
United States
Department of Energy

Office of Electricity Delivery and Energy Reliability

AEP Energy Partners, Inc.

OE Docket No. EA-318-A



Order Authorizing Electricity Exports to Mexico

Order No. EA-318-A

June 27, 2007

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I. BACKGROUND

Exports of electricity from the United States to a foreign country are regulated by the Department of Energy (DOE) pursuant to sections 301(b) and 402(f) of the DOE Organization Act (42 U.S.C. 7151(b), 7172(f)) and require authorization under section 202(e) of the Federal Power Act (FPA) (16 U.S.C.824a(e))¹.

On September 18, 2006, CSW Power Marketing (CPMI) applied to DOE for an authorization to transmit electric energy from the United States to Mexico as a power marketer (OE Docket No. EA-318). In the application, CPMI described itself as an existing, but dormant, entity affiliated with American Electric Power Service Corporation (AEPSC) and its public utility affiliates. At the time of the application, CSW was in the process of being converted into a limited liability partnership and changing its name to AEP Energy Partners, LP. AEPSC and its affiliated utility operating companies were also completing actions necessary to comply with changes to Texas law (Texas Senate Bill 7), which require vertically integrated utilities in Texas to disaggregate their wholesale, retail, and transmission and distribution functions into separate corporate units.

The applicant proposed to sell electric energy and/or capacity to Mexico primarily from purchases on the wholesale market, but also from any surplus generating capacity obtained in the future. The energy to be exported would be delivered to Mexico over the international electric transmission facilities presently owned by Comision Federal de Electricidad (CFE), the national electric utility of Mexico, AEP Texas Central Company, Central Power & Light Company (CPL), El Paso Electric Company (EPE), San Diego Gas & Electric Company (SDG&E), and Sharyland Utilities.

Notice of the export application in Docket No. EA-318 was placed in the *Federal Register* on October 16, 2006, (71 FR 60702) requesting that comments, protests, and petitions to intervene be submitted to DOE by November 15, 2006. None were received.

On February 22, 2007, DOE issued Order No. EA-318 to CPMI² authorizing it to export electric energy to Mexico using certain international transmission facilities at the U.S.-Mexico border that DOE has deemed appropriate for third-party transmission. Two small distribution lines owned by CFE were inadvertently omitted from the authorization.

¹ The authority to administer the International Electricity Program through the regulation of electricity exports and the issuance of Presidential permits has been delegated to the Director of the Office of Electricity Delivery and Energy Reliability in Redelegation Order No. 00-002.10A issued on January 30, 2007.

² DOE inadvertently issued the authorization in the name of CPMI instead of AEP Energy Partners, LP, the correct name of the applicant at the time the Order was issued.

On June 13, 2007, the applicant, AEP Energy Partners, LP (AEPEP LP), notified DOE that its corporate restructuring and disaggregation is scheduled to be finalized by July 1, 2007. In this final step of restructuring, AEPEP LP will become AEP Energy Partners, Inc. (AEPEP Inc.). The applicant has requested that no later than June 29, 2007, DOE clarify that the new surviving entity, AEPEP Inc., retains the necessary export authority, so that exports to Mexico may continue without interruption after the internal corporate restructuring is finalized.

For these forgoing reasons, DOE is issuing this new Order to the applicant to correct the errors and omissions in the original authorization and recognize the applicant's corporate restructuring and resulting name changes. This Order is being issued basically under the same terms and conditions, including the effective dates, as the original authorization. For administrative purposes, it is being issued in the name of the newly restructured entity, AEPEP Inc., with the understanding that the authorization is still effective for the currently named entity, AEPEP LP., until such time as the final corporate restructuring is completed.

II. DISCUSSION AND ANALYSIS

The authority requested of DOE by AEPEP Inc. is a necessary condition for exporting under section 202(e) of the FPA. Before an electricity export authorization is granted, DOE evaluates the impact of the export on the reliability of the U.S. electric system.

Specifically, under the first criterion of section 202(e), DOE shall approve an electricity export application "unless, after opportunity for hearing, it finds that the proposed transmission would impair the sufficiency of electric supply within the United States...." DOE has interpreted this criterion to mean that sufficient generating capacity must exist such that the exporter could sustain the export while still maintaining adequate generating reserves to meet all native load obligations. Power marketers, like AEPEP Inc., do not have franchised service areas and, consequently, have no native load obligations like the traditional local distribution utility. Marketers build a power purchase portfolio from electric power purchased from various entities inside and outside the United States. The power purchased by a power marketer is, by definition, surplus to the needs of the selling entities. With no native load obligations, the power marketer is free to sell its power portfolio on the open market domestically or as an export. Because a marketer has no native load obligations and because power purchased by a marketer would be surplus to the needs of the entities selling the power to the marketer, an export occurring under such circumstances would meet the first statutory criterion of section 202(e) of the FPA of not impairing the sufficiency of supply within the United States.

Under the second criterion of section 202(e), DOE shall approve an electricity export application "unless, after opportunity for hearing, it finds that the proposed transmission...would impede or tend to impede the coordination in the public interest of facilities subject to the jurisdiction of the Commission." DOE has interpreted this

second criterion primarily as an issue of the operational reliability of the domestic electric transmission system.

Prior to the restructuring of the electric power industry, the only entities able to export were those electric utilities that were contiguous with the U.S. international border that owned international transmission facilities. The exported energy generally originated from within the exporter's system and standard transmission studies could be performed to determine the impact of the export on regional electric systems.

However, deregulation of wholesale power markets and the introduction of open-access transmission expanded the geographic scope of entities capable of exporting electric energy. Today, at the time it submits its application to DOE, the typical exporter cannot identify the source of the exported energy or the electric systems that might be called upon to provide transmission service to the border. Consequently, traditional transmission studies cannot be used to determine the impact of such exports on the operational reliability of the regional electric transmission systems.

In evaluating the operational reliability impacts of export proposals, DOE has always used a variety of methodologies and information, including established industry guidelines, operating procedures and/or infrastructure, as well as traditional technical studies where available and appropriate. When determining these impacts for exports by power marketers or other entities operating in a similar manner, it is convenient to separate the export transaction into two parts: (1) moving the export from the source to a border system that owns the international transmission connection; and, (2) moving the export through that border system and across the border.

In order to deliver the export from the source to a border system, AEPEP Inc. must make the necessary commercial arrangements and obtain sufficient transmission capacity to wheel the exported energy to the border system. In doing so, AEPEP Inc. generally would be expected to use domestic transmission facilities for which open-access tariffs have been approved by the Federal Energy Regulatory Commission (FERC). AEPEP Inc. also must make reservations for transmission service in accordance with the FERC Open-Access Same-Time Information System (OASIS), and must schedule delivery of the export with the appropriate Regional Transmission Organization(s) (RTO), Independent System Operator(s) (ISO), and/or control area operator(s). The posting of transmission capacity on OASIS indicates that transmission capacity is available. Furthermore, it is the responsibility of the RTO, ISO, and/or control area operator to schedule the delivery of the export consistent with established operational reliability criteria. During each step of the process of obtaining transmission service, the owners and/or operators of the transmission facilities will evaluate the impact on the system and schedule the movement of the export only if it would not violate established operating reliability standards. DOE has determined that the existing industry procedures for obtaining transmission capacity on the domestic transmission system provide adequate assurances that a particular export will not cause an operational reliability problem. Therefore, this export authorization has been conditioned to ensure that the export would not cause operating parameters on regional transmission systems to fall outside of established industry criteria or cause or exacerbate a transmission

operating problem on the U.S. electric power supply system (paragraphs D, E, and J of this Order).

In determining the operational reliability impacts of moving the export through a border system and across the border, DOE relies on the traditional technical studies that were performed in support of electricity export authorizations issued to that border system. Allowing these technical studies to suffice in this docket is sound and, thus, DOE need not perform additional impact assessments here, provided the maximum rate of transmission for all exports through a border system does not exceed the authorized limit of the system (paragraph B of this Order).

Open Access

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 FERC Order No. 888 (Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities, FERC Statutes and Regulations ¶31,036 (1996)), as amended. The actual rates, terms and conditions of transmission service should be consistent with the non-discrimination principles of the FPA and the transmitting utility's Open-Access Transmission Tariff on file with 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 any pertinent rules, regulations, directives, policy statements, and orders adopted or issued thereunder, 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.

III. FINDING AND DECISION

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, DOE has determined that the export of electric energy to Mexico by AEPEP Inc., as ordered below, 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 within the meaning of section 202(e) of the FPA.

DOE also has determined that this action is among those classes of actions not normally requiring preparation of an environmental assessment and, therefore, is eligible for categorical exclusion under Appendix B to Subpart D, paragraph B4.2 of the revised DOE Regulations implementing the National Environmental Policy Act of 1969 (NEPA). Specifically, this categorical exclusion is provided for transmission of electric energy using existing transmission systems. Documentation of the use of this categorical exclusion has been placed in this Docket.

Based on these findings, DOE has granted the applicant's request to export electric energy to Mexico. The applicant shall be authorized to export in the name of AEPEP LP, until such time as the final corporate restructuring takes place, estimated to be on July 1, 2007, and the corporate name is changed to AEPEP Inc. This Order is being made effective as of February 22, 2007, the effective date of the original Order No. EA-318, for a term of five years.

IV. COMPLIANCE

DOE expects AEPEP Inc. to abide by the terms and conditions established for its authority to export electric energy to Mexico, as set forth below. DOE intends to closely monitor AEPEP Inc.'s compliance with these terms and conditions, especially the requirement in paragraph H of this Order that AEPEP Inc. create and preserve full and complete records and file quarterly reports with DOE. A violation of any of those terms and conditions, including the failure to submit timely and accurate quarterly reports, may result in the loss of authority to export electricity and subject AEPEP Inc. to sanctions and penalties under the FPA.

DOE notes that paragraph K of this Order allows AEPEP Inc. to file an application for renewal of this authorization up to six months prior to its expiration. This Order also puts AEPEP Inc. on notice that DOE requires at least sixty days to adequately process any renewal application. Accordingly, DOE expects AEPEP Inc. to implement appropriate internal procedures to monitor the status of its authorization so as to ensure timely application to DOE for renewal of this authorization. Failure to provide DOE with sufficient time to process a renewal application may result in a gap in AEPEP Inc.'s authority to export electricity and, therefore, may affect its ability to satisfy its contractual obligations.

As noted above, obtaining a valid Order from DOE authorizing the export of electricity under section 202(e) of the FPA is a necessary condition before engaging in the export. Failure to obtain such an Order, or continuing to export after the expiration of such an Order, may result in a denial of authorization to export in the future and subject the exporter to sanctions and penalties under the FPA. DOE expects transmitting utilities owning border facilities and entities charged with the operational control of those border facilities, such as ISO's or RTO's, to verify that companies seeking to schedule an electricity export have the requisite authority from DOE to export such power.

V. ORDER

Based on the above and pursuant to section 202(e) of the FPA and the Rules and Regulations issued thereunder (Title 10, Code of Federal Regulations, sections 205.300-309), Order No. EA-318 issued to CSW Power Marketing on February 22, 2007 is hereby rescinded and it is ordered that AEP Energy Partners, Inc. (AEPEP, Inc.) is authorized to export electric energy to Mexico under the following terms and conditions:

(A) The electric energy exported by AEPEP Inc. pursuant to this Order may be delivered to Mexico only over the following existing international transmission facilities for which assessments of the transmission limits for operation in the export mode have been made:

<u>Present Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u> ³
AEP Texas Central Company	Laredo, TX	138 kV	PP-317
		230 kV	PP-317
Central Power & Light Company	Brownsville, TX	138 kV	PP-94
		69 kV	
	Eagle Pass, TX	138 kV	PP-219
Comision Federal de Electricidad	Falcon Dam, TX	138 kV	None
	Redford, TX	7.2 kV	PP-51
	Presidio, TX	13.8 kV	PP-03
El Paso Electric Company	Diablo, NM	115 kV	PP-92
	Ascarate, TX	115 kV	PP-48
San Diego Gas & Electric	Miguel, CA	230 kV	PP-68
	Imperial Valley, CA	230 kV	PP-79
Sharyland Utilities, Inc.	McAllen, TX	138 kV	PP-285

(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) above. Specifically:

- (1) Exports made by AEPEP Inc. made pursuant to this Order shall not cause the total exports on a combination of the facilities authorized by Presidential permit 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

³ These Presidential permit numbers refer to the generic DOE permit number and are intended to include any subsequent amendments to the permit authorizing the facility.

operating nomogram and the Southern California Import Transmission Nomogram.

- (2) Exports made by AEPEP Inc. 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.
 - (3) Exports by AEPEP Inc. shall not cause the total exports on a combination of the 138 kV facilities at the Falcon Dam and the facilities authorization by Presidential Permits PP-94, PP-219, and PP-317 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 AEPEP Inc. 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-219; or
 - (c) 300 MW for the 138 kV and 230 kV facilities at Laredo authorized by Presidential permit PP-317.
 - (4) Exports made by AEPEP Inc. pursuant to this Order, using the transmission facilities authorized by Presidential Permit PP-285, shall not cause the maximum instantaneous transmission rate to exceed 150 MW.
 - (5) Exports made by AEPEP Inc. pursuant to this Order, using the transmission facilities authorized by Presidential Permit PP-51, shall not cause the maximum instantaneous transmission rate to exceed 100 kilowatts.
- (C) Changes by DOE to the export limits in other orders shall result in a concomitant change to the export limits contained in paragraph (B) of this Order. Notice of these changes will be provided to AEPEP Inc.
- (D) The scheduling and delivery of electricity exports to Mexico shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council, Regional Councils, Regional Transmission Organizations, Independent System Operators, and/or control area operator(s), as appropriate, on such terms as expressed therein, and as such criteria, standards, and guides may be amended from time to time.
- (E) Exports made pursuant to this authorization shall be conducted in accordance with the provisions of the Federal Power Act and any pertinent rules, regulations, directives,

policy statements, and orders adopted or issued thereunder, including the comparable open access provisions of FERC Order No. 888, as amended.

(F) The authorization herein granted may be modified from time to time or terminated by further order of the DOE. In no event shall such authorization to export over a particular transmission facility identified in paragraph (A) extend beyond the date of termination of the Presidential permit authorizing such facility.

(G) 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.

(H) AEPEP Inc. shall create and preserve full and complete records with respect to the electric energy exported to Mexico. AEPEP Inc. 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. Each report shall indicate the DOE order number under which it is being filed and the expiration date of such order.

Reports shall be submitted to the U.S. Department of Energy, Office of Electricity Delivery and Energy Reliability, OE-20, Forrestal Building, 1000 Independence Avenue, SW, Washington, D.C. 20585-0305. Properly identified quarterly reports will also be accepted via facsimile at (202) 586-8008 to meet time requirements, but original copies should still be filed at the above address.


(I) 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.

(J) Exports authorized herein shall be reduced or suspended, as appropriate, whenever a continuation of those exports would cause or exacerbate a transmission operating problem.

(K) This authorization shall be effective as of February 22, 2007, and remain in effect for a period of five (5) years from that date. Application for renewal of this authorization may be filed within six months prior to its expiration. Failure to provide

DOE with at least sixty (60) days to process a renewal application and provide adequate opportunity for public comment may result in a gap in AEPEP Inc.'s authority to export electricity.

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