

170 FERC ¶ 61,059  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Richard Glick and Bernard L. McNamee.

Lake Lynn Generation, LLC	Docket Nos. ER20-491-000
York Haven Power Co., LLC	ER20-492-000
York Haven Power Co., LLC	EL19-98-000
Lake Lynn Generation, LLC	EL19-99-000 (consolidated)

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

(Issued January 28, 2020)

1. On November 29, 2019, pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Part 35 of the Commission's regulations,<sup>2</sup> Lake Lynn Generation, LLC (Lake Lynn) and York Haven Power Company, LLC (York Haven) (collectively, Applicants) each submitted a proposed rate schedule (collectively, Rate Schedules)<sup>3</sup> setting forth the revenue requirements of the Lake Lynn and York Haven Facilities (Facilities) to provide Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service), as defined in Schedule 2 of the PJM Interconnection, L.L.C. (PJM) Open Access Transmission Tariff (PJM Tariff). In this order, we accept for filing the Applicants' proposed Rate Schedules and suspend them for a nominal period, to become effective January 1, 2020, as requested, subject to refund, and set the filings for hearing

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<sup>1</sup> 16 U.S.C. § 824d (2018).

<sup>2</sup> 18 C.F.R. pt. 35 (2019).

<sup>3</sup> Lake Lynn Generation, LLC, FERC Electric Tariffs, Reactive Power Tariff, (1.0.0); York Haven Power Co., LLC, Reactive Power Tariff, YHPC, Reactive Power Tariff (1.0.0).

and settlement judge procedures. We also consolidate these proceedings with the proceedings in Docket Nos. EL19-98-000 and EL19-99-000.<sup>4</sup>

## **I. Background**

2. Schedule 2 of the PJM Tariff provides that PJM will compensate owners of generation and non-generation resources for the capability to provide reactive power to PJM to maintain transmission voltages. 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.<sup>5</sup>

## **II. Filing**

3. The Applicants state that Lake Lynn is an exempt wholesale generator authorized by the Commission to sell electric energy, capacity and certain ancillary services at market-based rates.<sup>6</sup> The Applicants state that Lake Lynn owns and operates a 51.2 MW hydroelectric generation facility between Fayette County, Pennsylvania and Monongahela County, West Virginia (Lake Lynn Facility) that began commercial operations in 1926.<sup>7</sup> The Applicants state that the Lake Lynn Facility is interconnected to the transmission system owned by West Penn Power and operated by PJM.<sup>8</sup>

4. The Applicants state that York Haven is a qualifying small power production facility under the Public Utility Regulatory Policies Act of 1978 that has been granted market-based rate authority.<sup>9</sup> The Applicants state that York Haven owns and operates a 19.6 MW hydroelectric generation facility in York Haven, Pennsylvania (York Haven Facility) that began commercial operations in 1901.<sup>10</sup> The York Haven Facility is

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<sup>4</sup> See *All Dams Generation, LLC*, 168 FERC ¶ 61,187 (2019) (September 2019 Order) (instituting section 206 proceedings and establishing hearing and settlement judge procedures).

<sup>5</sup> PJM, Intra-PJM Tariffs, OATT, Schedule 2 (4.0.0).

<sup>6</sup> Transmittal at 2.

<sup>7</sup> *Id.* at 2; Exhibit No. JWC-1, 4:4-17.

<sup>8</sup> Transmittal at 2.

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

<sup>10</sup> *Id.*; Exhibit No. JWC-1, 5:12-6:5.

interconnected to the transmission system owned by Mid-Atlantic Interstate Transmission, LLC (MAIT) and operated by PJM.<sup>11</sup>

5. The Applicants state that they have recently installed upgrades to their respective Facilities that have increased the performance and reactive output of the Facilities. The Applicants state that the revised Reactive Service rates in these proceedings reflect these upgrades and, once approved by the Commission, will supersede the existing Reactive Service rates for the Facilities.<sup>12</sup>

6. The Applicants state that the proposed Rate Schedules include cost-based revenue requirements for the Facilities' provision of Reactive Service.<sup>13</sup> The Applicants assert that the revenue requirements for Reactive Service consist of the fixed cost attributable to reactive power production (Fixed Capability Component).<sup>14</sup> The Applicants state that they calculated their Fixed Capability Components using the methodology the Commission approved in *American Electric Power Service Corp.*<sup>15</sup> The Applicants further state that they analyzed the reactive portion of investment in: (1) the generator and associated exciter equipment; (2) generator step-up transformers; (3) accessory electrical equipment that supports the operation of the generator-exciter system; and (4) the balance of plant. The Applicants explain that they summed and multiplied these amounts by a fixed cost carrying charge to produce the annual revenue requirement for Reactive Service for each facility.<sup>16</sup>

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<sup>11</sup> Transmittal at 2.

<sup>12</sup> The Applicants state that, on July 24, 2019, they and certain affiliates submitted an informational filing, which included baseline Reactive Service rate schedules reflecting the existing Reactive Service rates of the Applicants' Facilities. On September 20, 2019, the Commission accepted the informational filing and instituted two section 206 proceedings in Docket Nos. EL19-98-000 and EL19-99-000 with respect to the Applicants' Reactive Service rates. *Id.* at 3.

<sup>13</sup> *Id.* at 4.

<sup>14</sup> *Id.* The Applicants state that they are not seeking recovery of heating losses in their revenue requirements at this time.

<sup>15</sup> *Id.* (citing *Am. Elec. Power Service Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000)).

<sup>16</sup> *Id.* at 4-5.

7. The Applicants state that, for the York Haven Facility, they used the return on equity and capital structure included in MAIT's most recent FERC formula rate filing. For the Lake Lynn Facility, because its interconnected transmission owner, West Penn Power, does not have a stated return on equity on file with the Commission, the Applicants state that they used the allowed cost of capital of West Penn Power's affiliate, American Transmission Systems, Incorporated, as a proxy.<sup>17</sup>

8. The Applicants state that they calculated a \$455,883.59 total annual revenue requirement for Reactive Service from the Lake Lynn Facility, and a monthly revenue requirement of \$37,990.30. For the York Haven Facility, the Applicants state that they calculated a \$264,873.11 annual revenue requirement, and a monthly revenue requirement of \$22,072.76.<sup>18</sup>

9. The Applicants state that, on October 29, 2019, the Chief Administrative Law Judge granted their unopposed motion to hold the consolidated section 206 proceedings in Docket Nos. EL19-98-000 and EL19-99-000 in abeyance until January 29, 2020, to allow Applicants time to make the filings described herein and allow the Commission time to act on them.<sup>19</sup> The Applicants request that the Commission consolidate these proceedings with the proceedings that the Commission set for hearing and settlement in the September 2019 Order.<sup>20</sup> The Applicants request waiver of the Commission's sixty (60) day prior notice requirement, to permit the Rate Schedules to become effective January 1, 2020.<sup>21</sup>

### **III. Notice and Responsive Pleadings**

10. Notices of the Applicants' filings were published in the *Federal Register*, 84 Fed. Reg. 66,666 (2019), with interventions and protests due on or before December 20, 2019. PJM and Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM, filed timely motions to intervene. No protests were filed.

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<sup>17</sup> Exhibit No. JWC-1, 23:24-24:9.

<sup>18</sup> *Id.*, 28:15-20.

<sup>19</sup> *All Dams Generation, LLC*, Docket Nos. ER16-2365-004, et al. (Oct. 29, 2019) (Order of Chief Judge Holding Settlement Proceeding in Abeyance).

<sup>20</sup> Transmittal at 3.

<sup>21</sup> *Id.* at 2, 5-6.

#### IV. Discussion

##### A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

##### B. Substantive Matters

12. Our preliminary analysis indicates that the Applicants' proposed Rate Schedules have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. The Applicants' filings raise issues of material fact that cannot be resolved based on the record before us and are more appropriately addressed in the hearing and settlement judge procedures ordered below. Accordingly, we accept for filing the Applicants' proposed Rate Schedules, suspend them for a nominal period to become effective January 1, 2020, as requested, subject to refund, and establish hearing and settlement judge procedures. We also consolidate this proceeding with the proceeding in Docket Nos. EL19-98-000 and EL19-99-000 for purposes of hearing and settlement judge procedures.

13. While we are setting the Rate Schedules for hearing in their entirety, we note that the proposed Rate Schedules raise concerns about the justness and reasonableness of Lake Lynn's and York Haven's Reactive Service rates. The Applicants' cost estimates are not sufficiently supported and explained. For example, the fixed charge rate for both Facilities lacks cost support for incremental upgrades and depreciation expense. Further, the Applicants' did not provide test data demonstrating reactive power output.

14. 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.<sup>22</sup> If the parties desire, they may, by mutual agreement, request a specific judge as the settlement judge in the proceeding. The Chief Judge, however, may not be able to designate the requested settlement judge

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<sup>22</sup> 18 C.F.R. § 385.603 (2019).

based on workload requirements which determine judges' availability.<sup>23</sup> 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) Lake Lynn and York Haven's proposed Rate Schedules are hereby accepted for filing and suspended for a nominal period to become effective, January 1, 2020, as requested, 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 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 Lake Lynn's and York Haven's proposed Rate Schedules, 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 (2019), 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 participants 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 participants 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

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<sup>23</sup> 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 (5) 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>).

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.

(F) Docket Nos. ER20-491-000 and ER20-492-000 are hereby consolidated with Docket Nos. EL19-98-000 and EL19-99-000 for purposes of hearing, settlement, and decision.

(G) The settlement judge or presiding judge, as appropriate, in Docket Nos. EL19-98-000 and EL19-99-000 shall determine the procedures best suited to accommodate the consolidation ordered herein.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.