

February 1, 2010

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426

RE: *Southwest Power Pool, Inc.*, Docket No. ER10-_____
Submission of Network Integration Transmission Service Agreement

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, and section 35.13 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. § 35.13, Southwest Power Pool, Inc. ("SPP") submits: (1) an unexecuted service Agreement for Network Integration Transmission Service ("Service Agreement") between SPP as Transmission Provider and Northeast Texas Electric Cooperative, Inc. ("NTEC") as Network Customer ("NTEC Service Agreement"); and (2) an executed Network Operating Agreement ("NOA") between SPP as Transmission Provider, NTEC as Network Customer, and American Electric Power Company ("AEP") as Host Transmission Owner ("NTEC NOA") (the NTEC Service Agreement and NTEC NOA are hereinafter the "Revised NTEC Agreements," and NTEC, AEP and SPP are collectively referred to as "the Parties").¹ The Revised NTEC Agreements submitted in this filing modify the currently effective Service Agreement and NOA between the Parties accepted for filing by the Commission on February 11, 2009 in Docket No. ER09-

¹ The Revised NTEC Agreements have been designated Second Revised Service Agreement No. 1066. The Revised NTEC Service Agreement is being filed on an unexecuted basis because time constraints prevented the Parties from finalizing the terms and conditions of the Revised NTEC Service Agreement. SPP is submitting the Revised NTEC Agreements to the Commission at NTEC's request in order to ensure a January 1, 2010 effective date. SPP will separately file a motion requesting that the Commission defer action in this proceeding in order to provide the Parties sufficient time to complete their negotiations. Once the Parties finalize the terms and conditions of the Revised NTEC Service Agreement, SPP will submit an executed version of the Revised NTEC Service Agreement in this proceeding.

441-000.² SPP is submitting this filing because the Revised NTEC Agreements include modifications that do not conform to the standard forms of service agreements that are in the SPP Open Access Transmission Tariff (“SPP Tariff”).³

Description and Justification of Revisions to the Revised NTEC Agreements

The Revised NTEC Agreements, which are attached to this filing as Exhibit I, are identical in all material respects to the Service Agreement and NOA accepted by the Commission in the February Letter Order except for the modifications specified in this filing.⁴ The changes have been made with NTEC’s consent and are necessary to help facilitate NTEC’s request for transmission service.⁵ Specifically, the Parties updated Section 4.0 to reflect the new term for the NTEC Service Agreement, and added language to Section 8.4.1 of Attachment 1 of the NTEC Service Agreement to conform to the current effective *pro forma* Service Agreement. The Parties also revised Appendix 1 of Attachment 1 of the NTEC Service Agreement to reflect changes in capacity, and Appendix 3 of Attachment 1 of the NTEC Service Agreement to include additional delivery points.⁶ While this additional language is conforming in nature, SPP is filing the Revised NTEC Agreements because they retain nonconforming language. The non-conforming language was accepted by the Commission in the February Letter Order.⁷ Because the Revised NTEC Agreements are identical to the agreements accepted by the Commission in the February Letter Order except for the addition of conforming language, they are just and reasonable and should be accepted by the Commission.

² See *Sw. Power Pool, Inc.*, Letter Order, Docket No. ER09-441-000 (Feb. 11, 2009) (“February Letter Order”).

³ See SPP Tariff at Attachment F (“*pro forma* Service Agreement”) and Attachment G (“*pro forma* NOA”).

⁴ There are no changes to the NTEC NOA submitted in this filing. The NTEC NOA is identical to the NOA accepted by the Commission in the February Letter Order.

⁵ Copies of the Revised NTEC Agreements are provided as Exhibit I, with redlined pages showing the changes between the Revised NTEC Agreements submitted in this filing and the agreements accepted by the Commission in the February Letter Order included as Exhibit II.

⁶ The Commission accepted the addition of the non-conforming Appendix 3 in the February Letter Order.

⁷ The non-conforming language in the agreements accepted by the Commission in the February Letter Order is in Sections 2.0 and 8.9 of Attachment 1 of the NTEC Service Agreement, and in the preamble and Section 3.3 of the NTEC NOA, as well as the addition of Appendix 3.

SPP is serving a copy of this filing on the representatives for NTEC and AEP specified in the Revised NTEC Agreements.

Effective Date and Waiver

SPP requests an effective date of January 1, 2010 for the Revised NTEC Agreements. Pursuant to section 35.11 of the Commission's rules and regulations, 18 C.F.R. § 35.11, SPP requests a waiver of the Commission's 60-day notice requirement set forth at 18 C.F.R. § 35.3. Waiver is appropriate because the Revised NTEC Agreements were originally filed within 30 days of the commencement of service.⁸

Additional Information

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

(1) Documents submitted with this filing:

In addition to this transmittal letter, clean copies of the Revised NTEC Agreements are included herein as Exhibit I, and redlined pages illustrating the differences between the Revised NTEC Agreements and the agreements accepted by the Commission in the February Letter Order are included as Exhibits II.

(2) Effective Date:

As discussed herein, SPP respectfully requests that the Commission grant a waiver and accept the Revised NTEC Agreements with an effective date of January 1, 2010.

(3) Service:

SPP is serving a copy of this filing on the representatives for NTEC and AEP listed in the Revised NTEC Agreements.

(4) Basis of Rate:

All charges will be determined in accordance with SPP's Tariff.

⁸ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,983-84, *order on reh'g*, 65 FERC ¶ 61,081 (1993) (the Commission will grant waiver of the 60-day prior notice requirement "if service agreements are filed within 30 days after service commences.").

B. Communications:

Copies of this filing have been served upon all parties to the Revised NTEC Agreements. Any correspondence regarding this matter should be directed to:

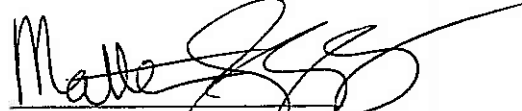
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Conclusion

For all the foregoing reasons, SPP respectfully requests that the Commission accept the Revised NTEC Agreements with an effective date of January 1, 2010.

Respectfully submitted,



Carrie L. Bumgarner
Matthew K. Segers

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

EXHIBIT I

SERVICE AGREEMENT FOR NETWORK INTEGRATION TRANSMISSION
SERVICE BY AND BETWEEN SOUTHWEST POWER POOL AND NORTHEAST
TEXAS ELECTRIC COOPERATIVE

This Network Integration Service Agreement ("Service Agreement") is entered into this ____ day of _____, _____, by and between Northeast Texas Electric Cooperative, Inc. ("Network Customer"), and Southwest Power Pool, Inc. ("Transmission Provider"). The Network Customer and Transmission Provider shall be referred to individually as "Party" and collectively as "Parties."

WHEREAS, the Transmission Provider has determined that the Network Customer has made a valid request for Network Integration Transmission Service in accordance with the Transmission Provider's Open Access Transmission Tariff ("Tariff") filed with the Federal Energy Regulatory Commission ("Commission"), as it may from time to time be amended;

WHEREAS, the Transmission Provider administers Network Integration Transmission Service for Transmission Owners within the Southwest Power Pool and acts as agent for the Transmission Owners in providing service under the Tariff; and

WHEREAS, the Network Customer has represented that it is an Eligible Customer under the Tariff;

Whereas, the Parties intend that capitalized terms used herein shall have the same meaning as in the Tariff.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued: February 1, 2010

Effective: January 1, 2010

- 1.0 The Transmission Provider agrees during the term of this Service Agreement, as it may be amended from time to time, to provide Network Integration Transmission Service in accordance with the Tariff to enable delivery of power and energy from the Network Customer's Network Resources that the Network Customer has committed to meet its load.
- 2.0 The Network Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Parts I, III and V of the Tariff and this Service Agreement with attached Specifications.
- 3.0 The terms and conditions of such Network Integration Transmission Service shall be governed by the Tariff, as in effect at the time this Service Agreement is executed by the Network Customer, or as the Tariff is thereafter amended or by its successor tariff, if any. The Tariff as it currently exists, or as it is hereafter amended, is incorporated in this Service Agreement by reference. In the case of any conflict between this Service Agreement and the Tariff, the Tariff shall control. The Network Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under the Tariff. The completed specifications are based on the information provided in the Completed Application and are incorporated herein and made a part hereof as Attachment 1.
- 4.0 Service under this Service Agreement shall commence on such date as it is permitted to become effective by the Commission. This Service Agreement shall be effective through January 1, 2033. Thereafter, it will continue from year to year unless terminated by the Network Customer or the Transmission Provider by giving the other one-year advance written notice or by the mutual written consent of the Transmission Provider and Network Customer. Upon termination, the Network Customer remains responsible for any outstanding charges, including all

costs incurred and apportioned or assigned to the Network Customer under this Service Agreement.

5.0 The Transmission Provider and Network Customer have executed a Network Operating Agreement as required by the Tariff.

6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below. Such representative and address for notices or requests may be changed from time to time by notice by one Party or the other.

Southwest Power Pool:

Carl A. Monroe
Executive Vice President and Chief Operating
Officer
415 N. McKinley, 140 Plaza West
Little Rock, AR 72205

Network Customer:

Rick Tyler
General Manager
1127 Judson Road, Suite 249
Longview, TX 75601

7.0 This Service Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld. However, either Party may, without the need for consent from the other, transfer or assign this Service Agreement to any person succeeding to all or substantially all of the assets of such Party. However, the assignee shall be bound by the terms and conditions of this Service Agreement.

8.0 Nothing contained herein shall be construed as affecting in any way the Transmission Provider's or a Transmission Owner's right to unilaterally make application to the Federal Energy Regulatory Commission, or other regulatory agency having jurisdiction, for any change in the Tariff or this Service Agreement under Section 205 of the Federal Power Act, or other applicable statute, and any rules and regulations promulgated thereunder; or the Network Customer's rights under the Federal Power Act and rules and regulations promulgated thereunder.

9.0 By signing below, the Network Customer verifies that all information submitted to the Transmission Provider to provide service under the Tariff is complete, valid and accurate, and the Transmission Provider may rely upon such information to fulfill its responsibilities under the Tariff.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

TRANSMISSION PROVIDER

Carl A. Monroe
Executive Vice President and
Chief Operating Officer
Southwest Power Pool, Inc.

Date

NETWORK CUSTOMER

Rick Tyler
General Manager

Northeast Texas Electric
Cooperative, Inc.

Date

**ATTACHMENT 1 TO THE NETWORK INTEGRATION TRANSMISSION
SERVICE AGREEMENT
BETWEEN SOUTHWEST POWER POOL AND NORTHEAST TEXAS
ELECTRIC COOPERATIVE SPECIFICATIONS FOR NETWORK
INTEGRATION TRANSMISSION SERVICE**

1.0 Network Resources

The Network Resources are listed in Appendix 1.

2.0 Network Loads

The Network Load consists of the bundled native load or its equivalent for Network Customer load in American Electric Power Company Control Area as listed in Appendix 3.

The Network Customer's Network Load shall be measured on an hourly integrated basis, by suitable metering equipment located at each connection and delivery point and at each generating facility. Measurements taken and all metering equipment shall be in accordance with the Transmission Provider's standards and practices for similarly determining the Transmission Provider's load. The actual hourly network Loads, by delivery point, internal generation site and point where power may flow to and from the Network Customer, with separate readings for each direction of flow, shall be provided.

3.0 Affected Control Areas and Intervening Systems Providing Transmission Service

The affected Control Area is American Electric Power Company. The intervening systems providing transmission service are none.

4.0 Electrical Location of Initial Sources

See Appendix 1.

5.0 Electrical Location of the Ultimate Loads

The loads of Network Customer identified in Section 2.0 hereof as the Network Load are electrically located within the American Electric Power Control Area.

6.0 Delivery Points

The delivery points are the interconnection points identified in Section 2.0 as the Network Load.

7.0 Receipt Points

The Points of Receipt are listed in Appendix 2.

8.0 Compensation

Service under this Service Agreement may be subject to some combination of the charges detailed below. The appropriate charges for individual transactions will be determined in accordance with the terms and conditions of the Tariff.

8.1 Transmission Charge

Monthly Demand Charge per Section 34.1 of the Tariff. An apportionment of the NTEC monthly demand charges are assigned to East Texas Electric Cooperative (ETEC) pursuant to an Assignment Letter Agreement dated January 6, 1994 and restated effective September 1, 1997 between SWEPCO, NTEC, and ETEC filed as FERC ER94-891-000. The billing formula is attached as Appendix 4.

8.2 System Impact and/or Facility Study Charge

Studies may be required in the future to assess the need for system reinforcements in light of the ten-year forecast data provided. Future charges, if required, shall be in accordance with Section 32 of the Tariff.

8.3 Direct Assignment Facilities Charge

Transmission Direct Assignment Facilities are initially calculated to be \$17,908.71 per month. O & M charges for Customer CIAC is initially calculated to be \$6,082.49 per month. A detail of the charges is included as Appendix 5. Cost support for the transmission service rate calculation and distribution service rate calculation is included as Appendix 6 and 7. The direct assignment bridge agreement, executed contemporaneously with this agreement, is included as Appendix 8.

8.4 Ancillary Service Charges

8.4.1 The following Ancillary Services are required under this Service Agreement.

- a) Scheduling and Tariff Administration Service per Schedule 1A of the Tariff.
- b) Scheduling. System Control and Dispatch Service per Schedule 1 of the Tariff.
- c) Reactive Supply and Voltage Control from Generation Sources Service per Schedule 2 of the Tariff.
- d) Regulation and Frequency response Service per Schedule 3 of the Tariff.
- e) Energy Imbalance Service per Schedule 4 of the Tariff.
- f) Operating Reserve - Spinning Reserve Service per Schedule 5 of the Tariff.
- g) Operating Reserve - Supplemental Reserve Service per Schedule 6 of the Tariff.

The Ancillary Services will be self-supplied by The Network Customer in accordance with Sections 8.4.2 through 8.4.4, with the exception of the Ancillary Services for Schedules 1 and 2. The Transmission Provider will recognize credits for Ancillary Service Schedule 2 pursuant to the Self Supply of Ancillary Services Letter Agreement between American

Electric Power and the Network Customer executed contemporaneously with this agreement. The Transmission Provider will net bill for Ancillary Service Schedule 2 reflecting credits for the customers reactive supply resources recognized under the Self Supply of Ancillary Services Letter Agreement.

8.4.2 With its annual forecasts, the Network Customer shall indicate its source for Ancillary Services in accordance with the Tariff to be in effect for the upcoming calendar year. If the Network Customer fails to include this information with its annual forecasts, Ancillary Services will be provided for and charged in accordance with the Tariff.

8.4.3 When the Network Customer elects to self provide Ancillary Services and is unable to provide its own Ancillary Services, the Network Customer will pay the Transmission Provider for such services and associated penalties in accordance with the Tariff as a result of the failure of the Network Customer's alternate sources for required Ancillary Services.

8.4.4 All costs for the Network Customer to supply its own Ancillary Services shall be the responsibility of the Network Customer.

8.5 Real Power Losses

The Network Customer shall replace losses in accordance with Attachment M of the Tariff.

8.6 Power Factor Correction Charge

N/A

8.7 Redispatch Charge

Redispatch charges shall be in accordance with Section 33.3 of the Tariff.

8.8 Wholesale Distribution Service Charge

Wholesale Distribution Service Meter Charges are initially calculated to be \$6,109.71 per month. Distribution Direct Assignment Facilities are initially calculated to be \$19,315.10 per month. A detail of the charges is included as Appendix 5. Cost support for the Distribution Service rate calculation is included as Appendix 7. Distribution meter readings will be adjusted for distribution losses as set forth in Southwestern Electric Power Company's most recent distribution loss study.

8.9 Network Upgrade Charges

A. The Network Customer has confirmed the following supplemental Network Resources requiring Network Upgrades:

1. John W. Turk Jr. Power Plant, 52MW from POR – CSWS, Source – John W. Turk to POD – CSWS, Sink CSWS.NTEC, as more specifically identified in transmission request 1520173. Contingent upon the completion of required upgrades as specified below, designation of this network resource shall be effective on April 1, 2012 and remain effective through April 1, 2032.

The requested service depends on and is contingent on completion of the following aggregate study SPP-2006-AG3 Service Upgrades by the required date as listed below. The costs of these upgrades are assigned to the Network Customer but are fully base plan fundable in accordance with Section III.A. Attachment J of the Tariff.

Service Upgrades required for John W. Turk Jr. Power Plant

Upgrade Name	Upgrade Description	Transmission Owner	Date Required in Service
BANN - LONESTAR ORDINANCE TAP 69KV CKT 1 #2	Replace switch @ Lone Star Ordinance Tap. Rebuild 4.14 miles of 397 ACSR with 795 ACSR.	American Electric Power	6/1/2012
FULTON - HOPE 115KV CKT 1 AECC	Upgrades to Fulton Switching Station, Reconductor the Fulton to Hope 115/138kV Line, Upgrades to McNab Substation	Arkansas Electric Cooperative Corporation	4/1/2012
HEMPSTEAD - HOPE 115KV CKT 1	Reconductor from Hempstead to Hope 666 ACSR with 1590 ACSR, replace jumpers, circuit switcher, one span of conductor at Hope	American Electric Power	4/1/2012
HEMPSTEAD - NW TEXARKANA 345KV CKT 1	Build 33 miles of 2-795MCM ACSR from Turk - NW Texarkana, Add 345kV terminal at NW Texarkana, Add 345kV terminal at Turk	American Electric Power	4/1/2012
LONGWOOD (LONGWOOD) 345/138/13.2KV TRANSFORMER CKT 1	Replace four (4) switches and upgrading bus work	American Electric Power	6/1/2009
OKAY - TOLLETTE 69KV CKT 1 Displacement	Replace switches	American Electric Power	4/1/2012
SE TEXARKANA - TEXARKANA PLANT 69KV CKT 1	Change out the 500 CU jumpers @ Texarkana Plant	American Electric Power	4/1/2012

The requested service depends on and is contingent on completion of the following Transmission Owner Base Plan upgrades resulting from the SPP Expansion Plan or previous aggregate transmission service studies. These upgrades costs are not assignable to the Network Customer.

Base Plan Upgrades required for John W. Turk Jr. Power Plant

Upgrade Name	Upgrade Description	Transmission Owner	Date Required in Service
BANN - LONESTAR ORDINANCE TAP 69KV CKT 1 #1	Rebuild 2.3 miles of 666 ACSR with 1272 ACSR	American Electric Power	06/01/12
FOREST HILLS REC - MAGNOLIA TAP 69KV CKT 1	Replace switch 9116	American Electric Power	06/01/10
FOREST HILLS REC - QUITMAN 69KV CKT 1	Replace Quitman bus, switches & jumpers. Change CT & relay settings @ Quitman	American Electric Power	06/01/10
MAGNOLIA TAP - WINNSBORO 69KV CKT 1	Replace switch # 9114 @. Replace switches @ Winnsboro. Reset Cts and relay settings at Winnsboro.	American Electric Power	06/01/10
SOUTHWEST SHREVEPORT - SOUTHWEST SHREVEPORT TAP 138KV CKT 1	Rebuild 2.29 miles of 2-397.5 ACSR with 2-795 ACSR. Double Circuit the line and add terminal @ SW Shreveport to eliminate three terminal line.	American Electric Power	6/1/2009

Upgrade Name	Upgrade Description	Transmission Owner	Date Required in Service
SOUTHWEST SHREVEPORT (SW SHV 1) 345/138/13.8KV TRANSFORMER CKT 1	Using IEEE Guide for Loading of Mineral-Oil Immersed Power Transformers (C57.91-2000) Re-rate the autos. Replace .two 138 kV breakers and five 138 kV switches. Reset relays and CTs	American Electric Power	11/1/2008
SOUTHWEST SHREVEPORT (SW SHV 1) 345/138/13.8KV TRANSFORMER CKT 2	Replace Auto, two 138 kV breakers and five 138 kV switches. Reset relays and CTs	American Electric Power	11/1/2008

B. Upon completion of construction of the assigned upgrades, funding of their costs shall be reconciled and trued-up against actual construction costs and requisite, additional funding or refund of excess funding shall be made between the Transmission Provider and the Network Customer.

C. Notwithstanding the term provisions of Section 4.0 of this Service Agreement, Customer shall be responsible for paying all charges specified as its obligation in this Section 8.9 of this Attachment 1, for the term specified herein for each assigned upgrade.

8.10 Other Charges

Charges for Data Processing Services are initially calculated to be \$1554.85 per month. A detail of the charges is included as Appendix 5.

9.0 Credit for Network Customer-Owned Transmission Facilities

None presently requested.

10.0 Designation of Parties Subject to Reciprocal Service Obligation

None

11.0 Other Terms and Conditions

Based on a confirmation letter, attached as Appendix 9, between the Network Customer and American Electric Power dated March 15, 2004, Transmission Service Credits in the initial amount of \$163,185.42 monthly are applied due to Network Upgrades supplied by the Network Customer associated with the Harrison County Power Project (HCPP) in Harrison County, Texas. The credit, to be calculated monthly, will equal the effective HCPP network resource designation multiplied by American Electric Power's equivalent monthly rate for network service under the Southwest Power Pool's OATT. The credit will be applied against the Network Customer's Network Transmission Service charge exclusive of ancillary or direct assignment charges. The Network Customer shall provide American Electric Power prompt notice and support for any change in the designation of HCPP capacity as a Network Resource, such that the credit given each month will reflect the appropriate capacity designation. This credit is applicable until either HCPP ceases to be a designated network resource or the network upgrade cost of \$16,822,369.29 (plus accumulated interest at the FERC refund rate) is fully repaid to the Network Customer.

APPENDIX 1

**Network Resources of
Northeast Texas Electric Cooperative, Inc**