

OCT 11 2016

Electricity Delivery and
Energy Reliability

UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF ELECTRICITY DELIVERY AND ENERGY RELIABILITY

Castleton Commodities Merchant
Trading L.P.

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)

Docket No. EA- 432

APPLICATION OF
CASTLETON COMMODITIES MERCHANT TRADING L.P.
FOR AUTHORIZATION TO
TRANSMIT ELECTRIC ENERGY TO MEXICO

Pursuant to Section 202(e) of the Federal Power Act ("FPA") (16 U.S.C. § 824a(e)) and the regulations promulgated thereunder (10 C.F.R. §§ 205.300, *et seq.* (2016)), Castleton Commodities Merchant Trading L.P. ("Castleton" or "Applicant") hereby submits this Application for Authorization to Transmit Electricity from the United States to Mexico for a period of five (5) years (or such longer period as may be permitted by the Department). In support of this Application, Castleton respectfully states as follows:

I. DESCRIPTION OF APPLICANT

The exact legal name of the Applicant is Castleton Commodities Merchant Trading L.P. Applicant is a Delaware limited partnership with its principal place of business in Stamford, Connecticut. Applicant is authorized to do business in Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Applicant's general partner is Castleton Commodities Trading GP LLC and its limited partner is Castleton LP Holding LLC, both of which are Delaware limited liability companies and wholly owned subsidiaries of Castleton Commodities International LLC ("CCI"). Through

its wholly owned subsidiaries, CCI owns and operates electric generation facilities and other energy assets, and engages in (among other things) the merchandising, marketing, and proprietary trading of physical energy commodities, including coal, electric power, natural gas, natural gas liquids, crude oil, fuel oil, and refined products, as well as financial instruments related to, and the transportation and storage of, these commodities.

Applicant is in the business of participating in the wholesale markets for purchases and sales of electric energy, as well as participating in the markets for other energy commodities and related financial products. Other than the generating facilities described below, neither Applicant nor any of its affiliates owns or control any electric power generation or transmission facilities, and none of them has a franchised electric power service area. Applicant operates as a power marketer with market-based rate authority from FERC,¹ and brokers, sells and buys electric power at wholesale and arranges services in related areas such as fuel supplies and transmission services. Applicant will purchase the power to be exported from wholesale generators, electric utilities, and federal power marketing agencies. Applicant will have title to any electricity transmitted to Mexico under the authorization sought in this Application. This Application relates to Castleton as a marketer of electric power only.

Applicant is affiliated with, via common upstream ownership, the following entities that own generation facilities:

¹ See *Louis Dreyfus Energy Services L.P.*, Docket No. ER07-892-000, Letter Order (June 29, 2007) (unpublished) (granting market-based rate authorization to Castleton's predecessor in interest); *Castleton Commodities Merchant Trading L.P.*, Docket No. ER13-823-001, Letter Order (April 11, 2013) (unpublished) (accepting revised market-based rate tariff to reflect the name change of Louis Dreyfus Energy Services, L.P. to Castleton Commodities Merchant Trading L.P.). As used herein, the terms "marketer" and "power marketer" mean an entity that buys and sells electric power for its own account.

- CCI Rensselaer LLC is an approximately 80-MW natural gas-fired cogeneration facility located in Rensselaer, New York and is an exempt wholesale generator (“EWG”);
- Roseton Generating LLC, is an approximately 1,210 MW oil- and natural gas-fired electric generation facility located in Newburgh, Orange County, New York and is an EWG;
- CCI Signal Hill LLC is an approximately 80-MW natural gas-fired cogeneration facility located in the Electric Reliability Council of Texas (“ERCOT”) portion of Texas and is an EWG;
- Ingenco Wholesale Power, L.L.C. owns and operates fifteen landfill gas and other generating facilities with a combined nameplate and/or seasonal capacity of approximately 145 MW located in Maryland, North Carolina, Pennsylvania, and Virginia (*i.e.*, the PJM Interconnection, L.L.C. region) and is an EWG; and
- Ingenco Renewable Development, LLC owns and operates two landfill gas generating facilities with a combined capacity of approximately 10 MW located in North Carolina and Virginia, each of which is certified as a qualifying facility (“QF”).

CCI Rensselaer LLC, Roseton Generating LLC, and Ingenco Wholesale Power, L.L.C., are authorized by the Federal Energy Regulatory Commission (“FERC”) to sell electric energy, capacity and ancillary services at market-based rates.² Sales by Ingenco Renewable Development, LLC from its generating facilities are exempt from FERC rate regulation because the facilities are exempt QFs.³ CCI Signal Hill LLC operates within the ERCOT region and therefore is not subject to regulation as a “public utility” by FERC.

Applicant does not have any affiliates with authority to export electricity at this time. In addition, Applicant is not seeking authorization to export power on behalf of, or in conjunction with, any partners or partnerships.

² See *LDH Rensselaer LLC*, Docket No. ER12-1561-000, Letter Order (May 29, 2012) (unpublished); *CCI Roseton LLC*, Docket Nos. ER13-773-000 & -001, Letter Order (March 21, 2013) (unpublished); *Ingenco Wholesale Power, L.L.C.*, Docket No. ER03-534-000, Letter Order (Mar. 24, 2003) (unpublished).

³ See 18 C.F.R. § 292.601(c)(1) (2016) (exemption of QFs from rate regulation).

II. JURISDICTION

Pursuant to FPA Section 202(e), the Department has jurisdiction over the action proposed in this Application. No other known federal, state or local government has jurisdiction over the actions to be taken under the authority sought in this Application, except to the extent that Castleton must comply with applicable FERC requirements in making sales at wholesale. FERC's address is:

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

III. COMMUNICATIONS

Communications regarding this Application should be addressed to the following:

Compliance Department
Castleton Commodities International LLC
811 Main Street, Suite 3500
Houston, TX 77002
Tel.: 281-378-1100
Email: compliance@CCI.com

Daniel E. Frank
Allison E. Speaker
Sutherland Asbill & Brennan LLP
700 Sixth Street, N.W., Suite 700
Washington, DC 20001-3980
Tel.: 202-383-0838
Fax: 202-637-3593
Email: daniel.frank@sutherland.com
allison.speaker@sutherland.com

IV. AUTHORIZATION AND TECHNICAL DISCUSSION

Castleton hereby applies for authorization to transmit electric power to Mexico as a power marketer over any authorized international transmission facility that is appropriate for open access transmission by third parties in accordance with the export limits authorized by the Department. Castleton plans to export electric power over authorized transmission interconnections between Mexico and the United States. These sales would be made in foreign commerce at the U.S.-Mexico border. Transmission to the point of delivery will be arranged by Castleton over any of the existing international electric transmission facilities set out in

Attachment 1 (which is a list of the currently authorized electricity export points), and any other international transmission facilities that may be approved by the Department in the future.

Applicant does not currently own or control electric generation or transmission facilities, and does not have a power supply of its own in the United States on which its exports of power could have a reliability, fuel use or system stability impact.⁴ Applicant will purchase the power to be exported from wholesale generators, electric utilities, and federal power marketing agencies. By definition, such power is surplus to the system of the selling generator. Accordingly, the proposed exports will not impair or tend to impede the sufficiency of the electric power supply within the United States or the regional coordination of electric utility planning or operations. Additionally, as a power marketer that does not own or operate a transmission system, Castleton does not have the ability to cause a violation of the terms and conditions in the existing authorizations associated with the international transmission facilities identified in Attachment 1. Specifically, Castleton does not have the ability to cause total exports on Presidential Permit facilities to exceed the authorized instantaneous transmission rate.

Castleton will make all necessary commercial arrangements and will obtain any and all other regulatory approvals required in order to carry out any power exports. This would include: (1) scheduling each transaction with the appropriate balancing authority area in compliance with all reliability criteria, standards, and guidelines of the North American Electric Reliability Corporation and the relevant Regional Entities (collectively, “NERC”) in effect at the time of export, and (2) obtaining all necessary transmission access over approved export facilities. Castleton agrees to abide by the export limits contained in the relevant export authorization of

⁴ As noted above, Applicant has affiliates that own wholesale generating facilities.

any transmission facilities over which Castleton exports electric power to Mexico. The controls that are inherent in any transaction that complies with all NERC requirements and the export limits imposed by the Department on the international transmission facilities are sufficient to ensure that exports by Castleton would not impede or tend to impede the coordinated use of transmission facilities within the meaning of FPA Section 202(e).

In previous orders granting export authorizations to electric power marketers, the Department declined to rigidly apply the information filing requirements contained in its regulations and instead used a flexible approach which takes into consideration the unique nature of power marketers, the requirements of FERC Order No. 888 and previously authorized export limits of cross-border facilities.⁵ These same considerations demonstrate that Castleton's proposed exports will not impair or tend to impede the sufficiency of electric supplies in the United States or the regional coordination of electric utility planning or operations.

V. CONSISTENCY WITH LEGAL REQUIREMENTS

Authorization of the exports proposed by Applicant is consistent with the North American Free Trade Agreement and United States energy policy and will foster development of a more efficient and competitive North American energy market. Applicant will conduct all operations pursuant to this Authorization in accordance with the provisions of the FPA and

⁵ See, e.g., *NorAm Energy Services, Inc.*, No. EA-105-CN (Aug. 16, 1996); *MidCon Power Services Corp.*, No. EA-114 (July 15, 1996); *USGen Power Services*, No. EA-112 (June 27, 1996); *CNG Power Services Corp.*, No. EA-110 (June 20, 1996); *Destec Power Services, Inc.*, No. EA-113 (May 31, 1996); *North American Energy Conservation, Inc.*, No. EA-103 (May 30, 1996); *NorAm Energy Services, Inc.*, No. EA-105-MX (May 30, 1996); *Enron Power Marketing, Inc.*, No. EA-102 (Feb. 6, 1996); *Morgan Stanley Capital Group Inc.*, No. EA-185-A-CN (Aug. 14, 2000); *Saracen Energy Partners, LP*, No. EA-340 (June 18, 2008); *Castleton Commodities Merchant Trading L.P.*, No. EA-359-B (Oct. 2, 2014); *Morgan Stanley Capital Group Inc.*, No. EA-185-D (July 8, 2015).

pertinent rules, regulations and orders adopted or issued thereunder, and in conformity with applicable reliability criteria, standards and guidelines of NERC and balancing authority area operator(s), including any applicable regional transmission organizations or independent system operators.

Because the proposed exports will occur over existing transmission facilities, Applicant respectfully submits that the Application qualifies for a categorical exclusion under the National Environmental Policy Act of 1969, such that neither an Environmental Agreement nor an Environmental Impact Statement is required.

Finally, Castleton will continue to comply with such requirements as may be imposed by the Department on other power marketers with blanket electricity export authorization, including making periodic reports to the Department regarding exports, as may be applicable or required.

VI. EXHIBITS & ATTACHMENTS

Castleton includes the following Exhibits and Attachments with this Application:

- Exhibit A (10 C.F.R. § 205.303(a)) – Export Agreements. Not Applicable. Currently there is no agreement with any Mexican utilities to export electricity.
- Exhibit B (10 C.F.R. § 205.303(b)) – Opinion of Counsel. Attached as Exhibit B is the legal opinion of counsel that the proposed exports are within Castleton’s corporate power and that Castleton will comply with all pertinent Federal and State laws.
- Exhibit C (10 C.F.R. § 205.303(c)) – Maps. Not Applicable. Castleton has no “system” of its own to export electricity. Therefore, no maps are available to

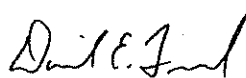
include as this Exhibit C. Additionally, as described above, Castleton requests authority to export energy to Mexico over any international transmission facility authorized by Presidential Permit that is appropriate for open access transmission by third parties in accordance with the assessment made by the Department of the transmission limits for operation in the export mode.

- Exhibit D (10 C.F.R. § 205.303(d)) – Agent for Foreign Entities. Not Applicable. Castleton has offices in the United States and therefore no designated agent residing within the United States is required.
- Exhibit E (10 C.F.R. § 205.303(e)) – Statement of Corporate Relationship. Not Applicable. Castleton does not have any corporate relationship or existing contract between it and any other person, corporation, or foreign government, which in any way relates to the control or fixing of rates for the purchase, sale or transmission of electric energy.
- Exhibit F (10 C.F.R. § 205.303(f)) – Operating Procedures. Not Applicable. Neighboring utilities may be informed of any excess capacity and energy by participating in the competitive wholesale markets in the relevant areas.
- Attachment 1 – Export Facilities. A list of international transmission lines at the U.S.-Mexico border authorized for third-party use is attached to this Application as Attachment 1.
- Attachment 2 – Verification. Castleton has attached as Attachment 2 a signed, notarized verification of the factual representations in this Application.

VII. CONCLUSION

In order to obtain all regulatory authorizations to be able to participate in emerging market opportunities, Castleton Commodities Merchant Trading L.P. respectfully requests that the Department grant this Application and issue the requested authorization by no later than December 12, 2016, the first business day that is 60 days after the date of this filing.

Respectfully submitted,



Daniel E. Frank
Allison E. Speaker
Attorneys for
Castleton Commodities Merchant Trading L.P.

October 11, 2016

EXHIBIT A

EXPORT AGREEMENTS

(NOT APPLICABLE)

EXHIBIT B

OPINION OF COUNSEL



Castleton Commodities International LLC
2200 Atlantic Street, Suite 800
Stamford, CT 06902-6834

Tel (203) 564-8100
Fax (203) 564-8779

LEGAL OPINION

October 10, 2016

Mr. Christopher Lawrence
U.S. Department of Energy
Office of Electricity Delivery and Energy Reliability
OE-20, Room 8G-024
1000 Independence Avenue, SW
Washington, DC 20585

Re: Application of Castleton Commodities Merchant Trading L.P. for
Authorization to Transmit Electricity from the United States to Mexico
Docket No. EA-___

Dear Mr. Lawrence:

As counsel to Castleton Commodities Merchant Trading L.P. ("Castleton"), I have been asked to provide an opinion pursuant to 10 C.F.R. § 205.303(b) with respect to Castleton's Application for Authorization to Transmit Electricity from the United States to Mexico.

Based on my knowledge and understanding of Castleton's proposal and my familiarity with Castleton's Certificate of Limited Partnership and Castleton's Agreement of Limited Partnership, as amended, Castleton's other corporate documents, and certificates of public officials and other instruments that I have deemed necessary or advisable for purposes of this opinion, I am of the opinion that:

1. Castleton has the requisite corporate authority to export electric energy to Mexico.
2. Castleton will comply with all federal and state laws required to export electric energy to Mexico.

This opinion is rendered solely to you in connection with the above-mentioned matter. This opinion may not be relied on by you for any other purpose or relied upon or furnished to any other person without my prior written consent.

Sincerely,

A handwritten signature in black ink, appearing to read "Duane K. Duclaux".

Duane K. Duclaux
Deputy General Counsel to
Castleton Commodities Merchant Trading L.P.

EXHIBIT C

MAPS

(NOT APPLICABLE)

EXHIBIT D

AGENT FOR FOREIGN ENTITIES

(NOT APPLICABLE)

EXHIBIT E

STATEMENT OF CORPORATE RELATIONSHIP

(NOT APPLICABLE)

EXHIBIT F

OPERATING PROCEDURES

(NOT APPLICABLE)

ATTACHMENT 1

**LIST OF TRANSMISSION LINES AT THE U.S.-MEXICO BORDER
CURRENTLY AUTHORIZED FOR THIRD-PARTY USE**

**Transmission Facilities Located
At the U.S. – Mexico Border
Authorized for Third-Party Use**

<u>Present Owner</u>	<u>Location</u>	<u>Voltage</u>	<u>Presidential Permit No.</u>
Comision Federal de Electricidad	Falcon Dam, TX	138 kV	N/A
	Redford, TX	7.2 kV	PP-51
	Presidio, TX	13.8 kV	PP-03
Baja California Power, Inc.	Imperial Valley, CA	230 kV	PP-234
Generadora del Desierto – WAPA	San Luis, AZ	230 kV	PP-304*
AEP Texas Central Company	Brownsville, TX	138 kV	PP-94
	Brownsville, TX	69 kV	PP-94
	Laredo, TX	138 kV	PP-317
	Laredo, TX	230 kV	PP-317
	Eagle Pass, TX	138 kV	PP-219
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	McAllen, TX	138 kV	PP-285

* These transmission facilities have been authorized but are not yet constructed or placed into operation.

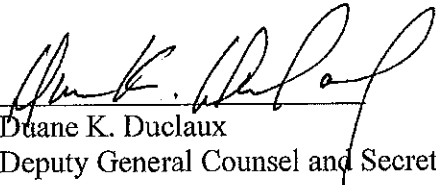
ATTACHMENT 2

VERIFICATION

VERIFICATION

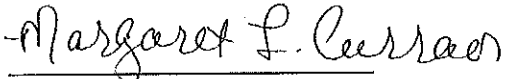
STATE OF CONNECTICUT)
)
CITY OF STAMFORD)

The undersigned, being duly sworn, states that he is the authorized representative of Castleton Commodities Merchant Trading L.P.; that he has read the foregoing application and knows the contents thereof; and that all the statements contained therein with respect to Castleton Commodities Merchant Trading L.P. are true and correct to the best of his knowledge, information and belief.



Duane K. Duclaux
Deputy General Counsel and Secretary

Subscribed and sworn to before me
this 10th day of October, 2016.



Notary Public MARGARET L. CURRAN
NOTARY PUBLIC, STATE OF CONNECTICUT
MY COMMISSION EXPIRES MARCH 31, 2018
My commission expires: _____

