

169 FERC ¶ 61,068
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

EFS Parlin Holdings, LLC

Docket No. ER19-2683-000

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

(Issued October 25, 2019)

1. On August 26, 2019, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission’s regulations,² EFS Parlin Holdings, LLC (Parlin) submitted a proposed rate schedule (Rate Schedule)³ setting forth the revenue requirement of its 120 MW combined-cycle generating facility (Facility) to provide Reactive Supply and Voltage Control from Generation or Other Sources Service (Reactive Service) as defined in Schedule 2 of the PJM Interconnection, L.L.C. (PJM) Open Access Transmission Tariff (Tariff).⁴ We accept for filing Parlin’s proposed Rate Schedule and suspend it for a nominal period, to become effective August 27, 2019, as requested, subject to refund, and establish hearing and settlement judge procedures.⁵

¹ 16 U.S.C. § 824d (2018).

² 18 C.F.R. pt. 35 (2019).

³ EFS Parlin Holdings, LLC, EFS Parlin Holdings Market Based Rate Tariff, [Rate Schedule No. 1, Reactive Power, 0.0.0](#).

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

⁵ Although Parlin has not previously filed for approval of a Reactive Service tariff, we conclude that this is a proposed rate change under section 205(d) of the FPA, rather than an initial rate, because Parlin has been providing reactive power service to PJM prior to the instant filing. See *Calpine Oneta Power, L.P.*, 103 FERC ¶ 61,338, at P 11 (2003) (stating that, as the Oneta Project has been providing reactive power service under section 3.5 of its Interconnection Agreement, albeit, without charge, “the proposed rates for Reactive Power Service in the instant proceeding are not initial rates, but are changed rates.”).

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.⁶

II. Filing

3. Parlin states that it is a wholly-owned subsidiary of General Electric Company and was formed for the purpose of owning and operating the Facility.⁷ Parlin states that the Facility was constructed in 1990 and is located in the Borough of Sayreville, Middlesex County, New Jersey.⁸ Parlin states that it is an exempt wholesale generator authorized by the Commission to make wholesale sales electric energy, capacity and ancillary services at market-based rates.⁹

4. Parlin states that the Facility is interconnected to the transmission system owned by Jersey Central Power & Light Company (JCP&L), within the PJM region.¹⁰ According to Parlin, because the Facility is currently in operation, Parlin is currently providing Reactive Service from the Facility to the PJM transmission grid without compensation.¹¹

5. Parlin states that, in the Rate Schedule, it proposes a cost-based rate that represents the Facility's revenue requirement for providing Reactive Service. Parlin asserts that it

⁶ PJM, Intra-PJM Tariffs, OATT, Schedule 2 (4.0.0).

⁷ Transmittal at 2.

⁸ *Id.* at 1.

⁹ *Id.* at 2 (citing *EFS Parlin Holdings, LLC*, Docket No. ER08-649-000 (Apr. 23, 2008) (delegated order)).

¹⁰ *Id.*

¹¹ *Id.* at 3.

calculated this revenue requirement in accordance with the Commission-approved *American Electric Power Service Corp. (AEP)* methodology.¹²

6. According to Parlin, consistent with the *AEP* methodology, its Reactive Service revenue requirement for the Facility consists of the fixed cost of the portion of the plant investment in the Facility attributable to the reactive power production (Fixed Capability Component).¹³ Parlin states that it calculated the Facility's Fixed Capability Component by analyzing the reactive portion of investment in: (1) generator-exciter system; (2) generator step-up (GSU) transformers; (3) accessory electrical equipment that supports the operation of the generator-exciter system; and (4) the balance of the plant.¹⁴ Parlin states that because each of these components contributes to reactive and real power, it developed allocation factors to apportion the plant investment between the two functions. Parlin summed and multiplied individual allocated amounts by a fixed charge rate to determine the Fixed Capability Component of the reactive power revenue requirement for the Facility.¹⁵ Parlin states that its investment in the Facility is comprised of Parlin's initial purchase price of the Facility, Parlin's recommissioning costs in order to bring the Facility back to commercial operation from mothball status, and certain post recommissioning investments.¹⁶ To derive its Reactive Service revenue

¹² *Id.* at 4 (citing *Am. Elec. Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141 (1999) (*AEP*), *withdrawal of reh'g granted*, 92 FERC ¶ 61,001 (2000); *Dynegy Midwest Generation, Inc.*, Opinion No. 498, 121 FERC ¶ 61,025 (2007), *order on reh'g*, 125 FERC ¶61,280 (2008); *Wabash Valley Power Ass'n*, 154 FEC ¶ 61,246 (2016)).

¹³ *Id.* Parlin states that while the Commission has permitted generators to recover variable costs associated with heating losses that result from the production or reactive power, Parlin has not included heating losses in its revenue requirement. *Id.* at 4 & n.11.

¹⁴ *Id.*; Ex. Parlin-1, Prepared Direct Testimony of Dr. Paul A. Dumais, at 10:18-11:10.

¹⁵ Transmittal at 4; Ex. Parlin-1, Prepared Direct Testimony of Dr. Paul A. Dumais, at 12:4-21.

¹⁶ Transmittal at 5; Ex. Parlin-1, Prepared Direct Testimony of Dr. Paul A. Dumais, at 13:15-18.

requirement, Parlin states it used its actual authorized capital structure and JCP&L's filed base return on equity of 10.5 percent, which excludes JCP&L's 50 basis point for participating in PJM.¹⁷

7. Parlin states that it calculated a total annual revenue requirement for Reactive Service of \$348,637, and a monthly requirement of \$29,053.¹⁸

8. Parlin requests waiver of the Commission's 60-day notice requirement,¹⁹ to permit the Rate Schedule to become effective August 27, 2019.²⁰ Parlin contends that good cause exists to grant the requested waiver as the Facility is currently interconnected with the PJM transmission grid and provides Reactive Service to PJM with no compensation. Parlin states that it has been "the Commission's practice to grant requests for waiver of the 60-day notice period when the utility is filing to establish a reactive power rate."²¹

III. Notice and Responsive Pleadings

9. Notice of Parlin's August 26, 2019 filing was published in the *Federal Register*, 84 Fed. Reg. 46,004 (2019), with interventions and protests due on or before September 16, 2019. Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM, and PJM filed timely motions to intervene. No protests were filed.

IV. Discussion

A. Procedural Matters

10. 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.

¹⁷ Transmittal at 6 & n.27; *see* Ex. Parlin-1, Prepared Direct Testimony of Dr. Paul A. Dumais, at 19:20-20:4. Parlin notes that JCP&L has a transmission stated rate that resulted from a settlement, and therefore, Parlin used the return on equity the JCP&L had requested in that proceeding.

¹⁸ Transmittal at 7; Ex. Parlin-1, Prepared Direct Testimony of Dr. Paul A. Dumais, at 8:3-5, 23:3-5.

¹⁹ 16 U.S.C. § 824d(d) (2018); 18 C.F.R. § 35.3 (2019).

²⁰ Transmittal at 1, 7.

²¹ *Id.* at 7.

B. Substantive Matters

11. Our preliminary analysis indicates that Parlin'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. Parlin's filing raises 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 Parlin's proposed Rate Schedule for filing and suspend it for a nominal period to become effective August 27, 2019, as requested, subject to refund, and establish hearing and settlement judge procedures.

12. Although we are setting the Rate Schedule for hearing in its entirety, we note that Parlin has not provided underlying support for the costs claimed for the Facility. In addition, Parlin's filing includes accessory electric equipment allocator and costs, generator and exciter costs, generator step-up transformer costs, operation and maintenance costs, administrative and general cost, and balance of plant allocator and costs that may be excessive.²² Parlin has also not provided an explanation of the components the make up its accessory electric equipment. We note that the reactive power allocator ($MVAR^2/MVA^2$) provided by Parlin appears to be incorrectly calculated and excessive based upon the MVAR and MVA nameplate numbers provided by Parlin, and it appears that the reactive power output test provided by Parlin was not conducted at full real power output which would make the test results inaccurate.

13. 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.²³ 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.²⁴ 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.

²² See *Wabash Valley Power Ass'n, Inc.*, 154 FERC ¶ 61,245, at P 29 (2016).

²³ 18 C.F.R. § 385.603 (2019).

²⁴ 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>).

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) Parlin's proposed Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective August 27, 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 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 Parlin'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 (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 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)

Kimberly D. Bose,
Secretary.