

October 22, 2013

FERC Issues Order Addressing General Requirements for Reactive Power

All generators must have rate schedules for jurisdictional reactive power service on file, even if they are not receiving compensation.

On October 17, the Federal Energy Regulatory Commission (FERC or the Commission) issued an order finding that rate schedules for jurisdictional reactive power must be filed with FERC, even if the provider of such services does not receive compensation.¹ Although the Commission has ordered its staff to convene a technical conference addressing such filings, it did not indicate that generators may delay filings until such a technical conference is completed. Further, the Commission did not define when a generator will be deemed to be providing reactive power service in instances when the generator is not receiving compensation. Notwithstanding these uncertainties, all generators should consider filing rate schedules for reactive power service if they do not have such rate schedules on file. Further, to the extent a public utility is providing any jurisdictional service, even without compensation, it should ensure that it has a rate schedule on file for such service.

The Commission's order arose from a filing by Chehalis Power Generating, L.P. (Chehalis) of a proposed rate schedule for reactive power service. Chehalis designated the rate schedule as an initial rate schedule because it had not previously filed a schedule for such service. The Commission rejected that designation and found that Chehalis's filing could be suspended and made subject to refund. The United States Court of Appeals for the District of Columbia remanded the Commission's order, concluding that the Commission failed to address Chehalis's argument that the only rates subject to suspension and refund are changes to rates that already are on file with the Commission.

On remand, the Commission stated that Chehalis should have filed a rate schedule governing its provision of reactive power service, even if Chehalis was not charging for such service. The Commission also reaffirmed its policy that a rate schedule is "initial" only when it applies to a new service for a new customer. The Commission thus concluded that Chehalis's rate schedule was not an initial rate schedule. However, given that it was clarifying its policy on the need to file rate schedules that do not provide for compensation, the Commission allowed Chehalis to recoup refunds it had been required to provide in earlier orders.

The Commission recognized that it previously had accepted notices of cancellation of reactive power rate schedules when the generator no longer was seeking compensation. The Commission thus clarified that, on a prospective basis, a rate schedule must be on file with the Commission for any jurisdictional reactive power service that is provided by an existing or new generator, even if the generator does not seek compensation. Such a rate schedule must include the rates (even if zero), terms, and conditions for such service. The Commission directed its staff to conduct a workshop in a generic proceeding to explore the mechanics of filing reactive power rate schedules for which there is no compensation. In a concurrently issued notice, the Commission established Docket No. AD14-1-000 as the docket in which it will issue a notice announcing the date and time for the technical conference.²

The Commission also clarified that it does not intend to exercise its authority to impose enforcement sanctions for

1. *Chehalis Power Generating, L.P.*, 145 FERC ¶ 61,052.

2. *Zero Rate Reactive Power Rate Schedules*, Notice Announcing Workshop, Docket No. AD14-1-000 (Oct. 17, 2013).

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jurisdictional entities that, prior to the Commission's order, failed to file a rate schedule for the provision of reactive power service without compensation. However, it further noted that "jurisdictional entities are reminded that they must submit filings on a timely basis in the future or face possible sanctions by the Commission."

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