
United States
Department of Energy

Office of Fossil Energy

Frontera Generation L.P.

OE Docket No. EA-206-B



Order Authorizing Electricity Exports to Mexico

Order No. EA-206-B

January 6, 2005

Frontera Energy Limited Partnership

Order No. EA-206-B

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 July 12, 1999, the Office of Fossil Energy (FE) of the Department of Energy (DOE) issued Presidential Permit PP-206 authorizing Frontera Generation Limited Partnership (Frontera) to construct, operate, maintain, and connect 230,000-volt electric transmission facilities¹ extending from its Rio Bravo Substation² across the U.S. border with Mexico, and connecting to similar facilities owned by CFE. In a related proceeding, on July 20, 1999, in Order No. EA-206, FE authorized Frontera to transmit electric energy from the Frontera Generating Station to Mexico using the electric transmission facilities authorized in PP-206.

Frontera and its general partner, CSW Frontera GP II, were wholly-owned subsidiaries of CSW Energy, Inc., a Texas corporation involved in the non-regulated generation and sale of electric power. On March 15, 2001, the partnership interests of Frontera were transferred from CSW Frontera GP II, Inc. and CSW Frontera LP II, Inc. to TPS Tejas GP, LLC and TPS Tejas LP, LLC; these entities are in turn each wholly-owned subsidiaries of TPS Tejas Holdings, Inc., a Florida corporation which itself is a wholly-owned subsidiary of TECO Power Services Corporation (TPS). One of TPS's wholly-owned subsidiaries is TECO EnergySource, Inc. (TES).

On May 21, 2002, Frontera and TES (collectively, the applicants) jointly applied to DOE to have Frontera's authority to export electric energy transferred from Frontera to TES. The applicants made this request because they contemplated retail sales of electric energy from the Frontera Generating Station to one or more entities in Mexico and Frontera is prohibited from engaging in retail sales because of its status as an Exempt Wholesale Generator. On August 6, 2002, in Order No. EA-206-A, FE rescinded Frontera's electricity export authorization and simultaneously authorized TES to export electric energy to Mexico using the PP-206 transmission facilities.

¹ Presidential Permit PP-206 authorized construction of a temporary single-circuit 138-kV transmission line to be replaced at a later date by a double-circuit 230-kV line. As of the date of this Order, the international transmission facilities consist of a single 138-kV circuit.

² The Rio Bravo Substation is adjacent to the 500-megawatt Frontera Generating Station. The substation configuration incorporates an electrical interlock that permits some or all of the electrical output of the Frontera Generating Station to be delivered either to Comision Federal de Electricidad (CFE), the national electric utility of Mexico, or to the electric system of the Electric Reliability Council of Texas (ERCOT). The interlock system is designed to permit electric power from the powerplant to be supplied to both the CFE and ERCOT electric systems simultaneously but also to preclude the two systems from being connected in parallel through the Rio Bravo Substation.

On October 1, 2004, the applicants jointly applied to DOE to have the export authority currently held by TES returned to Frontera. The applicants' parent company, TECO Energy Inc. (TECO Energy) is planning to restructure and exit the merchant energy business. One element of the restructuring will be the sale of Frontera to a new parent company. Under the terms of the proposed sale, Frontera would retain its corporate identity and also the authority to export electric energy on its own behalf.

Notice of the joint application was placed in the *Federal Register* on November 17, 2004, (69 FR 67333) requesting that comments, protests, and petitions to intervene be submitted to the DOE by December 17, 2004. None were received.

II. FINDING

DOE has assessed the impact that the proposed export would have on the reliability of the U.S. electric power supply system. DOE has determined that the export of electric energy to Mexico as requested by Frontera 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 jurisdiction of DOE. An analysis in support of this finding was previously prepared and is a part of the record in FE Docket Nos. PP-206 and EA-206.

DOE also has determined that this action is among those classes of actions not normally requiring preparation of an environmental assessment or an environmental impact statement and, therefore, is eligible for a categorical exclusion under Appendix B to Subpart D, paragraph B4.2 of the revised DOE Regulations implementing 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.

III. ORDER

Based on the above, Order No. EA-206-A is hereby rescinded and it is hereby ordered that Frontera is authorized to export electric Energy to Mexico under the following terms and conditions:

(A) Exports made by Frontera pursuant to this Order shall be transmitted from the United States to Mexico only over the international electric transmission facilities authorized by Presidential Permit PP-206. Frontera may export electric energy over either the 138-kV or the 230-kV facilities authorized by that permit. However, under no circumstances may Frontera export electric energy using a combination of these facilities simultaneously. Exports authorized herein shall be limited to a maximum rate of transmission of:

- (1) 200 MVA (180 MW at a 90 percent power factor) when using the 138-kV facilities, and

- (2) 600 MVA (540 MW at a 90 percent power factor) when using the 230-kV facilities.

(B) The electric energy Frontera is authorized to export to Mexico pursuant to this Order shall be supplied solely from the Frontera Generating Station located in Mission, Hidalgo County, Texas.

(C) In scheduling the delivery of electricity exports to Mexico, Frontera shall comply with all reliability criteria, standards, and guides of the North American Electric Reliability Council, the Electric Reliability Council of Texas, 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.

(D) Frontera 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.

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

(F) 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 of Presidential Permit PP-206.

(G) Frontera shall make and preserve full and complete records with respect to the electric energy exported to Mexico. Frontera shall furnish annual reports to the DOE by February 15 of each year, detailing for each month of the previous calendar year: (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. Annual 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" is sufficient.

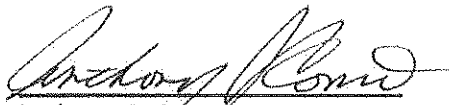
Reports shall be submitted to the U.S. Department of Energy, Office of Fossil Energy, FE-27, 1000 Independence Avenue, SW, Washington, D.C. 20585-0305. Properly identified quarterly reports will also be accepted via facsimile at (202) 287-5736 to meet time requirements, but original copies should still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

(H) 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.

(I) 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.

Issued in Washington, D.C., on January 6, 2005.



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