98 FERC ¶ 61, 014
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
and Nora Mead Brownell.

Entergy Gulf States, Inc. Docket No. ER02-324-000

ORDER ACCEPTING INTERCONNECTION AGREEMENT
SUBJECT TO CONDITIONS

(Issued January 11, 2002)

On November 14, 2001, as amended on November 20, 2001, Entergy Services, Inc., on behalf of Entergy Gulf States, Inc. (Entergy), submitted for filing an unexecuted Interconnection and Operating Agreement (IA) and a Generator Imbalance Agreement (GIA) between Entergy and Amelia Energy Center, LP[1] (Calpine). In this order, we accept the IA for filing subject to certain conditions as discussed below. This order also accepts for filing, without suspension or hearing, the proposed GIA. These actions will expedite resolution of this case and ultimately benefit customers through increased power supply and improved reliability.

Background

Calpine proposes to interconnect a 750 MW electric generating facility to Entergy's transmission system at the Amelia Bulk switchyard in Jefferson County, TX. The IA sets forth the terms and conditions governing the interconnection of these generating facilities to the transmission system of Entergy and is intended to comply with

[1]Amelia Energy Center, L.P. is a subsidiary of Calpine Corporation. Calpine Corporation, develops, owns, and operates independent power facilities throughout the United States.

the requirements of Entergy Operating Companies'[2] pro forma IA and interconnection procedures[3] and Entergy's open access transmission tariff (OATT).

The total estimated costs for the Entergy constructed interconnection facilities is approximately $8.7 million, including $8,244,725 in interconnection facilities, $171,000 in required system upgrades and $308,571 for metering equipment.

In the May 18 Order, the Commission approved Entergy's proposal to file each company-specific IA as a rate schedule with the Commission, even though the basic non-rate terms and conditions would be the same as the pro forma IA.[4] Entergy agreed to identify any material differences between the pro forma IA non-rate terms and conditions and any individual IA submitted for filing.[5]

The filed GIA is consistent with Entergy's standard form of GIA and contains the rates, terms and conditions under which Entergy agrees to supply, and the generators agrees to take, generator imbalance service.[6] Entergy notes that the terms and conditions of the GIA are subject to the outcome of the proceedings in Docket No. ER01-2201-000, established to address Entergy's filing of a revised form of standard GIA.

The proposed IA and GIA

The proposed IA was filed unexecuted because Calpine objected to the IA's direct assignment of cost responsibility, without eligibility for transmission credits, of certain facilities required for the physical interconnection of Calpine's facilities with Entergy's transmission system. At issue are: (1) a new switching station consisting of two breaker-and-a-half bays for the two new 230kV lines and the existing Helbig and Cypress 230kV lines; (2) installation of a new 230kV breaker for the existing China 230kV line; and (3) relocation of three existing 69kV overhead lines to eliminate construction conflicts.

---

[2]The Entergy operating companies are Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc.

[3]See Entergy Services, Inc., 91 FERC ¶ 61,149 (2000) (May 18 Order).

[4]May 18 Order at 61,562.

[5]Id. at 61,556.

[6]Entergy's standard form of GIA was approved in Entergy Services, Inc., 90 FERC ¶ 61,272 (2000).

Calpine and Entergy disagree regarding classification of certain of the facilities proposed to be installed or upgraded.

As stated above, Entergy agreed to identify any material differences between the pro forma IA non-rate terms and conditions and any individual IA submitted for filing.[7] The proposed IA includes two such provisions: (1) a reliability must-run obligation that Entergy identified in the filing and (2) a conversion of credit provision, which Entergy failed to identify as a material difference.

(1) Section 4.7.5 of the IA:

> "In the event that [Entergy] proposes to implement reliability must-run obligations on the Facility, [Entergy] shall negotiate appropriate arrangements for the acquisition of reliability must-run service and the Parties shall file the agreement for such service with [FERC] for its acceptance. In the event the parties cannot reach agreement, either Party may (1) submit a proposal or counter proposal for reliability must-run service to [FERC]; and/or (2) oppose altogether the implementation of any reliability must-run obligation."

(2) Appendix B of the IA:

> Conversion of Credits, "...transmission service credits are subject to conversion to financial-type transmission rights at such a time as the FERC approves a mechanism to facilitate a participant-funded expansion plan, or some other plan in which the Entergy transmission system participates...."

The unexecuted GIA contains the terms of Entergy's generator imbalance service to Calpine. The proposed GIA allows Entergy to address deviations between the quantities of power Calpine schedules for delivery over the Entergy system and actual deliveries of electric power from Calpine's facility.

Entergy requests waiver of the Commission's 60-day prior notice requirement to permit an effective date of November 15, 2001, one day after the filing date.

---

[7] May 18 Order at 61,562.

Notice of Filing and Further Filings

Notice was published in the Federal Register, 66 Fed. Reg. 59,011 (2001), with comments, protests, or motions to intervene due on or before December 5, 2001. On December 5, 2001, Calpine filed a motion to intervene and protest. On December 20, 2001, Entergy filed an answer to Calpine's protest.

Discussion

A. Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,[8] the timely, unopposed motion to intervene by Calpine serves to make it party to this proceeding. In addition, while answers generally are not permitted pursuant to Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,[9] we find good cause to allow Entergy's answer to the extent that it aids in our understanding and resolution of the issues.

B. Proposed Unexecuted IA

1. Calpine's Position

Calpine contends that Entergy proposes to deny transmission credits for approximately $8.2 million in facilities that Calpine believes are system upgrades, that is, upgrades that will benefit the transmission system. Calpine believes that certain of the proposed facilities are upgrades that will replace outdated equipment at Entergy's substation, increase Entergy's ability to isolate transmission problems within the substation and increase the overall reliability of Entergy's transmission system. Therefore, the proposed facilities are system upgrades that should be eligible for transmission credits.

Calpine states that as currently configured, Entergy's Amelia Bulk switchyard serves as a transfer point for three 230kV transmission lines (China, Helbig and Cypress). The upgrades at issue will completely redesign and rebuild the substation, replacing current equipment with newer, more reliable equipment and adding two additional breaker-and-a-half bays and seven new breakers to serve Entergy's 230kV

[8] 18 C.F.R. § 385.214 (2000).

[9] 18 C.F.R. § 385.213 (a)(2) (2001).

transmission lines and the two Calpine interconnection lines. Calpine argues that the redesigned and rebuilt substation will significantly improve system reliability by providing an alternative path between the substation busses, providing greater operational flexibility when isolating lines and operating the transmission system.

Calpine believes that all of the construction at issue increases system reliability and provides benefits to the entire grid. Calpine states that at the very least, the breakers, breaker bays and other facilities related to relocating and interconnecting existing 230kV transmission lines should be classified as system upgrades.

Calpine also contends that if the Commission approves Entergy's proposal regarding assignment of interconnection costs, generators interconnecting to the Entergy transmission system in the Electric Reliability Council of Texas (ERCOT) will be treated more favorably than generators who are interconnecting to transmission systems outside of ERCOT. Under the ERCOT Transmission Rule, all facilities operating at 60kV and above are considered transmission facilities. In addition, the above rule requires generators to construct any necessary step-up transformers and protective devices at transmission level. All other facilities operating at transmission voltage are the responsibility of the transmission provider. Calpine states that generators interconnecting with a subsidiary of Entergy should not needlessly face a competitive disadvantage compared to generators interconnecting elsewhere on the system.

2. Entergy's Position

Entergy states that it has not executed the IA due both to Calpine's refusal to execute, as well as Entergy's recently filed appeal of the Commission's June 27, 2001, order in Entergy Services, Inc., 95 FERC ¶ 61,437, reh'g denied, 96 FERC ¶ 61,311(2001) (the "Upgrade Order")[10]. Entergy contends that the interconnection facilities required to be financed by Calpine provide only for the direct, physical interconnection of Calpine's facility with Entergy's transmission system.

---

[10]On June 27, 2001, the Commission issued an order accepting for filing certain IAs and GIAs that Entergy filed on behalf of Entergy Louisiana, Inc. and Entergy Arkansas, Inc. The Commission conditioned its acceptance of these agreements on Entergy's revising the IAs to provide that customers are entitled to credits for all network upgrades (including upgrades incurred to remedy short-circuit or stability problems). This condition was consistent with the Commission's findings in Consumers Energy Company, 95 FERC ¶ 61,233, reh'g denied, 96 FERC ¶ 61,132 (2001).

According to Entergy, the facilities involved include not only the radial interconnection lines from Calpine's facility to Entergy's existing 230kV transmission system (which Calpine will own), but also transmission substation facilities that will be owned by Entergy necessary for Calpine's facility to tap Entergy's existing transmission system.

Entergy contends that the upgrades are not being made to alleviate short-circuit or stability issues, nor do they contribute to, enhance, or constitute additions to Entergy's transmission system. Entergy states that the Calpine interconnection facilities are being built solely to accommodate the interconnection of the Calpine facility.

3. Commission Conclusion

Calpine will provide all facilities, including two 230 kV radial lines, to the point of connection with Entergy's transmission system at the existing Amelia 230 kV substation. Entergy will tap into the Amelia substation, install new 230 kV circuit breakers, and reconfigure related 230 kV and 69 kV facilities.

The Commission's long-standing policy prohibits the direct assignment of network facilities. Network facilities include all facilities at or beyond the point where the customer or generator connects to the grid. This prohibition is without distinction or regard as to the purpose of the upgrade (e.g. to relieve overloads, to remedy stability and short circuit problems, to maintain reliability, or to provide protection and service restoration).[11] The facilities at issue are all facilities at or beyond the point where the customer connects to the grid. These existing Entergy facilities are integrated transmission facilities and are properly classified as network facilities today. The fact that these facilities are being replaced or upgraded to accommodate this interconnection does not transform them into non-network facilities. Accordingly, these are network facilities for which Entergy is directed to provide transmission credits with interest.

[11] See Public Service Company of Colorado, 59 FERC ¶ 61,311 (1992); reh'g denied, 62 FERC ¶ 61,103 at 61,061 (1993), stating that the grid is a single piece of equipment from which only sole use facilities are excluded. See also Consumers Energy Company, 95 FERC ¶ 61,233 at 61,804 (2001); reh'g denied, 96 FERC ¶ 61,132 (2001), stating that facilities at or beyond the point where the customer connects to the grid are network facilities regardless of the reason for the upgrade.

C. Reliability Must-Run Service (RMR)

1. Calpine's Position

Calpine argues that the proposed language concerning the RMR service presupposes that there will be RMR obligations imposed on the facility in the near future, which may be inappropriate. Calpine contends that Entergy has provided no justification for the proposed language, which does not appear in any other IA or the pro forma IA. It requests clarification that approval of the RMR provisions does not obligate or prejudice Calpine in any way, and that any RMR obligation must be approved by the Commission in a separate proceeding.

2. Entergy's Position

Entergy states that the proposed provision refers to the necessity that service be available from independent power production facilities locating on Entergy's transmission system. This need results from the fact that the percentage of regulated generation on Entergy's system is decreasing as new, competitive facilities commence operations.

Entergy points out that Section 4.7.1 of the pro forma IA provides that Entergy can direct a facility to increase or decrease its reactive power output to maintain system reliability, but only when a generation facility is operating at the time of a reactive power imbalance. The RMR does not require a facility to provide real power, but, rather, enables Entergy to maintain system voltage through the supply of reactive power in accordance with Section 4.7.1. Reactive powers, or Vars, are necessary for reliable operation of the transmission system and cannot be imported effectively from sources external to a local area because Var losses are often ten times greater than real power losses over a similar distance. Lastly, Entergy states that the RMR provision does not require that Calpine provide RMR service. According to Entergy, the provision of any required RMR service will be according to rates, terms and conditions agreed to by the parties and accepted for filing by the Commission. If the parties cannot agree to the rates, terms or conditions for the RMR service, Entergy will file a proposed, unexecuted contract with the Commission, consistent with Section 15.3 of Entergy's tariff.

3. Commission Conclusion

We find that the proposed RMR provisions will provide the parties with a reasonable means to ensure the reliable operation, protection and integrity of the transmission system. Also, we find that the RMR provisions in the proposed IA are consistent with current Commission policy. In Arizona Public Service Company, 95

FERC ¶ 61,070, at 61,189 (2001), the Commission approved similar provisions that obligate generators in operation to supply reactive power in an interconnection context. Moreover, the language simply provides that Entergy will negotiate appropriate RMR arrangements, with either party retaining the right to file its own proposal with the Commission, including the right to oppose the RMR obligation altogether. Therefore, we deny Calpine's argument on this issue.

D. Conversion of Credits Provision

Appendix B of the IA provides that transmission credits for required system upgrades are subject to conversion to financial-type transmission rights if the Commission approves a mechanism to facilitate a participant-funded expansion plan (PFEP), or some alternative plan in which Entergy participates. The financial-type transmission rights given in lieu of transmission service credits will be those directly associated with the system upgrades paid for by the customer pursuant to the IA.

Calpine argues that these provisions are unclear and do not appear in the pro forma IA. Therefore, Calpine states that it is unable to adequately consider the proposed language. Calpine requests that the Commission make clear that these provisions do not obligate or prejudice Calpine in any way, and that Calpine retains the right to challenge any proposed conversion of transmission credits.

Entergy, in its answer, states that the language at issue simply provides that in the event Entergy, at some time in the future, has in place a PFEP that is approved by this Commission and applied to all generators in its control area, Calpine will appropriately be subject to such PFEP on a comparable basis. Also, according to Entergy, the appendices of the pro forma IA were never intended to be standard in form. Entergy also states that Calpine will have the right to challenge any conversion of credits in a future proceeding. Entergy concludes that it will advocate a PFEP to address the construction and crediting for transmission system improvements in any future RTO under which Entergy's transmission system operates.

We note that Entergy must identify any proposed material difference between the pro forma IA and any individual IA submitted for filing and demonstrate why its proposed deviation is superior to the pro forma IA. Therefore, all deviations from the pro forma must be explained in the filing of each individual IA, including appendices to the IA. Entergy failed to provide in the filing an explanation why the proposed credit provisions should be prescribed at this time. We agree with Calpine that the proposed change in language should have been explained in the original filing. In addition, any revisions to the current policy on transmission credits will be fully developed in the

generic proceeding in Docket No. RM02-1-000.[12] Accordingly, we will direct Entergy to remove the proposed language concerning conversion of transmission credits.

E. Proposed Unexecuted GIA

Calpine has not protested the proposed GIA. Our review of the proposed GIA indicates that it appears to be just and reasonable and has not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Accordingly, we will accept it for filing, without suspension or hearing, to become effective on November 15, 2001, as requested.[13]

The Commission orders:

(A) Entergy's request for waiver of the Commission's 60-day prior notice requirement is granted.

(B) Entergy's proposed IA is hereby accepted for filing to become effective November 15, 2001, subject to the modifications discussed above.

(C) Within 30 days of the date of this order, Entergy must file a revised IA reflecting the changes discussed in the body of this order.

(D) Entergy's proposed GIA is hereby accepted for filing, without suspension or hearing, to become effective November 15, 2001, as requested.

By the Commission.

(S E A L)

C.B. Spencer,
Acting Secretary.

---

[12]Standardizing Generator Interconnection Agreements and Procedures, Docket No. RM02-1-000, Advance Notice of Proposed Rulemaking, 97 FERC ¶ 61,099 (2001).

[13]See Central Hudson Gas & Electric Corporation, 60 FERC ¶ 61,106, reh'g denied, 61 FERC ¶ 61,089 (1992).