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FEDERAL ENERGY
REGULATORY COMMISSION

VIA HAND DELIVERY

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

Re: Southwest Power Pool, Inc., Docket Nos. ER05-652-013, RT04-1-013,
ER04-48-013, and ER05-109-002
Submission of Compliance Filing Revising Attachment Z

Dear Secretary Salas:

Pursuant to the Commission's order issued on April 22, 2005 in these dockets,¹ Southwest Power Pool, Inc. ("SPP") submits this compliance filing providing for revisions to its Open Access Transmission Tariff ("OATT"). Specifically, SPP is revising its OATT to: (a) provide for credits for subsequent network transmission service as well as point-to-point requests that use the capacity created by a requested or economic upgrade; (b) include crediting provisions for controllable transmission equipment in its footprint; and (c) remove the right of first refusal provision from Attachment Z.

I. Background

On October 29, 2004, SPP submitted revisions to its OATT to adopt an Aggregate Transmission Service Study ("ATSS") process, reflected in a new Attachment Z to the SPP Tariff ("October 29 Filing"). The ATSS would be used to evaluate long-term transmission service requests in order to provide the necessary available transmission capacity ("ATC") to accommodate all such requests at the minimum total cost. As part of its proposal, SPP sought to incorporate a right of first refusal for its transmission customers to assume the cost responsibility for necessary upgrades and facilities.

On January 21, 2005, the Commission issued an order accepting the proposed ATSS procedures of the October 29 Filing.² However, the Commission expressed its

¹ Southwest Power Pool, Inc., 111 FERC ¶ 61,118 (2005) ("April 22 Order").
² Southwest Power Pool, Inc., 110 FERC ¶ 61,028 (2005).

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concerns with the interrelationship between the new Attachment Z and the regional transmission cost allocation proposal for new transmission upgrades ("Cost Allocation Plan") SPP was expected to file soon thereafter.³ The Commission therefore suspended the cost allocation and cost recovery provisions of the October 29 Filing so that it may consider them in tandem with the Cost Allocation Plan.⁴

On February 28, 2005, SPP submitted further revisions to its OATT to implement its Cost Allocation Plan. The Cost Allocation Plan provided that any charges paid by a transmission customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) would be recovered by such customer from future transmission service revenues until the customer has been fully compensated.⁵ Such amount was to be recovered, with interest calculated in accordance with the Commission's regulations, from new point-to-point service that increased loading on the new facility upgrade in the direction of the initial overload.⁶

On April 22, 2005, the Commission issued an order conditionally accepting the cost allocation and cost recovery provisions of the October 29 Filing, as well as the Cost Allocation Plan.⁷ Nonetheless, the Commission did require SPP to incorporate two revisions.

First, the Commission directed SPP to provide for credits for subsequent network transmission service as well as point- to-point requests that use the capacity created by a requested or economic upgrade.⁸ The Commission additionally requested SPP to include crediting provisions for controllable transmission equipment, such as direct current ties and regulating phase shifting transformers, in its footprint.⁹ The Commission further stated that the crediting provisions should include credits for service in both directions, since service over these transmission elements is different, i.e., specifically scheduled and controllable.¹⁰

Second, the Commission directed SPP to remove the right of first refusal provision from the proposed Attachment Z, and to amend its Tariff to provide for third party ownership once it had established an appropriate compensation method.¹¹

³ See id. at 61,073.

⁴ See id.

⁵ See Cost Allocation Plan at First Revised Sheet No. 423.

⁶ See id.

⁷ See, generally, April 22 Order.

⁸ See id. at P 72.

⁹ See id.

¹⁰ See id.

¹¹ See id. at P 79.

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II. Description of Revisions

Pursuant to the April 22 Order, SPP has revised its OATT to provide for credits for subsequent network transmission service as well as point-to-point requests that use the capacity created by a requested or economic upgrade. SPP has also included crediting provisions for controllable transmission equipment in its footprint. The crediting provisions include credits for service in both directions.

Second, SPP has removed the right of first refusal provision from the proposed Attachment Z. As SPP has yet to determine how a third party would be compensated, it is not filing at this time to amend its OATT to address third party ownership. SPP, however, understands that this is a requirement of the order and will establish procedures to allow compliance. While SPP is complying with these requirements with regard to Attachment Z, SPP is at the same time submitting a request for clarification and rehearing on these requirements.

III. Additional Information

A. Information Required by Section 35.13 of the Commission's Regulations, 18 C.F.R. § 35.13:¹²

(1) Documents submitted with this filing:

In addition to this transmittal letter, the following material is provided with this filing: (a) a copy of the revised portions of the SPP OATT, as Exhibit I; and (b) a copy of the redlined portions of the SPP OATT, as Exhibit II. In addition, a form of notice suitable for publication in the Federal Register, together with an electronic version of the notice, is also included.

(2) Effective Date

SPP requests that the Commission deem this compliance filing effective as of May 5, 2005. This is the effective date granted to the cost allocation and cost recovery provisions of the October 29 Filing, as well as the Cost Allocation Plan, by the April 22 Order.

(3) Service:

SPP has served a copy of this transmittal letter and the Allocation Agreement on all parties to the service list in this proceeding. A

¹² Because neither the revisions to the SPP OATT nor the Allocation Agreement involve any change in rates, the use of the abbreviated filing procedures as set forth in 18 C.F.R. § 35.13(a)(2)(iii) is appropriate.

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complete copy of this filing will be posted on the SPP web site www.spp.org, and is also being served on all affected state commissions.

(4) Requisite Agreements:

No agreements were required for this filing. The April 22 Order directed SPP to incorporate the revisions submitted herein.

(5) Form of notice:

A form of notice suitable for publication in the Federal Register is attached hereto. In addition, an electronic version of the notice is included on the enclosed diskette.

(6) Specifically assignable facilities installed or modified:

There are none.

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B. Communications:

Correspondence and communications with respect to this filing should be sent to, and SPP requests the Secretary to include on the official service list, the following:

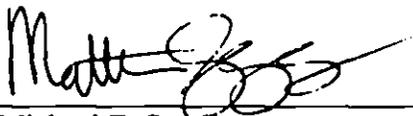
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IV. Conclusion

For all of the foregoing reasons, SPP respectfully requests that the Commission accept its compliance filing pursuant to the April 22 Order and make it effective as of May 5, 2005. SPP further requests waiver of any additional Commission regulations that the Commission may deem applicable.

Respectfully submitted,



Michael E. Small
Matthew K. Segers

**Attorneys for
Southwest Power Pool, Inc.**

EXHIBIT I

REVISED TARIFF SHEETS

requested service on such upgraded facility in proportion to the total of all incremental impacts on such upgraded facility. For each upgraded facility identified, the average incremental power flow impact of each request in the aggregate study shall be determined using each summer model available for the aggregate study period, after the COD of such upgraded facility. Each impact amount shall be determined by first establishing an initial case that excludes flows associated with all requests included in the Aggregate Facilities Study. Then each request will be added to the model and the change in flow across such upgraded facility shall be determined for each request included in the Aggregate Facilities Study. The cost of an upgrade allocated to each request shall be proportional to the average positive incremental impact of each request on such facility divided by the total average positive incremental impact of all requests included in the Aggregate Facilities Study on such upgraded facility. The cost of each upgrade shall be allocated to requests independently. Incremental flows having a negative impact on an upgraded facility shall be ignored.

c. After concluding the above cost allocations to each reservation in the aggregate group, the Transmission Provider shall determine the charges for each request by using the levelized monthly revenue requirement associated with the transmission service requested by each customer in the aggregate group. This levelized monthly revenue requirement is determined by calculating the present worth of the revenue requirements associated with the upgrades as allocated to each customer in the aggregate group and then calculating an appropriate monthly amount for each customer in the aggregate group for each respective reservation.

VI. Cost Recovery

A. Requested Upgrades – Cost Recovery

The cost of Requested Upgrades shall be recovered in accordance with this Section. For Point-to-Point Service, the levelized monthly revenue requirement derived from the cost allocation process shall be compared to the charge applicable for each request under the transmission access charges of Schedule 7, Sections 1 and 7, and each customer

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Director, Transmission and Regulatory Policy

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Southwest Power Pool
FERC Electric Tariff
Fourth Revised Volume 1

Second Revised Sheet No. 423
Superseding First Revised Sheet No. 423

Integration Service customers the charge shall be a direct assignment charge pursuant to Schedule 9, Section 4 and each customer will be required to pay the monthly revenue requirement associated with the facility upgrades in addition to the total monthly transmission access charges applicable under Schedule 9, Sections 1 and 6. Customers paying the above charges may receive credits in accordance with Section VI.B.

B. Requested Upgrades and Economic Upgrades – Transmission Revenue Credits

Transmission Customers paying for Requested Upgrades and Project Sponsors bearing the costs of Economic Upgrades shall receive transmission revenue credits in accordance with Section VII. Any charges paid by a customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such customer from future transmission service revenues until the customer has been fully compensated.

C. Network Upgrades Associated with Designated Resources – Cost Recovery for Costs in Excess of the Safe Harbor Cost Limit

To the extent a waiver is not granted pursuant to Section III of Attachment J, the cost in excess of the Safe Harbor Cost Limit of Network Upgrades associated with Designated Resources shall be recovered in accordance with Section VII. Each Transmission Customer shall be required to pay the monthly revenue requirement associated with the cost of facility

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First Revised Sheet No. 423A
Superseding Original Sheet No. 423A

upgrades that were directly assigned to that Transmission Customer in accordance with Section III.B. of Attachment J, in addition to any other applicable charges under this Tariff. Transmission Customers paying the above charges may receive credits in accordance with Section VI.D.

D. Network Upgrades Associated with Designated Resources - Transmission Revenue Credits

Transmission Customers shall receive transmission revenue credits in accordance with Section VII for directly assigned costs of Network Upgrades associated with Designated Resources. Any charges paid by the Transmission Customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such Transmission Customer from future transmission service revenues until that *Transmission Customer has been fully compensated.*

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First Revised Sheet No. 423B
Superseding Original Sheet No. 423B

VII. Transmission Service Crediting

Transmission Customers paying for a Directly Assigned Network Upgrade shall receive credits for a portion of new transmission service using the facility as a credit based on Section VI. The credit amount shall be recovered, with interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii), from new transmission service using the facility as defined below until the credit balanced has zeroed.

1. Point-To-Point Transmission Service: Revenues from new point-to-point service that increases loading on the new Network Upgrade in the direction of the initial overload will be included for crediting purposes. For each new point-to-point reservation having such loading impact on such Network Upgrade, made after the facility upgrade is completed (EOC date), the customer shall receive a portion of the transmission service charge equal to the positive response factor of such new reservation on the Network Upgrade facility times the new reservation capacity times the rate applicable to such new reservation. The response factor shall be calculated on a monthly basis. This allocation from new service shall continue until the Transmission Customer has been fully compensated for all charges paid in excess of the normally applicable transmission access charges pursuant to Schedules 7, 8 or 9 and 11.
2. Network Transmission Service: Credits will be provided for New Long-Term Network Transmission Service using the Network Upgrade in the direction of the initial overload to accommodate new Designated Resources or new loads. Revenues credited shall be determined based on the MW usage of the facility divided by the increased capacity provided by the Network Upgrade. This will provide a percent usage for which the new Network Service Customer will be charged based on the original cost of the facility. This charge shall be paid for by the new Network Customer or applied to rates based on the Base Plan funding formula in Attachment J and credited to the Transmission Customer who provided the Network Upgrade.

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Second Revised Sheet No. 424
Superseding First Revised Sheet No. 424

3. **Power Controlling Devices:** For cost recovery on power controlling transmission devices the Upgrading Transmission Customer shall receive credit for Point-To-Point and Network Transmission service using the facility in both directions. Revenues credited shall be determined based on the MW usage of the facility divided by the sum of the increased capacity provided in both directions by the Network Upgrade. This will provide a percent usage for which the new Long-Term Network Service Customer will be charged based on the original cost of the facility. This charge shall be paid for by the new Network Customer based on the Base Plan funding formula in Attachment J and credited to the Transmission Customer who provided the Network Upgrade. Crediting for Point-to-Point Transmission Service using the power controlling device shall be the percent usage of the total revenue received by the Transmission Provider that is not required for other transmission funding obligations.

VIII. Future Roll-In

When a facility upgrade being paid for pursuant to the provisions of this Attachment Z is rolled into the revenue requirements used for the development of generally applicable transmission service rates, the Transmission Owner that constructed the facility upgrade shall pay the remaining balance of each customer's unrecovered payments described in Sections VI.B and VI.D that are applicable to that facility upgrade. All customers who have upgraded facilities and have remaining balances subject to cost recovery pursuant to Section VI of this Attachment Z, shall be paid in full. The customer shall continue to pay the charges specified in the customer's transmission service agreement for the transmission service initially reserved.

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EXHIBIT II

REDLINED TARIFF SHEETS

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Second Revised Sheet No. 422
Superseding First Revised Sheet No. 422

requested service on such upgraded facility in proportion to the total of all incremental impacts on such upgraded facility. For each upgraded facility identified, the average incremental power flow impact of each request in the aggregate study shall be determined using each summer model available for the aggregate study period, after the COD of such upgraded facility. Each impact amount shall be determined by first establishing an initial case that excludes flows associated with all requests included in the Aggregate Facilities Study. Then each request will be added to the model and the change in flow across such upgraded facility shall be determined for each request included in the Aggregate Facilities Study. The cost of an upgrade allocated to each request shall be proportional to the average positive incremental impact of each request on such facility divided by the total average positive incremental impact of all requests included in the Aggregate Facilities Study on such upgraded facility. The cost of each upgrade shall be allocated to requests independently. Incremental flows having a negative impact on an upgraded facility shall be ignored.

c. After concluding the above cost allocations to each reservation in the aggregate group, the Transmission Provider shall determine the charges for each request by using the levelized monthly revenue requirement associated with the transmission service requested by each customer in the aggregate group. This levelized monthly revenue requirement is determined by calculating the present worth of the revenue requirements associated with the upgrades as allocated to each customer in the aggregate group and then calculating an appropriate monthly amount for each customer in the aggregate group for each respective reservation.

VI. Cost Recovery and Transmission Revenue Credits

A. Requested Upgrades – Cost Recovery

The cost of Requested Upgrades shall be recovered in accordance with this Section. For Point-to-Point Service, the levelized monthly revenue requirement derived from the cost allocation process shall be compared to the charge applicable for each request under the transmission access charges of Schedule 7, Sections 1 and 7, and each customer

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 Superseding First Revised Sheet No. 423

Integration Service customers the charge shall be a direct assignment charge pursuant to Schedule 9, Section 4 and each customer will be required to pay the monthly revenue requirement associated with the facility upgrades in addition to the total monthly transmission access charges applicable under Schedule 9, Sections 1 and 6. Customers paying the above charges may receive credits in accordance with Section VI.B.

B. Requested Upgrades and Economic Upgrades – Transmission Revenue Credits

Transmission Customers paying for Requested Upgrades and Project Sponsors bearing the costs of Economic Upgrades shall receive transmission revenue credits in accordance with ~~this Section VII~~. Any charges paid by a customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such customer from future transmission service revenues until the customer has been fully compensated. ~~Such amount shall be recovered, with interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii), from new point-to-point service that increases loading on the new facility upgrade in the direction of the initial overload. For each new point-to-point reservation having such loading impact on such new facility upgrade, made after the facility upgrade is completed (EOC date), the customer shall receive a portion of the transmission service charge equal to the positive response factor of such new reservation on the upgraded facility times the new reservation capacity times the rate applicable to such new reservation. The response factor shall be calculated on a monthly basis. This allocation from new service shall continue until the customer has been fully compensated for all charges paid in excess of the normally applicable transmission access charges pursuant to Schedules 7, 8 or 9 and 11.~~

C. Network Upgrades Associated with Designated Resources – Cost Recovery for Costs in Excess of the Safe Harbor Cost Limit

To the extent a waiver is not granted pursuant to Section III of Attachment J, the cost in excess of the Safe Harbor Cost Limit of Network Upgrades associated with Designated Resources shall be recovered in accordance with ~~this Section VII~~. Each Transmission Customer shall be required to pay the monthly revenue requirement associated with the cost of facility

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upgrades that were directly assigned to that Transmission Customer in accordance with Section III.B. of Attachment J, in addition to any other applicable charges under this Tariff. Transmission Customers paying the above charges may receive credits in accordance with Section VI.D.

D. Network Upgrades Associated with Designated Resources - Transmission Revenue Credits

Transmission Customers shall receive transmission revenue credits in accordance with ~~this Section VII~~ for directly assigned costs of Network Upgrades associated with Designated Resources. Any charges paid by the Transmission Customer in excess of the transmission access charges in compensation for the revenue requirements for allocated facility upgrade(s) shall be recovered by such Transmission Customer from future transmission service revenues until that Transmission Customer has been fully compensated. ~~Such amount shall be recovered, with interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii), from new point to point service that increases loading on the new facility upgrade in the direction of the initial overload. For each new point to point reservation having such loading impact on such new facility upgrade, made after the facility upgrade is completed (EOC date), the customer shall receive a portion of the transmission service charge equal to the positive response factor of such new reservation on the upgraded facility times the new reservation capacity times the rate applicable to such new reservation. The response factor shall be calculated on a monthly basis. This allocation from new service shall continue until the Transmission Customer(s) has been compensated for all charges paid in excess of the normally applicable transmission access charges pursuant to Schedules 7, 8 or 9 and 11.~~

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VII. ~~Transmission Owner Upgrades~~ Service Crediting

~~Each SPP Transmission Owner shall possess the right of first refusal to obtain all rights and responsibilities afforded to customers under this Attachment Z by assuming the cost responsibility for any or all of the upgrades to their facilities or new facilities which it constructs to provide transmission service pursuant to this Attachment Z. If a Transmission Owner elects to exercise this right of first refusal, the cost of the upgrade shall not be allocated to the requests in the aggregate group. SPP shall notify each Transmission Owner of the upgrades required and provide the Transmission Owner the opportunity to exercise its right of first refusal.~~

Transmission Customers paying for a Directly Assigned Network Upgrade shall receive credits for a portion of new transmission service using the facility as a credit based on Section VI. The credit amount shall be recovered, with interest calculated in accordance with 18 CFR §35.19a(a)(2)(ii), from new transmission service using the facility as defined below until the credit balanced has zeroed.

1. Point-To-Point Transmission Service: Revenues from new point-to-point service that increases loading on the new Network Upgrade in the direction of the initial overload will be included for crediting purposes. For each new point-to-point reservation having such loading impact on such Network Upgrade, made after the facility upgrade is completed (EOC date), the customer shall receive a portion of the transmission service charge equal to the positive response factor of such new reservation on the Network Upgrade facility times the new reservation capacity times the rate applicable to such new reservation. The response factor shall be calculated on a monthly basis. This allocation from new service shall continue until the Transmission Customer has been fully compensated for all charges paid in excess of the normally applicable transmission access charges pursuant to Schedules 7, 8 or 9 and 11.

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First Revised Sheet No. 423B
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2. Network Transmission Service: Credits will be provided for New Long-Term Network Transmission Service using the Network Upgrade in the direction of the initial overload to accommodate new Designated Resources or new loads. Revenues credited shall be determined based on the MW usage of the facility divided by the increased capacity provided by the Network Upgrade. This will provide a percent usage for which the new Network Service Customer will be charged based on the original cost of the facility. This charge shall paid for by the new Network Customer or applied to rates based on the Base Plan funding formula in Attachment J and credited to the Transmission Customer who provided the Network Upgrade.

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3. Power Controlling Devices: For cost recovery on power controlling transmission devices the Upgrading Transmission Customer shall receive credit for Point-To-Point and Network Transmission service using the facility in both directions. Revenues credited shall be determined based on the MW usage of the facility divided by the sum of the increased capacity provided in both directions by the Network Upgrade. This will provide a percent usage for which the new Long-Term Network Service Customer will be charged based on the original cost of the facility. This charge shall be paid for by the new Network Customer based on the Base Plan funding formula in Attachment J and credited to the Transmission Customer who provided the Network Upgrade. Crediting for Point-to-Point Transmission Service using the power controlling device shall be the percent usage of the total revenue received by the Transmission Provider that is not required for other transmission funding obligations.

VIII. Future Roll-In

When a facility upgrade being paid for pursuant to the provisions of this Attachment Z is rolled into the revenue requirements used for the development of generally applicable transmission service rates, the Transmission Owner that constructed the facility upgrade shall pay the remaining balance of each customer's unrecovered payments described in Section-s VI.B and VI.D that are applicable to that facility upgrade. All customers ~~and Transmission Owners~~ who have upgraded facilities and have remaining balances subject to cost recovery pursuant to Section VI of this Attachment Z, shall be paid in full. The customer shall continue to pay the charges specified in the customer's transmission service agreement for the transmission service initially reserved.

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EXHIBIT III

LIST OF PARTIES SERVED

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FEDERAL REGISTER NOTICE

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Southwest Power Pool, Inc.)

ER05-652-____
RT04-1-____
ER04-48-____
ER05-109-____

**NOTICE OF FILING
(May __, 2005)**

Take notice that on May 23, 2005, Southwest Power Pool, Inc. ("SPP") submitted compliance filing providing for revisions to its Open Access Transmission Tariff ("OATT"). Specifically, SPP is revising its OATT to: (a) provide for credits for subsequent network transmission service as well as point-to-point requests that use the capacity created by a requested or economic upgrade; (b) include crediting provisions for controllable transmission equipment in its footprint; and (c) remove the right of first refusal provision from Attachment Z. SPP requested that the Commission deem its compliance filing effective as of May 5, 2005.

SPP has served a copy of its transmittal letter on each of its Members and Customers. A complete copy of this filing will be posted on the SPP web site www.spp.org, and is also being served all affected state commissions.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 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 motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at www.ferc.gov, using the "eLibrary" link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866) 208-3676, or for TTY, contact (202) 502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 C.F.R. § 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-filing" link. The Commission strongly encourages electronic filings.

Comment Date:

**Magalie R. Salas
Secretary**