

167 FERC ¶ 61,256
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Richland-Stryker Generation, LLC

Docket No. ER19-1644-000

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

(Issued June 21, 2019)

1. On April 23, 2019, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² Richland-Stryker Generation, LLC (Richland-Stryker) submitted a proposed rate schedule (Rate Schedule)³ to receive payment for Reactive Supply and Voltage Control from Generation Sources Service (Reactive Service) as defined in Schedule 2 of PJM Interconnection, L.L.C.'s (PJM) Open Access Transmission Tariff (Tariff).⁴ In this order, we accept Richland-Stryker's proposed Rate Schedule for filing and suspend it for a nominal period, to become effective April 24, 2019, as requested, subject to refund, and establish hearing and settlement judge procedures.

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

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2018).

³ Richland-Stryker Generation LLC, Reactive Service Tariff, [Section 1, Reactive Service Tariff, 0.0.0](#).

⁴ PJM, Intra-PJM Tariffs, OATT, Schedule 2 (4.0.0).

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.⁵

II. Filing

3. Richland-Stryker states that it is an exempt wholesale generator that is authorized by the Commission to sell energy, capacity, and certain ancillary services at market-based rates.⁶ Richland-Stryker states that it owns and operates an approximately 450 MW simple-cycle generation project outside of Toledo, Ohio (the Facility) that has been in operation since 1968. Richland-Stryker asserts that the Facility is interconnected to the transmission system owned by American Transmission Systems Incorporated (ATSI) and operated by PJM.

4. Richland-Stryker states that before the merger of Dynegy, Inc. (Dynegy) with Vistra Energy Corp. (Vistra), Dynegy owned Richland-Stryker. Richland-Stryker explains that on April 9, 2018, as a result of the merger, Vistra became the ultimate owner and operator of Richland-Stryker.⁷

5. Richland-Stryker proposes a cost-based revenue requirement to be recovered under Schedule 2 of the PJM Tariff. Richland-Stryker asserts that it derived this revenue requirement using the Commission-approved *American Electric Power Service Corp. (AEP)* methodology.⁸ Richland-Stryker states that the proposed reactive power revenue requirement for the Facility consists of two components: (i) the fixed costs of that portion of the plant investment in the Facility that is attributed to the production of reactive power (Fixed Capability Component); and (ii) the increased generator and step-

⁵ PJM, Intra-PJM Tariffs, OATT, Schedule 2 (4.0.0).

⁶ Richland-Stryker Filing at 2 (citing *Richland-Stryker Generation, LLC*, Docket No. ER11-4266 (unpublished letter order issued September 29, 2011) (granting market-based rate authority)).

⁷ *Id.* at 2 (citing *Dynegy Inc.*, 163 FERC ¶ 61,013 (2018) (Order Approving Merger); and Notice of Transaction Consummation of Dynegy Inc. and Vistra Energy Corp., Docket No. EC18-23-000 (filed Apr. 19, 2018)).

⁸ *Id.* at 3 (citing *Am. Elec. Power Service Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999), *order on reh'g*, 92 FERC ¶ 61,001 (2000); *WPS Westwood Generation, LLC*, 101 FERC ¶ 61,290 at P 14 (2002); and *Dynegy Midwest Generation, Inc.*, Opinion No. 498, 121 FERC ¶ 61,025, at PP 68-73 (2007); *order on reh'g*, 125 FERC ¶ 61,280 (2008)).

up transformer heating losses that result from the production of reactive power (Heating Losses Component).⁹ Richland Stryker states that it calculated the Fixed Capability Component by determining the portion of plant costs attributable to the reactive power production and applying a fixed charge rate.¹⁰ Richland-Stryker also states that these components contribute to both reactive power and real power, and it multiplied these amounts by the appropriate allocation factor to determine the reactive power portion of the investments. Richland-Stryker further states that it then summed the individual allocated amounts and multiplied them by the fixed cost carrying to produce Richland-Stryker's annual revenue requirement for Reactive Service.¹¹

6. Richland-Stryker explains that the Heating Losses Component reflects the significant amount of loss occurs from ohm heating associated with the armature winding and field winding of the generator and losses in the GSU transformers, and these heating losses are a function of generator current, which in turn is a function of reactive power production.¹²

7. Richland-Stryker states that reactive portions of its generators, exciters, GSU, and accessory electric equipment total approximately \$3.2 million, and the remaining plant investment used to support reactive power production totals approximately \$0.1 million. Richland-Stryker also states that the total resulting investment attributed to reactive power production equals approximately \$3.4 million.¹³ Richland-Stryker explains that its total annual revenue requirement for the Facility is \$1,030,609, consisting of a Fixed Capability Component of \$953,516.16, and a Heating Loss Component of \$77,093.00.¹⁴

8. Richland-Stryker states that the Commission allows independent generators such as Richland-Stryker to use the authorized rate of return and return on equity (ROE) of the utility to which the generator is interconnected.¹⁵ Richland-Stryker further states that it has incorporated in its annual carrying charge the Commission-approved base ROE

⁹ Richland-Stryker Filing at 3.

¹⁰ *Id.*

¹¹ *Id.* at 3-4.

¹² *Id.* at 4.

¹³ Prepared Direct Testimony of Adrian Kimbrough, Exh. No. RSF-1 at 16.

¹⁴ Richland-Stryker Filing, Attachment A.

¹⁵ *Id.*

utilized by ATSI, less the 50 basis point incentive adder for ATSI's participation in a regional transmission organization.¹⁶

9. Richland-Stryker requests waiver of the Commission's 60-day notice requirement, to permit the Rate Schedule to become effective April 24, 2019.¹⁷

III. Notice and Responsive Pleadings

10. Notice of the filing was published in the *Federal Register*, 84 Fed. Reg. 18,017 (2019), with interventions and protests due on or before May 14, 2019. PJM and Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM, filed timely motions to intervene.

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 (2018), 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 Richland-Stryker's proposed Rate Schedule has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. Richland-Stryker's filing raises issues of material fact that cannot be resolved based on the record before us and that are more appropriately addressed in the hearing and settlement judge procedures ordered below. Accordingly, we accept Richland-Stryker's proposed Rate Schedule for filing and suspend it for a nominal period, to become effective April 24, 2019, as requested, subject to refund, and establish hearing and settlement judge procedures.

13. Although we are setting the Rate Schedule for hearing in its entirety, we note that Richland-Stryker has not provided the generator manufacturer's nameplate MVAR and MVA output for the Facility nor the reactive power output test data to support Richland-

¹⁶ Richland-Stryker Filing at 4 (citing *Settlers Trail Wind Farm, LLC*, 162 FERC ¶ 61,211, at P 30 (2018)).

¹⁷ 18 C.F.R. § 35.3 (2018).

¹⁸ Richland-Stryker Filing at 4-5.

Stryker's calculation of the reactive power allocator, which may be excessive. We also note that the components of the accessory electrical equipment have not been provided. Further, the balance of plant investment allocator, the accessory electrical equipment costs, the administrative and general costs, and the fixed charge rate may be excessive. We further note that Richland-Stryker has not provided underlying support for the costs claimed.¹⁹

14. While we are setting this matter 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.²⁰ 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 based on workload requirements which determine judges' availability.²¹ 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) Richland-Stryker's proposed Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective April 24, 2019, 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 by 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

¹⁹ *Wabash Valley Power Ass'n, Inc.*, 154 FERC ¶ 61,245, at PP 28-29 (2016).

²⁰ 18 C.F.R. § 385.603 (2018).

²¹ 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>).

reasonableness of Richland-Stryker's Rate Schedule, 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, 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 parties 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 parties 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 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.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.