that this policy is clearly set out in the Commission's recent Order No. 2003.⁹ Entergy states that other recent reactive power filings approved by the Commission and cited by Carville each involve generators interconnected with PJM Interconnection, LLC, a distinction that is significant because of a change in market rules in PJM that involved a reallocation of reactive power charges across all reactive power producers in that region.

9. Entergy further criticizes Carville's proposed rate as excessive and unjustified. First, Carville proposes an annual charge even though Entergy has no control over when or at what output level the facility operates and no ability to order that the facility be started when it is offline. Second, Entergy has had no opportunity to challenge Carville's cost support or operational data. Third, Carville's proposed rate assumes that its facility will, at all times, be operating at the extreme MVAR production limits available to the facility even though these extremes are outside the normal operating parameters.

Discussion

10. Pursuant to Rule 214 of the Commission's Rules of Practice and procedure, 18 C.F.R. § 385.214 (2003), the timely unopposed motions to intervene serve to make Duke and Entergy parties to this proceeding.

11. Consistent with our action in Pine Bluff Energy LLC,¹⁰ we will dismiss Carville's July 24 Filing. As noted above, Carville is a QF. The Commission has exempted most QFs from most provisions of the FPA,¹¹ including Section 205. As a result, the rates that

⁸ 95 FERC ¶ 61,415 at 62,538 (2001); 95 FERC ¶ 61,128 at 61,409 (2001); and 96 FERC ¶ 61,214 at 61,906, order on reh'g, 97 FERC ¶ 61,187 at 61,852-53 (2001), respectively.

⁹ See supra note 7.

¹⁰ 104 FERC ¶ 61,227 (2003).

¹¹ See generally 18 C.F.R. § 292.601 (2003). However, 18 C.F.R. § 292.601 does not apply to certain qualifying small power production facilities. See 18 C.F.R.

Carville charges Entergy for reactive power are not subject to Commission review under Section 205.¹² While a QF may believe it advisable to seek cost-based¹³ rate authority from the Commission should it lose QF status,¹⁴ Carville has not indicated that that is what it is requesting.¹⁵

The Commission orders:

Carville's proposed cost-based rate schedule is hereby dismissed.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

§ 292.601(b) (2003).

¹² SP Newsprint Co., 103 FERC ¶ 61,186 at 61,717 (2003).

¹³ We have previously indicated that establishing a cost-based rate for a facility built to operate as a QF would be particularly difficult, given the differences between non-exempt public utilities and QFs. For example, non-exempt public utilities keep financial records, required by this Commission, which, among other things, are designed to aid in the development of the cost-based rates. QFs have been exempted from most requirements applicable to other public utilities and thus are not subject to the same requirements. LG&E-Westmoreland Southampton, 83 FERC ¶ 61,182 at 61,754 (1998).

¹⁴ See, e.g., Lowell Cogeneration Company Limited Partnership, 80 FERC ¶ 61,052 (1997).

¹⁵ In any event, as noted by Entergy, *supra*, the Commission recently affirmed that an interconnection customer "should not be compensated for reactive power when operating its Generating Facility within the established power factor range, since it is only meeting its obligation." Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 546.