

169 FERC ¶ 61,151
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

East Coast Power Linden Holding, L.L.C.

Docket No. ER19-2858-000

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

(Issued November 22, 2019)

1. On September 24, 2019, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² East Coast Power Linden Holding, L.L.C. (East Coast Power) submitted a proposed rate schedule (Rate Schedule)³ setting forth the revenue requirement of one generating unit of the Linden Cogen Facility for 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 (Tariff).⁴ In this order, we accept East Coast Power's proposed Rate Schedule for filing and suspend it for a nominal period, to become effective October 1, 2019, as requested, subject to refund, and set the filing for hearing and settlement judge procedures.⁵

¹ 16 U.S.C. § 824d (2018).

² 18 C.F.R. pt. 35 (2019).

³ East Coast Power Linden Holding, L.L.C., Rate Schedules, [Section 1, Reactive Rate Schedule, \(0.0.0\)](#).

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

⁵ Although East Coast Power 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 East Coast Power 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. East Coast Power states that the Linden Cogen Facility, in Linden, New Jersey, consists of: (1) five generating units (Linden 1-5) owned by Cogen Technologies Linden Venture, L.P.; and, (2) one generating unit (Linden 6) owned by East Coast Power.⁷ East Coast Power states that Linden 1-5 is interconnected to the New York Independent System Operator, Inc. and Linden 6 is interconnected to the transmission system owned by the Public Service Electric and Gas Company (PSE&G) within the PJM region. East Coast Power states that Linden 6 is a 180 MW dual-fuel cogeneration facility that began commercial operation in 2002. According to East Coast Power, pursuant to an interconnection agreement among PJM, East Coast Power, and PSE&G,⁸ Linden 6 has been available since 2002 to provide reactive power service to PJM, but it has not received compensation for doing so.⁹

4. East Coast Power states that the proposed reactive power revenue requirement for Linden 6 consists of two components: (1) the fixed costs of the portion of the plant investment in Linden 6 attributable to the reactive power production (Fixed Capability Component); and (2) the incremental generator and step-up transformer heating losses that resulting from reactive power production (Heating Losses Component).¹⁰

5. East Coast Power states that it calculated Linden 6's Fixed Capability Component using the methodology the Commission adopted in *American Electric Power Service*

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

⁷ East Coast Power September 24, 2019 Transmittal Letter at 1-2 (Transmittal Letter).

⁸ *Id.* at 2.

⁹ *Id.* at 2-3.

¹⁰ *Id.* at 3.

Corp. (*AEP* methodology).¹¹ East Coast Power further states that it 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. East Coast Power explains that it multiplied these amounts by an allocation factor to determine the reactive power portion of the investments.¹² East Coast Power states that it calculated a total plant investment attributable to reactive power production of \$115,048,137.¹³

6. East Coast Power states that it used actual data to calculate heating losses for Linden 6. East Coast Power states that it calculated these losses by determining its hourly average locational marginal price over a three-year period, then multiplying the MW heating losses, operating hours, and weighted average Linden 6 locational marginal price.¹⁴

7. To derive its fixed-charge rate, East Coast Power states that it used PSE&G's most recently-reported capital structure and 11.68 percent return on equity (ROE),¹⁵ which includes a 50-basis point adder for PSE&G's participation in PJM.¹⁶ East Coast Power states that it then used this fixed charge rate to calculate a Fixed Capability Component of \$559,362 and a Heating Loss Component of \$37,335.¹⁷ East Coast Power calculated Linden 6's annual Reactive Service revenue requirement to be \$596,697, or \$49,724.75 per month.¹⁸

¹¹ *Id.* at 3 (citing *Am. Elec. Power Serv. Corp.*, Opinion No. 440, 88 FERC ¶ 61,141, at 61,456-57 (1999) (*AEP*)).

¹² *Id.* at 3-4.

¹³ *Id.* at 4.

¹⁴ *Id.* at 5-6.

¹⁵ *Id.* at 5.

¹⁶ *See Pub. Serv. Elec. and Gas Co.*, 124 FERC ¶ 61,303, P 1 (2008) (approving an 11.68 percent return on equity for PSE&G, which included a 50-basis point adder for participation in PJM).

¹⁷ Transmittal Letter at 5-6.

¹⁸ *Id.* at 6.

8. East Coast Power requests waiver of the Commission's 60-day notice requirement, to permit the Rate Schedule to become effective October 1, 2019.¹⁹

III. Notice and Responsive Pleadings

9. Notice of East Coast Power's filing was published in the *Federal Register*, 84 Fed. Reg. 51,535 (2019), with interventions and protests due on or before October 15, 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.

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.

B. Substantive Matters

11. Our preliminary analysis indicates that East Coast Power'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. East Coast Power'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, with the exception of East Coast Power's inclusion of the 50-basis point ROE adder for RTO membership, as noted below, we accept East Coast Power's proposed Rate Schedule for filing and suspend it for a nominal period to become effective October 1, 2019, as requested, subject to refund, and establish hearing and settlement judge procedures.

12. We note that, in relying on PSE&G's 11.68 percent ROE, East Coast Power included a 50-basis point ROE adder for PSE&G's participation in PJM. The Commission has found that the inclusion of the 50-basis point ROE adder for RTO membership only applies to transmission facilities, not generation facilities used to provide ancillary services (e.g., reactive power service).²⁰ East Coast Power's proposed inclusion of the 50-basis point ROE adder for RTO membership in its proposed Rate

¹⁹ *Id.* at 7.

²⁰ See *Settlers Trail Wind Farm, LLC*, 162 FERC ¶ 61,211, at P 30 (2018); *Detroit Edison Co.*, 105 FERC ¶ 61,264, at P 9 (2003).

Schedule is not appropriate here because East Coast Power is not a PJM Transmission Owner and has not turned control of any transmission facilities over to PJM.

13. Although we are setting the Rate Schedule for hearing, we note that East Coast Power has not provided underlying support for the costs claimed.²¹ East Coast Power has not provided support for the generator manufacturer's nameplate MVAR and MVA output for the facility which are used to calculate the reactive power allocator. Also, the reactive power test reports submitted by East Coast Power depicts reactive power output at levels that are substantially lower than those used to calculate the reactive power allocator and do not support the reactive power allocator used by East Coast Power. While East Coast has provided proxy cost support, we find that the proxy units used are significantly different in size from Linden 6. Further, East Coast Power's calculations do not describe the components of the accessory electric equipment costs or the administrative and general costs. Accordingly, the reactive power allocator, the accessory electric equipment costs, the administrative and general costs, and the fixed charge rate may be excessive.

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.²² 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.²³ 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.

²¹ See *Wabash Valley Power Ass'n, Inc.*, 154 FERC ¶ 61,245, at P 29 (2016).

²² 18 C.F.R. § 385.603 (2019).

²³ 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 (<https://www.ferc.gov/legal/adr/avail-judge.asp>).

The Commission orders:

(A) East Coast Power's proposed Rate Schedule is hereby accepted for filing and suspended for a nominal period, to become effective October 1, 2019, 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 reasonableness of East Coast Power'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 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)

Kimberly D. Bose,
Secretary.