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Andrea J. Weinstein
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May 20, 2005

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

FILED
OFFICE OF THE
SECRETARY
2005 MAY 20 P 12:55
FEDERAL ENERGY
REGULATORY COMMISSION

Re: Entergy Services, Inc. Docket No. ER05- -000

Dear Ms. Salas:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (1994), and Part 35 of the Commission's regulations, Entergy Services, Inc. ("Entergy"), on behalf of the Entergy Operating Companies,¹ hereby submits for filing revisions to its Schedule 2 (Reactive Supply and Voltage Control Services from Generation Sources) contained in its currently-effective Open Access Transmission Tariff ("OATT" or "Tariff"):

- (1) This transmittal letter;
- (2) A Notice of Filing suitable for publication in the *Federal Register*, including a copy in electronic form on a diskette;
- (3) Revised copy of Entergy's Schedule 2;
- (4) Black-lined copy of Entergy's Schedule 2;

I. Background

On July 14, 1997, Entergy submitted for filing a revised open access transmission tariff ("888-A Tariff") to comply with the non-rate terms and conditions required by Order Nos. 888 and 888-A. The 888-A Tariff is the Entergy open access transmission tariff currently in effect and contains the current rates, terms and conditions for Schedule 2. On March 20, 2001, in Docket Nos. ER95-112 and ER96-586 Entergy made a comprehensive tariff filing to incorporate

¹ The Entergy Operating Companies include Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc.

all previously approved tariff modifications and to comply with the format required by Order No. 614. By letter dated May 17, 2001, the Commission accepted Entergy's Order No. 614 compliance Tariff. The Schedule 2 submitted as part of the comprehensive Order No. 614 Tariff filing were the same as those contained in the 888-A Tariff. By this filing, Entergy proposes to revise the portion of the Order No. 614 Tariff that contains Schedule 2.

Schedule 2 of the Entergy OATT sets forth the rates, terms and conditions for Reactive Power that must be provided for each transaction on the Entergy system to maintain proper voltages. Before the Commission's Order No. 888, Commission policy allowed a one mill/kWh adder to transmission service charges for difficult to quantify costs. The one mill adder was a minimum amount and required no cost support. Post-Order No. 888, Entergy split this adder among the various ancillary services in lieu of recovering a full cost-of-service rate in a settlement proceeding in Docket No. ER95-112, *et al.* As a result of this settlement in Docket No. ER95-112, Entergy only collects two-tenths of one mill for each kWh transmitted under Schedule 2. There have been no changes in circumstances since the original settlement was accepted. Thus, the current rate continues to recover less than a fully allocated cost-of-service for Entergy's generation facilities used to provide reactive supply and voltage control.

II. Proposed Revisions to Schedule 2

Entergy's currently effective Schedule 2 rate consists of only a nominal amount of \$0.0002 for each kWh transmitted under the OATT. As described above, the current rate was the result of a settlement in Docket No. ER95-112. Importantly, the current rate of two-tenths of one mill for each kWh transmitted is unaffected by the instant filing. The revisions to Schedule 2 proposed in this filing are simply to pass-through the costs that third party generators may charge Entergy for reactive power service.

When Schedule 2 was originally included in Entergy's Tariff, and the settlement rates were accepted by the Commission, Entergy owned most of the generation located within its control area. Entergy owns and operates this same generation today to provide reactive power service under the OATT. The growth of independent generators on the Entergy Transmission system over the last four years is unprecedented. Specifically, independent generator capacity has grown to over 17,000 MW as of December 31, 2003.

In Docket No. ER05-483-000, one of these independent generators, Cottonwood Energy Company, L.P. ("Cottonwood"), filed a rate schedule for reactive power that proposes to impose on Entergy Gulf States, Inc. a rate for reactive supply service allegedly supplied by Cottonwood's electric generating facility. Cottonwood has proposed a fixed monthly charge of \$283,237.82, which according to Cottonwood represents its revenue requirement for reactive power service. On March 23, 2005, the Commission accepted Cottonwood's proposed reactive power rate schedule for filing effective on February 1, 2005, subject to refund, and established hearing and settlement judge procedures. *See Cottonwood Energy Company, LP*, 110 FERC ¶ 61,303 (2005).

While Entergy is being charged a fixed monthly charge by Cottonwood, the current Schedule 2 charge to Entergy's transmission service customers is based on actual usage (*i.e.*, a rate per kWh actually transmitted under the OATT). Because Entergy does not intend any revisions to its currently effective Schedule 2 charge, in this filing, Entergy has proposed to convert the amount charged by third party generators to Entergy for reactive supply service from a fixed amount to a cost /kWh rate which will be added to the existing \$0.2mill/kWh rate. The pass-through portion of the Schedule 2 rate will be based only on the revenue requirements for reactive power service of independent generators approved or accepted by the Commission. Initially, the pass-through portion of the rate for Reactive Power in the revised Schedule 2 will be based only on Cottonwood's revenue requirement as there are no other Commission-accepted or approved revenue requirements for reactive power in the Entergy control area. Because the Commission set the Cottonwood rate for hearing, the pass-through of the Cottonwood revenue requirement will be subject to the outcome of Docket No. ER05-483. However, if other independent generators file a proposed reactive power tariff and receive Commission approval, such revenue requirement will be added into the Entergy Schedule 2 pass-through formula in subsequent filings.²

The methodology proposed by Entergy to pass-through reactive power service charges from third party generators to transmission customers is just and reasonable. The method proposed by Entergy is a simplified formula of the model submitted by PJM Interconnection, L.L.C. ("PJM") in Docket No. ER00-3327-000. While there are significant differences between PJM, which must procure reactive power services from third parties, and Entergy, which owns and operates generation resources that supply reactive power, the Commission did recognize that it is appropriate to pass-through such costs from third parties to transmission customers when such costs are accepted for filing. The Commission also recognized that additional revenue requirements from third party generators could be collected by PJM from transmission customers. Similarly, in another case, the Commission concluded that it is reasonable to pass through the reactive power costs of generators to transmission customers based on the transmission load share of transmission customers.³

Effective Date

Entergy requests that the Commission accept the revised Schedule 2 for filing and establish an effective date of February 1, 2005, subject to the outcome of Docket No. ER05-483-000. In order to permit the revisions to Schedule 2 submitted herein to become effective on February 1, 2005, Entergy hereby requests that the Commission grant a waiver of the 60-day prior notice requirement of Section 205 of the Federal Power Act and the Commission's regulations. Good cause exists to grant Entergy such waiver, as the February 1, 2005 effective

² On May 17, 2005, Union Power Partners, L.P. ("UPP"), an independent generator located on the Entergy system, filed a proposed reactive power tariff in Docket No. ER05-977. UPP proposes a reactive service annual revenue requirement of \$4,153,421.37.

³ See, e.g., *Virginia Electric and Power Company*, 108 FERC ¶ 61,108 at P 27 (2004).

date is consistent with the effective date of Cottonwood's reactive power tariff.⁴ Entergy has made this filing in a timely manner after reviewing Cottonwood's initial filing and the Commission's decision issued on March 23, 2005, in Docket No. ER05-483. PJM has received a waiver of the 60-day prior notice requirement under similar circumstances. *See, e.g.*, November 16, 2004 Letter Order in Docket No. ER04-1243-000.

Filing Requirements

The Commission's regulations require a statement showing any expenses or costs that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices. *See* 18 C.F.R. § 35.13(a)(2)(iii). Entergy states that there are no such costs associated with the proposed revisions to Schedule 2 in this filing. The instant submittal represents a pass through of Cottonwood's proposed rate for reactive supply service. Under these circumstances, Entergy has attempted to supply the necessary information required by the applicable regulations. To the extent that any filing requirement is not satisfied by the enclosed material, Entergy requests a waiver of such requirement.

Communications

Entergy Services requests that all correspondence and communications with respect to this filing should be sent to, and that the Secretary include on the official service list, the following:

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⁴ On April 22, 2005, in Docket No. ER05-483-001, Entergy filed a request for rehearing of the Commission's decision to establish a February 1, 2005 effective date for Cottonwood's reactive power tariff. In the event that the Commission grants Entergy's rehearing request and establishes a different effective date for the Cottonwood reactive power tariff, Entergy agrees to use the same effective date in this proceeding.

Magalie R. Salas
May 20, 2005
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Compliance with Order No. 614

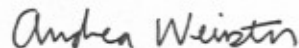
Entergy has submitted the revised Schedule 2 with header and footer information conforming with Order No. 614. *See* Order No. 614, Designation of Electric Rate Schedule Sheets, 90 FERC ¶ 61,352 (2000).

Service Copies

Entergy is serving a copy of this filing on all its transmission service customers and the applicable state commissions.

If you have any questions concerning this filing, please feel free to contact the undersigned.

Very truly yours,



Andrea J. Weinstein

Attorney for
Entergy Services, Inc.

Revised Copy of Entergy's Schedule 2

SCHEDULE 2

Reactive Supply and Voltage Control from Generation Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's

Transmission System. The Transmission Customer must purchase this service from the Transmission Provider to the Control Area operator. The charges for such service will be based on the rates set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

The total charges for the Reactive Power Supply and Voltage Control Service are 0.2 mills per kilowatt hour ("kWh") for each kWh transmitted as compensation for Entergy generation facilities; plus a pass-through of the costs charged to Entergy by Cottonwood Energy Company, LP (stated on a mills per kWh basis).

The total Schedule 2 Charge for each kWh transmitted shall equal:

$\$0.2 \text{ mills} + \$0.023 \text{ mills (Pass Through Charge for Cottonwood)} = \0.223 mills/kWh

Pass Through Charge for Cottonwood = $\text{ARRC/PYKT} = \$0.023 \text{ mills}$

Where:

ARRC = Annual Revenue Requirement of Cottonwood Energy Company, LP = \$3,398,853.85*

PYKT = Prior year total kWh transmitted on the Entergy transmission system, which is the sum for the Entergy Operating Companies of the Total kWh of Transmission for Others shown on FERC Form 1, Page 329 (Received), plus the sum of the Entergy Operating Companies' Total Distribution of Energy shown on FERC Form 1, page 401a, line 28 = 149,910,023 MWh

* The Cottonwood revenue requirement is subject to the outcome of Docket No. ER05-483-000.

Black-lined Copy of Entergy's Schedule 2

SCHEDULE 2

Reactive Supply and Voltage Control from Generation Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities under the control of the control area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's

Transmission System. The Transmission Customer must purchase this service from the Transmission Provider to the Control Area operator. The charges for such service will be based on the rates set forth below. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

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The total Schedule 2 Charge for each kWh transmitted shall equal:
\$0.2 mills + \$0.023 mills (Pass Through Charge for Cottonwood) = \$0.223 mills/kWh
Pass Through Charge for Cottonwood = $ARRC/PYKT = \$0.023$ mills

Where:

$ARRC = \text{Annual Revenue Requirement of Cottonwood Energy Company, LP} = \$3,398,853.85^*$

$PYKT = \text{Prior year total kWh transmitted on the Entergy transmission system, which is the sum for the Entergy Operating Companies of the Total kWh of Transmission for Others shown on FERC Form 1, Page 329 (Received), plus the sum of the Entergy Operating Companies' Total Distribution of Energy shown on FERC Form 1, page 401a, line 28} = 149,910,023 \text{ MWh}$

* The Cottonwood revenue requirement is subject to the outcome of Docket No. ER05-483-000.

Issued by: John H. Zemanek
Vice President, Transmission

Effective: February 1, 2005

Issued on: May 20, 2005

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Entergy Services, Inc.,

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Docket No. ER05-

NOTICE OF FILING
(__, 2005)

Take notice that on May 20, 2005, Entergy Services, Inc., on behalf of the Entergy Operating Companies, Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., and Entergy New Orleans, Inc. (collectively "Entergy"), filed revisions to its Schedule 2 contained in its Open Access Transmission Tariff. Entergy requests an effective date of February 1, 2005 for the proposed revisions.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. On or before the comment date, it is not necessary to serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, DC. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on _____, 2005.

Magalie R. Salas
Secretary