

143 FERC ¶ 61,157  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony Clark.

Puget Sound Energy, Inc.

Docket Nos. ER13-1146-000  
ER13-1193-000

ORDER ACCEPTING NON-CONFORMING SERVICE AGREEMENTS

(Issued May 20, 2013)

1. On March 21, 2013, in Docket No. ER13-1146-000, and on March 29, 2013, in Docket No. ER13-1193-000, Puget Sound Energy, Inc. (Puget) filed four fully executed non-conforming service agreements for conditional firm point-to-point transmission service (Service Agreements) with Morgan Stanley Capital Group, Inc. (Morgan Stanley). In this order, we accept the Service Agreements, effective April 1, 2013 and June 1, 2013, as requested.

**I. Background**

2. In its filings, Puget states that each Service Agreement establishes transmission service under Puget's Open Access Transmission Tariff (OATT) for a total of 200 MW of conditional firm point-to-point transmission service from a point of receipt at the John Day Substation to a point of delivery at the California-Oregon Border.<sup>1</sup> According to Puget, two of the Service Agreements provide for 50 MW of capacity beginning April 1, 2013 and terminating August 1, 2014;<sup>2</sup> the remaining two Service Agreements provide for 50 MW of capacity beginning August 1, 2014 and terminating August 1, 2015.<sup>3</sup>

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<sup>1</sup> Puget Sound Energy, Inc. Original Service Agreement No. 663.

<sup>2</sup> March 21 Transmittal at 2.

<sup>3</sup> March 29 Transmittal at 2.

3. Puget filed the Service Agreements with the Commission in accordance with the Order No. 890<sup>4</sup> requirement that service agreements incorporating conditional firm service must be filed as non-conforming agreements.<sup>5</sup> According to Puget, the Service Agreements reflect Morgan Stanley's request that the agreements reflect the system conditions during which conditional curtailment may occur.<sup>6</sup>

4. Puget states that the need for the conditional curtailment option arises because transmission capacity on the path that Morgan Stanley requests service is fully subscribed from June to September each year, due to an existing seasonal exchange agreement that has rights to the capacity.<sup>7</sup> Puget explains that, rather than paying for upgrades, Morgan Stanley has opted to purchase conditional firm service, subject to curtailment. Puget asserts that the service agreement reflects the full June through September period (curtailment window) as subject to curtailment under the Service Agreements because the existing seasonal exchange customer has grandfathered rights to schedule service on the path every hour during the four-month period.

## **II. Notices of Filings and Responsive Pleadings**

5. Notice of Puget's filing in Docket No. ER13-1146-000 was published in the *Federal Register*, 78 Fed. Reg. 19,475, with interventions and protests due on or before April 11, 2013. Notice of filing in Docket No. ER13-1193-000 was published in the *Federal Register*, 78 Fed. Reg. 20,908, with interventions and protests due on or before April 19, 2013. On April 11, 2013, Morgan Stanley filed a protest in both dockets. On April 26, 2013, Puget filed an answer to Morgan Stanley's protest in both dockets. On April 26, 2013, Powerex Corp. (Powerex) filed an out-of-time motion to intervene and comments in both dockets. On May 7, 2013, Morgan Stanley filed a motion for leave to answer and answer in response to Puget's answer in both dockets. On May 7, 2013, Morgan Stanley

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<sup>4</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

<sup>5</sup> *Id.* P 960.

<sup>6</sup> March 21 Transmittal at 2; March 29 Transmittal at 2.

<sup>7</sup> March 21 Transmittal at 2; March 29 Transmittal at 2.

filed an answer to Powerex's comments in both dockets. On May 13, 2013, Powerex filed a motion for leave to answer and answer to Morgan Stanley's answer to Powerex's comments in both dockets.

**A. Morgan Stanley Protest**

6. In its protest, Morgan Stanley states that section 6 of the respective Service Agreements does not sufficiently identify the specific system conditions that allow Puget to curtail Morgan Stanley's service during the four-month curtailment window of June to September. Morgan Stanley argues that Puget disregards the requirement of Order No. 890 that transmission providers must specify the physical system conditions under which conditional curtailment may occur based on a System Impact Study.<sup>8</sup> Morgan Stanley asserts that the specificity standard set forth in Order No. 890 contemplates specific physical system constraints or limiting transmission elements in contrast to the entire timeframe Puget provides in the Service Agreements.<sup>9</sup> In addition, Morgan Stanley states that Puget informed Morgan Stanley that its service is considered conditional for the duration of the curtailment window provided in the Service Agreements, regardless of the system conditions present.<sup>10</sup>

7. Morgan Stanley contends that its service should be subject to curtailment only when the seasonal exchange customer has actually scheduled service pursuant to the seasonal exchange agreement; otherwise it should be entitled to firm service. Morgan Stanley attests that providing firm service at times when the seasonal exchange customer does not schedule service does not present any uniquely prohibitive challenges.<sup>11</sup> Moreover, Morgan Stanley claims that the System Impact Study conducted by Puget does not include a system condition that would call for curtailment of Morgan Stanley's service when the seasonal exchange customer has not actually scheduled service.<sup>12</sup> Furthermore, Morgan Stanley contends that, if Puget curtails Morgan Stanley's service during the curtailment window when the seasonal exchange customer has not in fact

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<sup>8</sup> Morgan Stanley Protest at 7, 9 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1066).

<sup>9</sup> *Id.* at 9.

<sup>10</sup> *Id.* at 5.

<sup>11</sup> *Id.* at 8-10.

<sup>12</sup> *Id.* at 11.

scheduled service, Puget would be withholding available transmission service.<sup>13</sup> Morgan Stanley concludes that the Commission in Order No. 890 contemplates that conditional firm service is firm by default and must be changed in real-time to the secondary network priority level. Accordingly, Morgan Stanley requests that the Commission accept the Service Agreements contingent upon the requirement that Puget may curtail Morgan Stanley's conditional firm service during the curtailment window only when the specific system condition arises.<sup>14</sup>

8. Morgan Stanley also argues that if no specific system constraint or transmission element were needed to curtail its service during the curtailment window, there would be no difference between the hourly cap and system condition options the Commission described in Order No. 890 with regard to a customer's preferences for establishing the terms of its conditional firm service.<sup>15</sup> Morgan Stanley notes that the Commission held that a customer who selects the hourly cap option may be curtailed for any reliability reason, but that a customer who selects the system condition option may only be curtailed when a specified system condition arises. Morgan Stanley contends that Puget must specify the system constraint or transmission element that is required to curtail Morgan Stanley's service, in order to preserve the distinction between Morgan Stanley, who selected the system conditions option, and other customers that selected the hourly cap option.<sup>16</sup> Therefore, Morgan Stanley requests that the Commission require Puget to link the scheduling of service by the seasonal exchange customer with a specific system constraint or transmission element associated with Morgan Stanley's request for service that must be present during the curtailment window in order for Morgan Stanley's service to be curtailed.<sup>17</sup>

9. Lastly, Morgan Stanley explains that the Service Agreements provide that curtailment during system conditions occurs at the same priority level as secondary network transmission service. However, Morgan Stanley notes that Puget's business practices do not explicitly state how Puget will curtail conditional firm or secondary network service, merely stating that firm service is curtailed on a *pro rata* basis, while non-firm service is curtailed on a last-in, first-out basis.<sup>18</sup>

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<sup>13</sup> *Id.* at 8.

<sup>14</sup> *Id.* at 9.

<sup>15</sup> *Id.* at 10.

<sup>16</sup> *Id.* (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1067).

<sup>17</sup> *Id.* at 11.

<sup>18</sup> *Id.* at 12.

Morgan Stanley states that Puget explained that conditional firm customers are curtailed according to transmission service request number under a last-in, first-out curtailment scheme.<sup>19</sup> Morgan Stanley explains that, under the last-in, first-out approach, the conditional firm customer with the lowest transmission service request number would always be the last to be curtailed within the curtailment priority. Accordingly, Morgan Stanley claims that its service will be curtailed more frequently and in larger quantities than that of similarly-situated conditional firm customers because Morgan Stanley requested service at a later date.<sup>20</sup>

10. Morgan Stanley asserts that Puget should instead curtail conditional firm service on a *pro rata* basis.<sup>21</sup> Morgan Stanley believes that conditional firm service under the Service Agreements is a firm service, and notes that, even when system conditions exist during the curtailment window, Morgan Stanley's transmission rights rank as the senior priority and are second only to that of the seasonal exchange customer and other firm service.<sup>22</sup> Morgan Stanley notes that the Commission has previously rejected last-in, first-out curtailment for hourly non-firm service because it encouraged customers to arrange service earlier than feasible given the dynamics of the hourly energy markets.<sup>23</sup> Accordingly, Morgan Stanley requests that the Commission accept the Service Agreements contingent upon requiring Puget to curtail conditional firm service on a *pro rata* basis.<sup>24</sup>

#### **B. Puget Answer**

11. In response to Morgan Stanley's protest, Puget argues that Morgan Stanley's position is inconsistent with the Commission's policy on available transfer capability (ATC) determinations. Puget states that, in Order No. 890, the Commission developed industry-wide consistency with all ATC components and ATC calculations.<sup>25</sup> Puget states that the ATC component at issue, existing

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<sup>19</sup> *Id.* at 6.

<sup>20</sup> *Id.* at 14.

<sup>21</sup> *Id.* at 13-14.

<sup>22</sup> *Id.* at 12.

<sup>23</sup> *Id.* at 13 (citing *Mid-Continent Area Power Pool*, 85 FERC ¶ 61,352 (1998) (*MAPP*)).

<sup>24</sup> *Id.*

<sup>25</sup> Puget Answer at 5 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 209).

transmission commitments (ETC), includes all committed uses of the transmission system, including: (1) native load commitments (including network service); (2) grandfathered transmission rights; (3) appropriate point-to-point reservations; (4) rollover rights associated with long-term firm service; and (5) other uses identified through the North American Electric Reliability Corporation (NERC) process. Puget asserts that the Commission determined that “in the short-term ATC calculation, all reserved but unused transfer capability (non-scheduled) shall be released as non-firm ATC.”<sup>26</sup>

12. Puget explains that, in accordance with the Commission’s directive in determining ATC, Puget includes the seasonal exchange as a grandfathered transmission right, or ETC, for the full amount of power reserved under the contract. Puget states that, as directed by the Commission in Order No. 890, Puget makes available, on a non-firm basis, the amount of any non-scheduled service during the term of the seasonal exchange. Puget claims that the practical effect of Morgan Stanley’s request would be for all transmission providers to oversubscribe all paths on the transmission system.

13. Puget asserts that Morgan Stanley’s request that it offer firm transmission service during hours the seasonal exchange customer does not schedule service could lead to a degradation of service for the initial firm customer. Puget explains that, if the first customer had full rights to the capacity on a transmission path, but only schedules half of its reserved capacity amount and the second customer had also been awarded firm service, then both customers would be curtailed *pro rata* in accordance with the North American Energy Standards Board (NAESB) curtailment priorities, rather than the first customer receiving its right prior to a non-firm customer. Puget states that the Commission eliminated this potential effect in Order No. 890 when it determined that the conditional firm service would not degrade other firm users of the system.<sup>27</sup>

14. Puget maintains that it defined the system condition as the seasonal exchange agreement which is for the full firm ATC on the transmission path requested by Morgan Stanley and that there is no other way for Puget to describe the condition that would permit a conditional curtailment use of the transmission system. Puget states that the only alternative is to deny any request that seeks long-term service over this transmission path.<sup>28</sup>

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<sup>26</sup> *Id.* at 6.

<sup>27</sup> *Id.* at 8 (referencing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 928).

<sup>28</sup> *Id.* at 6.

15. With regard to the curtailment priority, Puget states that neither the NAESB standards nor the Commission's requirements specify a curtailment priority scheme that transmission providers must follow with respect to non-firm transmission service. Puget believes that its business practices and the last-in, first-out curtailment priority scheme are just and reasonable. Puget further states that, while it can accommodate a change in the curtailment priority scheme, and it may be appropriate to have a debate on curtailment priority, this should involve a policy decision that Morgan Stanley or the Commission should raise with NAESB in the proper forum, not in this proceeding.<sup>29</sup>

### C. Powerex Comments

16. Powerex claims that neither Puget's OATT nor the *pro forma* OATT specifies a curtailment mechanism for either secondary network or conditional firm service during curtailment periods that transmission providers must apply; rather curtailment priority for conditional firm service is left to transmission providers to specify in their individual OATT or business practices consistent with Order No. 890 and applicable NERC and NAESB standards. Powerex states that Puget's business practices are consistent with applicable NAESB standards, which permit use of a last-in, first-out curtailment methodology.<sup>30</sup>

17. In addition, Powerex argues that the Commission's rejection of the last-in, first-out curtailment for hourly non-firm service in *MAPP* involved hourly non-firm service used in hourly energy markets, as opposed to priority non-firm service associated with a long-term transmission service agreement and therefore has no bearing on customers entering long-term transmission service agreements.<sup>31</sup>

18. Powerex also disputes Morgan Stanley's interpretation of the determination in Order No. 890 that conditional firm service should receive the highest non-firm curtailment priority available. Powerex states that it does not disagree that conditional firm service is to be curtailed as the highest non-firm curtailment priority because conditional firm service customers pay the higher firm tariff rate.<sup>32</sup> However, Powerex maintains that Morgan Stanley's assertion that conditional firm service should be curtailed in the same manner as firm

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<sup>29</sup> *Id.* at 10.

<sup>30</sup> Powerex Comments at 11-12.

<sup>31</sup> *Id.* at 13.

<sup>32</sup> *Id.* at 14.

transmission service is incorrect because Order No. 890 specifies that conditional firm service should receive the highest non-firm curtailment priority available.

19. Finally, Powerex argues that the last-in, first-out curtailment issue would be better addressed by the Commission in a more generic proceeding, in which interested parties have adequate notice and opportunity to comment as opposed to this proceeding which many interested parties are unlikely to be aware.<sup>33</sup>

#### **D. Morgan Stanley Answers to Puget and Powerex**

20. In its answer to Puget, Morgan Stanley reiterates that the System Impact Study does not indicate curtailment for the entire curtailment window.<sup>34</sup> It again contends that Puget must define the system condition as the actual scheduling of power under the exchange agreement during the curtailment window, and grant it firm service at all other times.<sup>35</sup>

21. Morgan Stanley also reiterates its belief that Puget's procedures do not satisfy the standard for conditional firm service set forth in Order No. 890. Morgan Stanley argues that, while Puget does not make hour-by-hour ATC calculations to determine whether additional firm service is available in the event that the exchange customer does not schedule power flows, it is feasible for Puget to change the priority tag associated with Morgan Stanley's service from firm to secondary network before the operating hour based on a near-term forecast of system conditions.<sup>36</sup>

22. Morgan Stanley also disagrees with Puget's explanation of why last-in, first-out curtailment of conditional firm service is acceptable. Morgan Stanley states that Puget admits that neither NAESB's Business Practice Standards nor the Commission's requirements specify the curtailment scheme that should apply to conditional firm service. Morgan Stanley emphasizes that reducing the priority of conditional firm service to non-firm service makes the two types of transmission service indistinguishable. Morgan Stanley contends that, had it been possible for both Morgan Stanley and Powerex to receive long-term firm service, both customers would have both been curtailed *pro rata* in the same, firm priority level regardless of when they submitted requests for service. Again, Morgan Stanley

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<sup>33</sup> *Id.* at 15 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1075).

<sup>34</sup> *Id.* at 5.

<sup>35</sup> Morgan Stanley Answer to Puget at 4.

<sup>36</sup> *Id.* at 6.

asserts that Puget's approach stratifies the conditional firm priority level, placing Morgan Stanley at a lower level than other customers who requested service before it.<sup>37</sup>

23. In its response to Powerex, Morgan Stanley maintains that, since Powerex elected the hourly cap option for curtailment and not the system condition option, Powerex's service agreements will not be altered and therefore Morgan Stanley's request in no way impacts Powerex. Morgan Stanley states that, even if the Commission requires Puget to change the way it curtails conditional firm service, Powerex will still receive the service it is entitled under its service agreements.

24. Morgan Stanley states that Powerex wants Puget to cut Morgan Stanley's service altogether before curtailing Powerex's service, based not on the quality of service, but on the order in which Powerex and Morgan Stanley submitted their original requests for service. Morgan Stanley argues that this outcome is particularly inappropriate since Powerex elected the hourly cap curtailment option while Morgan Stanley elected to allow curtailment only during specific system conditions.<sup>38</sup>

25. Finally, Morgan Stanley acknowledges that *MAPP* deals with hourly transmission service. However Morgan Stanley argues that the Commission did not allow curtailments in that case based on when the customer submitted the request for service. Rather, Morgan Stanley asserts that the Commission found that all of the customers were paying for the same service, and all were entitled to receive service under fair rules.<sup>39</sup>

**E. Powerex Answer to Morgan Stanley Answer to Powerex**

26. In its answer, Powerex reiterates that, if Morgan Stanley is allowed to elevate its service to firm service during the curtailment window, it would harm Powerex and other Puget firm rights holders.<sup>40</sup> In addition, Powerex claims that Morgan Stanley has mischaracterized Powerex's position in Powerex's comments. Powerex states that it is not seeking to change its election of the hourly cap option in its service agreements. Instead, Powerex challenges Morgan Stanley's attempt

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<sup>37</sup> *Id.* (arguing that basing priority of transmission service on when a transmission customer submits an initial request for service is not reasonable).

<sup>38</sup> Morgan Stanley Answer to Powerex at 13-15.

<sup>39</sup> *Id.* at 14-15.

<sup>40</sup> Powerex Answer to Morgan Stanley Answer to Powerex at 2-3.

to elevate its service from conditional firm to firm, or a hybrid version of firm, which Powerex believes contradicts Order No. 890's requirement that during hours or specific conditions when service is conditional, conditional firm service should be curtailed at the non-firm priority level used for secondary network service.<sup>41</sup>

### **III. Discussion**

#### **A. Procedural Matters**

27. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012) Morgan Stanley's unopposed motion to intervene serves to make it party to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2012), the Commission will grant Powerex's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2012), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept the answers filed by Puget, Powerex, and Morgan Stanley because they have provided information that assisted us in our decision-making process.

#### **B. Substantive Matters**

28. We find that the Service Agreements meet the Commission's requirements under Order No. 890 for the offer of conditional firm transmission service. Pursuant to Order No. 890, the Commission requires that, where a request for long-term point-to-point firm transmission service is made and cannot be satisfied out of existing capacity, the transmission provider shall, at the request of the customer and in a System Impact Study, identify: (1) the transmission upgrades necessary to provide the service; and (2) the options for providing service during the period prior to completion of those transmission upgrades.<sup>42</sup>

29. At the customer's request, the transmission provider must identify options for providing the service during the term in the System Impact Study, if upgrades cannot be completed before the end of the requested service.<sup>43</sup> The options studied by the transmission provider must include planning redispatch and

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<sup>41</sup> Powerex Answer to Morgan Stanley Answer to Powerex at 3.

<sup>42</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 957.

<sup>43</sup> *Id.*

conditional firm options; however, if planning redispatch is unavailable from the transmission provider's resources, transmission providers must offer conditional firm service, if it is available and will not harm the reliability of the system.<sup>44</sup> Customers may choose to request study of planning redispatch, conditional firm service, or both options.<sup>45</sup>

30. When conducting a System Impact Study for the conditional firm option, transmission providers must identify: (1) the specific system condition(s) when conditional curtailment may apply; and (2) the annual number of hours when conditional curtailment may apply. The customer must select either the conditions or hours for incorporation into its conditional firm service agreement.<sup>46</sup>

31. We disagree with Morgan Stanley's assertion that the Service Agreements do not describe the specific system conditions that allow Puget to curtail Morgan Stanley's service during the curtailment window between June to September. In section 6 of the Service Agreements, Puget appropriately reflects the system condition giving rise to the conditional curtailment option – the seasonal exchange agreement that is for the full available transmission capability on the transmission path requested by Morgan Stanley.<sup>47</sup>

32. As an existing firm transmission contract, the seasonal exchange agreement causes ATC on the path in question to be zero for the conditional period. As such, and given the nature of the transmission path in question, we agree that it is appropriate for Puget to identify the seasonal exchange agreement as the system condition that gives rise to the conditional curtailment, preventing Puget from accommodating any additional firm transmission service during the June to September timeframe.<sup>48</sup> Regardless of whether the seasonal exchange customer schedules service at a particular time during the curtailment window, Puget is unable to offer any additional firm service during the period the seasonal exchange

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<sup>44</sup> *Id.* P 914.

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* P 1064.

<sup>47</sup> Puget Answer at 8.

<sup>48</sup> The Commission has made similar findings where the transmission provider properly reduced ATC based on calculations that reduce total transfer capability by ETC, a margin that reduces uncertainties in transfer capability, and a margin that allows for meeting generation reliability criteria. *See PacifiCorp*, 129 FERC ¶ 61,200, at P 42 (2009).

customer possesses firm rights to that capacity. We agree with Puget that doing so would result in an oversubscription of the relevant transmission path and harm the reliability of its system. Therefore, we reject Morgan Stanley's argument that its service should be subject to curtailment only when the seasonal exchange customer has actually scheduled service.<sup>49</sup>

33. In Docket No. ER13-1146-000, Puget requests waiver of the Commission's 60-day prior notice requirement<sup>50</sup> to allow the service agreements filed in that docket to become effective on April 1, 2013. In support, Puget points out that these are service agreements that were filed within 30 days of the date service commences.<sup>51</sup> We will grant the requested waiver of the Commission's notice requirements, and accept the Service Agreements for filing to become effective on April 1, 2013 and June 1, 2013, as requested.<sup>52</sup>

34. While we accept the Service Agreements, we find that Puget's business practice of last-in, first-out curtailment is not an appropriate curtailment scheme for conditional firm service. All conditional firm transmission service must be curtailed *pro rata* with other transmission service with the same curtailment priority during the conditional period.

35. In Order No. 890, the Commission explained that, during non-conditional periods, conditional firm service is subject to *pro rata* curtailment consistent with curtailment of other long-term firm service. The Commission further confirmed that conditional firm transmission service has a curtailment priority consistent with secondary network service curtailment priority for the hours of specific system

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<sup>49</sup> Furthermore, we disagree with Morgan Stanley's argument that, if Puget curtails Morgan Stanley's service during the curtailment window when the seasonal exchange customer has not in fact scheduled service, Puget would be withholding available transmission service. In its answer, Puget affirmed that, in accordance with Order No. 890, it makes available, on a non-firm basis, the amount of any non-scheduled service during the curtailment window. *See* Puget Answer at 6.

<sup>50</sup> 18 C.F.R. § 35.3(a)(2) (2012).

<sup>51</sup> March 21 Transmittal at 3.

<sup>52</sup> *See Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, at 61,984, *order on reh'g*, 65 FERC ¶ 61,081 (1993) (stating that the Commission will grant waiver of prior notice for service agreements under an umbrella tariff, if filed within 30 days after service commences).

conditions when conditional firm service is conditional. Thus, secondary network service and conditional firm service, during the identified conditional period, will share the same curtailment priority.<sup>53</sup> Specifically, section 28.4 of the *pro forma* OATT provides that secondary network service refers to transmission service for network customers from resources other than designated network resources provided on an as-available basis; that is, secondary network service is non-firm service. Section 14.7 of the *pro forma* OATT provides that secondary network service has a lower priority than firm network or point-to-point service, but higher priority than non-firm point-to-point service.

36. The Commission has determined that “non-discriminatory basis” means that curtailments for both firm and non-firm service should be done *pro rata*.<sup>54</sup> Specifically, in Order No. 888-A, the Commission stated that “the pro-rata curtailment provision was intended to apply to situations where multiple transactions could be curtailed to relieve a constraint. Of course, if curtailment of multiple transactions is necessary, non-firm service would be curtailed prior to firm service.”<sup>55</sup> As Morgan Stanley points out, in *MAPP*, we did not allow Mid-Continent Area Power Pool to curtail hourly non-firm transactions using a last-in, first-out approach, but instead ruled that MAPP must curtail all transactions on a *pro rata* basis.<sup>56</sup> We agree with Morgan Stanley that, if Puget curtails based on Transmission Service Request number, Puget will effectively subject Morgan Stanley to curtailment at a priority level subordinate to other similarly-situated conditional firm service customers. As a result, we find that Puget’s curtailment approach for conditional firm service is inconsistent with the requirement that curtailment must be done on a “non-discriminatory basis.” Accordingly, it is inappropriate to establish prioritization for secondary network and conditional

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<sup>53</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1074.

<sup>54</sup> *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh’g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048, *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

<sup>55</sup> See Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at P 303.

<sup>56</sup> See *MAPP*, 85 FERC ¶ 61,352.

firm customers during the conditional period. Curtailment of that those classes of customers should be *pro rata*.

The Commission orders:

(A) Puget's filing in Docket No. ER13-1146-000 is hereby accepted, effective April 1, 2013, as requested, as discussed in the body of this order.

(B) Puget's filing in ER13-1193-000 is hereby accepted, effective June 1, 2013, as requested, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.