

FEDERAL ENERGY REGULATORY COMMISSION  
Washington, D.C. 20426

October 13, 2004

In Reply Refer To:  
CAM Energy Trading LLC  
Docket No. ER04-1153-000

Bracewell & Patterson LLP  
Attn: Mr. Jeffrey D. Watkiss, Esq.  
Counsel for CAM Energy Trading LLC  
2000 K Street N.W.  
Suite 500  
Washington, DC 20006-1872

Dear Mr. Watkiss:

1. On August 26, 2004, CAM Energy Trading LLC (Cam Energy) filed an application for market-based rate authority, with an accompanying tariff. The proposed market-based rate tariff provides for the sale of capacity, energy, and ancillary services at market-based rates,<sup>1</sup> the reassignment of transmission capacity, and the resale of firm transmission rights (FTRs) or their equivalent. It also includes the Commission's market behavior rules.<sup>2</sup> Your submittal, as discussed below, complies with the Commission's requirements for market-based rates and is accepted for filing, effective August 27, 2004, as requested.<sup>3</sup>

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<sup>1</sup> Cam Energy plans to sell certain ancillary services in the markets administered by PJM Interconnection, L.L.C. (PJM), New York Independent System Operator, Inc. (NYISO), ISO New England (ISO-NE), and California Independent System Operator, Inc. (CAISO). Cam Energy also intends to engage in the sale of certain ancillary services to third party suppliers in other markets consistent with *Avista Corp.*, 87 FERC ¶ 61,223, *order on reh'g*, 89 FERC ¶ 61,136 (1999).

<sup>2</sup> *Investigation of Terms and Conditions of Public Utility Market-Based Rate Authorizations*, 105 FERC ¶ 61,218 (2003), *order on reh'g*, 107 FERC ¶ 61,175 (2004).

<sup>3</sup> Rate Schedule FERC No. 1, Original Sheet Nos. 1-4.

2. Cam Energy is a Delaware limited liability company whose principal place of business is New York, New York. Cam Energy was formed for the purpose of making financial trades in the U.S. energy markets. However, Cam Energy states that it has not yet engaged in any business activity. Cam Energy is wholly-owned by Cam Energy Products, L.P. (Cam). The general partner of Cam is LMP Capital, LLC (LMP Capital). The manager of Cam Energy is Cam Energy, LLC.

3. Cam Energy is an affiliate of LMP Capital, Cam Energy LLC, and Cam. LMP Capital, Cam Energy LLC and Cam are Delaware limited liability corporations, with their principal place of business in New York, New York. LMP and Cam Energy LLC are independent organizations with no parent or subsidiaries, formed for the purpose of making physical and financial trades in U.S. energy markets and to engage in other energy provision, trading, and ancillary activities and services. The Applicant states that Cam was established to participate in the physical and financial energy commodity markets.<sup>4</sup>

### **Procedural Matters**

4. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 358.214 (2004), an entity's filing of a notice of intervention or a timely unopposed motion to intervene in a proceeding makes it a party to that proceeding. None was filed.

### **Discussion**

#### **Market-Based Rate Authorization**

5. 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.<sup>5</sup> As discussed below, we conclude that Cam Energy satisfies the Commission's standards for market-based rate authority.

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<sup>4</sup> The Commission has granted LAM Capital, Cam Energy LLC and Cam market-based rate authority in Letter Orders in Docket Nos. ER03-653-000, ER04-745-000 and ER03-736-000, respectively.

<sup>5</sup> See, e.g., *Progress Power Marketing, Inc.*, 76 FERC ¶ 61,155 at 61,919 (1996), *Letter Order Approving Settlement*, 79 FERC ¶ 61,149 (1997); *Northwest Power Marketing Co., L.L.C.*, 75 FERC ¶ 61,281 at 61,899 (1996); *accord Heartland Energy Services, Inc., et al.*, 68 FERC ¶ 61,223 at 62,062-63 (1994).

6. In its order issued in *AEP Power Marketing, Inc., et al.*, 107 FERC ¶61,018, *order on reh'g*, 108 FERC ¶ 61,026 (2004), the Commission adopted new interim generation market power screens to be applied to market-based rate applications pending the outcome of a rulemaking proceeding regarding potential new analytical methods for assessing markets and market power. Cam Energy states that it does not own or control through contracts any generation nor is it affiliated with generation asset owning utilities. Accordingly, Cam Energy satisfies our generation market power standards.

7. Cam Energy states that neither it nor any of its affiliates owns, operates or controls any transmission facilities. Based on Cam Energy's representation, we find that Cam Energy satisfies our transmission market power standard for market-based rates.

8. Cam Energy states that neither it nor any of its affiliates owns or controls resources that could be used to restrict the market entry of competing suppliers, marketers or brokers. Cam Energy further states that it does not have the ability to prevent the siting of new generation facilities of competitors. In addition, Cam Energy states that neither it nor its affiliates owns or controls any natural gas transportation or distribution facilities that could hinder competitors' access to natural gas supplies. Cam Energy does not directly or indirectly own building sites, interstate natural gas pipelines, engineering and construction firms, or local natural gas distribution systems. Based on this representation, we are satisfied that neither Cam Energy nor any of its affiliates can erect barriers to entry.

9. Cam Energy states that it does not have a franchised service territory or captive wholesale customers, nor is it affiliated with an electric utility that has a franchised service territory. Cam Energy further states that it will inform the Commission if it, or any of its affiliates, should acquire captive customers or franchise obligations in the future. Based on this representation, we find that Cam Energy satisfies the Commission's concerns with regard to affiliate abuse.

10. Cam Energy requests authority to engage in the sale of certain ancillary services (listed in the proposed tariff) at market-based rates into the markets administered by the ISO-NE, PJM, NYISO, and CAISO. Consistent with Commission precedent granting authority to sellers to engage in such transactions in those markets, the Commission will grant Cam Energy's request.<sup>6</sup> Cam Energy also intends to engage in the sale of certain

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<sup>6</sup> See, e.g., *New England Power Pool*, 85 FERC ¶ 61,379 (1998), *reh'g denied*, 95 FERC ¶ 61,074 (2001); *Atlantic City Electric Company, et al.*, 86 FERC ¶ 61,248, *clarified*, 86 FERC ¶ 61,310 (1999); *Central Hudson Gas & Electric Corporation, et al.*, 86 FERC ¶ 61,062, *order on reh'g*, 88 FERC ¶ 61,138 (1999); *AES Redondo Beach, L.L.C., et al.*, 85 FERC ¶ 61,123 (1998), *order on reh'g*, 87 FERC ¶ 61,208 (1999), *order on reh'g and clarification*, 90 FERC ¶ 61,036 (2000).

ancillary services to third party suppliers in other markets consistent with *Avista Corp.*, 87 FERC ¶ 61,223, *order on reh'g*, 89 FERC 61,136 (1999). We will grant this request.

11. In addition, Cam Energy proposes to sell additional ancillary services in additional geographic markets as the Commission may specify and authorize from time-to-time in orders that extend such authority to all sellers previously authorized to sell energy and/or capacity at market-based rates. We will grant Cam Energy's request in this regard; however, our grant does not relieve Cam Energy of the requirement to have current and complete tariffs on file with the Commission, pursuant to 18 C.F.R. § 35.1 (2004).<sup>7</sup>

12. Cam Energy also requests authority to reassign transmission capacity, and resell FTRs or their equivalent. We find these provisions consistent with the Commission's requirements.<sup>8</sup>

### **Other Waivers, Authorizations and Reporting Requirements**

13. Cam Energy requests the following waivers and authorizations: (1) waiver of Subparts B and C of Part 35 of the Commission's regulations requiring the filing of cost-of-service information, except as to sections 35.12(a), 35.13(b), 35.15 and 35.16; (2) waiver of Parts 41, 101 and 141 of the Commission's accounting and periodic reporting requirements; (3) abbreviated filings with respect to interlocking directorates under Part 45 of the Commission's regulations; and (4) blanket authorization under Part 34 of the Commission's regulations for all future issuances of securities and assumptions of liability.

14. We will grant the requested waivers and authorizations consistent with those granted other entities with market-based rate authorizations.<sup>9</sup> Notwithstanding the waiver of the accounting and reporting requirements here, we expect Cam Energy to keep its accounting records in accordance with generally accepted accounting principles.

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<sup>7</sup> *Calhoun Power Co.*, 96 FERC ¶ 61,056 (2001).

<sup>8</sup> *See Southwestern Public Service Company*, 80 FERC ¶ 61,245 (1997) and *California Independent System Operator, Inc.*, 89 FERC ¶ 61,153 (1999).

<sup>9</sup> It should be noted that the Commission is examining the issue of continued applicability of the waivers of its accounting and reporting requirements (18 C.F.R. Parts 41, 101 and 141) as well as continued applicability of the blanket authorization for the issuance of securities and the assumption of obligations and liabilities, (18 C.F.R. Part 34). *See Accounting and Reporting of Financial Instruments, Comprehensive Income, Derivatives and Hedging Activities*, Order No. 627, 67 Fed. Reg. 67,691 at P 23 and P 24 (October 10, 2002), FERC Stats. & Regs. ¶ 32,558 (2002).

15. Within 30 days of the date of the issuance of this order, any person desiring to be heard or to protest the Commission's blanket approval of issuances of securities or assumptions of liabilities by Cam Energy should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.211 and 385.214.

16. Absent a request to be heard within the period set forth above, Cam Energy is hereby authorized to issue securities and assume obligations or liabilities as guarantor, endorser, surety, or otherwise in respect of any security of another person; provided that such issue or assumption is for some lawful object within the corporate purposes of Cam Energy, compatible with the public interest, and reasonably necessary or appropriate for such purposes.

17. Until further order of this Commission, the full requirements of Part 45 of the Commission's regulations, except as noted below, are hereby waived with respect to any person now holding or who may hold an otherwise proscribed interlocking directorate involving Cam Energy. Any such person instead shall file a sworn application providing the following information:

- (1) full name and business address; and
- (2) all jurisdictional interlocks, identifying the affected companies and the positions held by that person.

18. The Commission reserves the right to modify this order to require a further showing that neither the public nor private interests will be adversely affected by continued Commission approval of Cam Energy's issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

19. 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.<sup>10</sup> Electric

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<sup>10</sup> *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/Electric/eqr/eqr.htm>.

Quarterly Reports must be filed quarterly no later than 30 days after the end of the reporting quarter.<sup>11</sup> Accordingly, Cam Energy must file its first Electronic Quarterly Report no later than 30 days after the first quarter Cam Energy's rate schedule is in effect.<sup>12</sup>

20. We will direct Cam Energy to inform the Commission promptly of any change in status that would reflect a departure from the characteristics the Commission has relied upon in approving market-based pricing. These characteristics include, but are not limited to: (1) ownership of generating or transmission facilities or inputs to electric power production other than fuel supplies; or (2) affiliation with any entity not disclosed in the filing that owns generation or transmission facilities or inputs to electric power production, or affiliation with any entity that has a franchised service area.

21. Cam Energy 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,  
Acting Secretary.

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<sup>11</sup> The exact filing dates for these reports are prescribed in 18 C.F.R. § 35.10b.

<sup>12</sup> Failure to file an Electric Quarterly Report (without an appropriate request for extension), or failure to report an agreement in a 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.