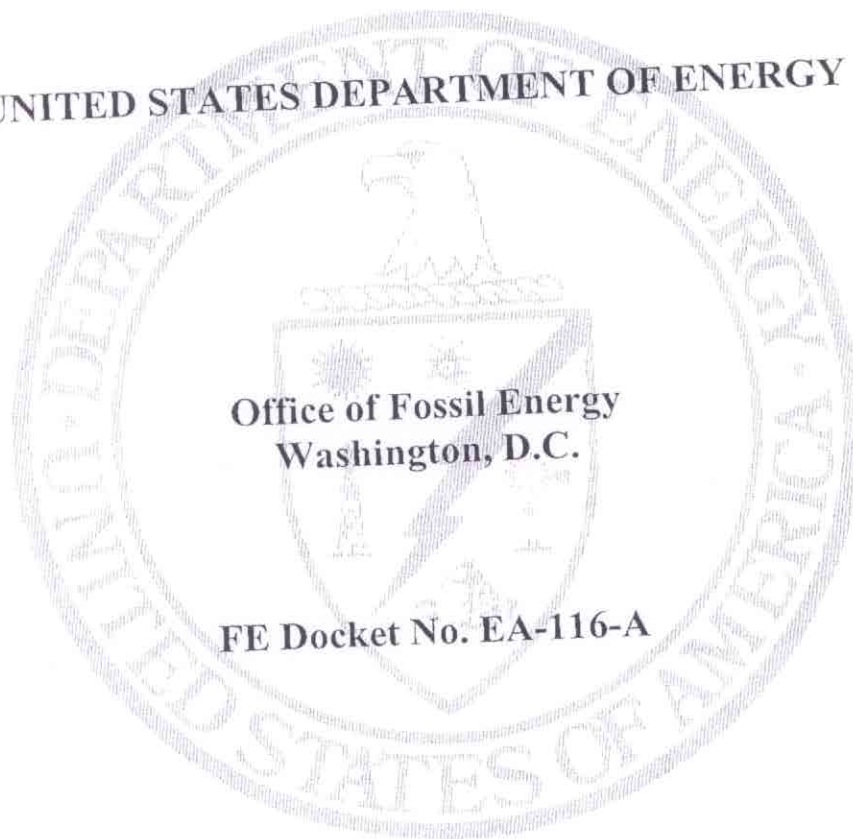


UNITED STATES DEPARTMENT OF ENERGY



**Office of Fossil Energy
Washington, D.C.**

FE Docket No. EA-116-A

CALPINE POWER SERVICES COMPANY

Order Authorizing Electricity Exports to Mexico

Order No. EA-116-A

December 23, 1999

CALPINE POWER SERVICES COMPANY

Order No. EA-116-A

I. BACKGROUND

Exports of electricity from the United States to a foreign country are regulated and require authorization under section 202(e) of the Federal Power Act (FPA) (16 U.S.C. §824a(e)).

On October 8, 1996, the Office of Fossil Energy (FE) of the Department of Energy (DOE) authorized Calpine Power Services Company (CPSC) to transmit electric energy from the United States to Mexico as a power marketer. That two-year authorization expired on October 8, 1998. On August 31, 1999, CPSC filed an application with FE for a new two-year authorization to export electric energy to Mexico. This application is similar to CPSC's original export application except for a request to export to Mexico over additional international transmission lines that were not included in its original application. These additional facilities include the existing international transmission facilities owned and operated by Arizona Public Service Company (APS) and Imperial Irrigation District (IID) and facilities that have been proposed by NRG Energy and Public Service Company of New Mexico. DOE is treating this new application as a request for an amendment to the original authorization.

The electric energy to be exported will be purchased by CPSC from electric utilities and Federal power marketing agencies within the United States. It would be delivered to Mexico over the international electric transmission facilities owned and operated by APS, Central Power & Light Company (CPL), Comision Federal de Electricidad (CFE), the national electric utility of Mexico, El Paso Electric Company (EPE), IID, and San Diego Gas & Electric Company (SDG&E).

Notice of the CPSC export application was placed in the *Federal Register* on September 24, 1999, (64 FR 51741) requesting that comments, protests, and petitions to intervene be submitted to the DOE by October 25, 1999. None were received.

II. DISCUSSION and ANALYSIS

The authority requested of DOE by CPSC is a necessary condition for exporting under section 202(e) of the FPA. CPSC must make the necessary commercial arrangements, including obtaining all necessary transmission access required to wheel the exported energy to the foreign purchaser, and obtain any and all other regulatory approvals which may be required in order to effect the export. In considering the CPSC request for service, the transmitting utilities would have to assess the electric reliability impacts of moving the export through their system and, presumably, would only provide service under terms and conditions that would not cause reliability problems on their system.

An export authorization issued under section 202(e) does not impose on transmitting utilities a requirement to provide service. However, DOE expects transmitting utilities owning border facilities to provide access across the border in accordance with the principles of comparable open access and non-discrimination contained in the FPA and articulated in Federal Energy Regulatory Commission (FERC) Order No. 888, as amended (Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; FERC Stats. & Regs. ¶31,036 (1996)), as amended. The actual rates, terms and conditions of transmission service shall be consistent with the non-discrimination principles of the FPA and the transmitting utility's Open Access Transmission Tariff on file with the FERC.

All recipients of export authorizations, including owners of border facilities for which Presidential permits have been issued, are required by their export authorization to conduct operations in accordance with the principles of the FPA and pertinent rules, regulations and orders, which include the comparable open access provisions of FERC Order No. 888, as amended. Cross-border electric trade ought to be subject to the same principles of comparable open access and non-discrimination that apply to transmission in interstate commerce. (See *Enron Power Marketing, Inc.*, 77 FERC ¶ 61,013 (1996)). Thus, DOE expects owners of border facilities to comply with the same principles of comparable open access and non-discrimination that apply to the domestic interstate transmission of electricity.

Before an electricity export authorization is granted, DOE must find that the proposed export will not impair the sufficiency of electric supply within the U.S. and that it will not impede the coordinated use of regional transmission facilities. DOE has always used a flexible approach in determining the information necessary to evaluate reliability impacts for specific export proposals. In determining reliability impact for exports by power marketers or other entities operating in a similar manner, DOE has used a combination of established industry guidelines, operating procedures and/or infrastructure, as well as technical studies supporting authorizations issued for traditional entities operating at the border. Allowing these existing technical studies to suffice in this docket is sound and, thus, DOE need not perform additional reliability assessments here, provided the maximum rate of transmission for all exports through a border system does not exceed the previously authorized limit of the system.

However, this approach is applicable only for exports over international transmission facilities for which export authorizations have been issued and for which reliability studies have been performed. Several of the international transmission lines over which Calpine seeks export authority are owned and operated by the Imperial Irrigation District (IID).

As an instrumentality of the State of California, IID is non-jurisdictional to section 202(e) of the FPA. Consequently, DOE never issued IID an export authorization or prepared a reliability assessment which could have been used to limit the instantaneous rate of transmission (power) for exports over IID's international transmission lines. In lieu of that, DOE is utilizing information submitted by IID on the transmission limits assigned to the three 34.5-kV transmission lines connecting the IID system with Mexico. This information has been made a

part of this Docket and it has been used by DOE in setting limits on the power to be exported over the IID international transmission lines (subparagraph B(4) of this Order).

In its application, CPSC requested authority to export over international transmission facilities proposed by Public Service Company of New Mexico and NRG Energy, Inc. and for which DOE has not yet issued Presidential permits. These facilities have not been constructed and no analysis has been performed on the reliability impacts of operating these facilities in the export mode. Therefore, these transmission lines have not been included in the list of facilities over which CPSC is authorized to export.

III. FINDING

DOE has assessed the impact that the proposed export would have on the reliability of the U.S. electric power supply system. Based on the above discussion and analysis, DOE has determined that the export of electric energy to Mexico as requested by CPSC would not impair the sufficiency of electric power supply within the United States and would not impede or tend to impede the coordination in the public interest of facilities provided that, for exports through the system of SDG&E, CPSC coordinate exports with SDG&E and/or the control area operator or Independent System Operator (ISO), as appropriate, such that total exports across the SDG&E/CFE interconnection are in conformity with the operating limitations established by the SDG&E/CFE operating nomogram and the Southern California Import Transmission Nomogram. For exports through the system of EPE, CPSC shall coordinate such exports with EPE and/or the control area operator or ISO, as appropriate, such that total exports across the EPE/CFE interconnection are in conformity with the requirements of the Southern New Mexico Import nomogram that governs the amount of imports allowed into the Southern New Mexico area. These nomograms are on file in the Office of Fossil Energy for public review.

The circumstances described in the CPSC application are virtually identical to those for which export authority had previously been granted in FE Order EA-116. Consequently, DOE believes that it has adequately satisfied its responsibilities under the National Environmental Policy Act of 1969 through the documentation of a categorical exclusion in the FE Docket EA-116 proceeding.

IV. ORDER

Based on the above, it is hereby ordered that CPSC is authorized to export electric energy to Mexico under the following terms and conditions:

(A) The electric energy exported by CPSC pursuant to this Order may be delivered to Mexico only over the following existing international transmission facilities:

<u>Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
APS	San Louis, AZ	34.5 kV	PP-106
	Douglas, AZ	34.5 kV	PP-107
	San Louis, AZ	34.5 kV	PP-108
CPL	Brownsville, TX	138 kV	PP-94
		69 kV	
CFE	Eagle Pass, TX	138 kV	PP-50
	Laredo, TX	138 kV	PP-57
	Falcon Dam, TX	138 kV	None
EPE	Sunland Park, NM	115 kV	PP-92
	El Paso, TX	115 kV	PP-48
IID	Calexico, CA	34.5 kV	PP-90
		2-34.5 kV	PP-174
SDG&E	Tijuana, MX	230 kV	PP-68
	La Rosita, MX	230 kV (twinned)	PP-79

(B) Exports authorized herein shall not cause a violation of the terms and conditions contained in existing electricity export authorizations associated with the international transmission facilities identified in paragraph (A). Specifically:

(1) Exports made by CPSC pursuant to this Order are to be coordinated with APS and shall be reduced in order that the simultaneous rate of transmission on a combination of the lines authorized by Presidential Permits PP-106 and PP-108 (issued to APS) do not cause the load on the 69/34.5 kV transformer at the APS San Louis substation to exceed: (a) its continuous rating during normal operating conditions on the APS system; or (b) to exceed 125% of its continuous rating during emergency conditions on the APS system. In addition, individually, exports using the facilities authorized by PP-106 shall be limited to a maximum rate of transmission of 30 megawatts (MW) and, using the facilities authorized by PP-108, exports shall be limited to a maximum rate of transmission of 20 MW.

The transmission facilities authorized in PP-107 (issued to APS) were constructed for emergency use. Transmission of electric energy to CFE using these facilities is authorized only upon CFE's declaration of emergency conditions and in accordance with agreement and approval of APS in compliance with the CFE/APS Agreement for Reciprocal Emergency Assistance.

(2) Exports by CPSC shall not cause the total exports on a combination of the 138 kV facilities at the Falcon Dam and the facilities authorized by Presidential Permits PP-50, PP-57 (issued to CFE), and PP-94 (issued to CPL) to exceed an instantaneous

transmission rate of 600 MW during those times when the CPL system is at a minimum load condition. During all other load conditions on the CPL system, exports by CPSC over the facilities identified in this subparagraph shall not cause the maximum rate of transmission to exceed:

(a) 300 MW for the 138 kV and 69 kV facilities authorized by Presidential Permit PP-94; or,

(b) 50 MW total for the 138 kV facilities at Falcon Dam and those authorized by Presidential Permits PP-50 and PP-57.

(3) Exports made by CPSC pursuant to this Order shall not cause the total exports on a combination of the facilities authorized by Presidential Permits PP-48 and PP-92 (issued to EPE) to exceed an instantaneous transmission rate of 200 MW. All exports made pursuant to this Order must be consistent with the operating limitations of the Southern New Mexico Import Nomogram.

(4) Exports made by CPSC pursuant to this Order shall not cause the total exports on the facilities authorized by Presidential Permits PP-90 and PP-174 (issued to IID) to exceed instantaneous transmission rates of 8 MVA and 33 MVA, respectively. Furthermore, exports using the PP-90 facilities shall occur only during emergency conditions on the CFE system.

(5) Exports made by CPSC pursuant to this Order shall not cause the total exports on a combination of the facilities authorized by Presidential Permits PP-68 and PP-79 (issued to SDG&E) to exceed an instantaneous transmission rate of 400 megawatts (MW). All exports made pursuant to this Order must be consistent with the operating limitations established by the SDG&E/CFE operating nomogram and the Southern California Import Transmission Nomogram.

(C) Amendment of the export authorizations from which the export limits contained in subparagraphs (B)(1), (B)(2), (B)(3), and (B)(5) were derived shall result in a concomitant change to the export limits contained in those subparagraphs. Notice will be provided CPSC of any amendments to existing export authorizations that would impact on this Order. Any request by CPSC for change to the export limits contained in subparagraph B(4) will be considered by DOE after submission by CPSC of appropriate information demonstrating a change in the transmission transfer capability of the subject facilities.

(D) CPSC may commence exports only over those international transmission lines identified in paragraph (A) for which CPSC provides DOE written evidence that sufficient transmission service has been obtained for delivery of the exported energy to the border. This evidence can consist of signed letters of agreement for the service between CPSC and each Presidential permit holder and should identify specific facilities by name and Presidential permit number.

(E) In scheduling the delivery of electricity exports to Mexico, CPSC shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council, Regional Councils, or independent system operators, as appropriate on such terms as expressed therein, and as such criteria, standards, and guides may be amended from time to time.

(F) CPSC shall conduct all operations pursuant to the authorization hereby granted in accordance with the provisions of the Federal Power Act and pertinent rules, regulations, and orders adopted or issued thereunder, including the comparable open access provisions of FERC Order No. 888, as amended.

(G) The authorization herein granted may be modified from time to time or terminated by further order of the DOE, but in no event shall such authorization extend beyond the date of termination or expiration of the Presidential permits referred to in paragraph (A).

(H) This authorization shall be without prejudice to the authority of any State or State regulatory commission for the exercise of any lawful authority vested in such State or State regulatory commission.

(I) CPSC shall make and preserve full and complete records with respect to the electric energy exported to Mexico. CPSC shall furnish quarterly reports to the DOE, within 30 days following each calendar quarter, detailing for each month of the previous quarter: (1) the gross amount of electricity delivered, in kilowatt hours; (2) the consideration received for such energy; and (3) the maximum hourly rate of transmission, in kilowatts. Quarterly reports must be filed regardless of current activity and whether or not deliveries of electric energy have been made. If no transactions have been made, a one-sentence report indicating "no activity" for the previous quarter is sufficient.

Reports shall be submitted to the U.S. Department of Energy, Office of Fossil Energy, FE-27, 1000 Independence Avenue, SW, Washington, D.C. 20585-0305. Properly identified quarterly reports will also be accepted via facsimile at (202) 287-5736 to meet time requirements, but original copies should still be filed at the above address.

(J) In accordance with 10 C.F.R. §205.305, this authorization is not transferable or assignable, except in the event of the involuntary transfer of this authority by operation of law. Provided written notice of the involuntary transfer is given DOE within 30 days, this authorization shall continue in effect temporarily. This continuance also is contingent on the filing of an application for permanent authorization within 60 days of the involuntary transfer; the authorization shall then remain effective until a decision is made on the new application. In the event of a proposed voluntary transfer of this authority to export electricity, the transferee and the transferor shall file jointly an application for a new export authorization, together with a statement of reasons for the transfer.

(K) Exports authorized herein shall be reduced or suspended, as appropriate, whenever a continuation of those exports would impair or tend to impair the reliability of the U.S. electric power supply system.

(L) This authorization shall be effective for a period of two (2) years from the date of this order. Within six months prior to the expiration of this authorization, CPSC may reapply for renewal of this authorization.

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