



Loveland Area Projects Customer Brochure

**Proposed
Firm Electric Service
2008 Rate Adjustment**

June 2007



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Materials Posted on Website

<http://www.wapa.gov/rm/ratesRM/default.htm>

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I. INTRODUCTION

This brochure provides information on Western Area Power Administration's (Western) proposed firm electric service rate adjustment for the Loveland Area Projects (LAP) under Rate Order No. WAPA-134. The rate adjustment procedures are outlined in Appendix A to this brochure.

The Fiscal Year (FY) 2006 repayment analysis for LAP, which includes the Pick-Sloan Missouri Basin Program--Western Division (P-SMBP--WD) and the Fryingpan-Arkansas Project (Fry-Ark), indicates that the existing firm electric service rates do not meet repayment requirements. To fulfill those requirements, the Rocky Mountain Region (RMR) and the Upper Great Plains Region (UGPR) have proposed rate adjustments for LAP and the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED). The P-SMBP--ED rate adjustment has been proposed in a separate public process.

Proposed rates for LAP Firm Electric Service are designed to recover an annual revenue requirement that includes investment repayment, interest, purchase power, operation and maintenance, and repayment of irrigation assistance costs as required by law. The projected annual revenue requirement for Firm Electric Service is allocated equally between capacity and energy, however it has been determined that the current revenue requirement for Firm Electric Service is no longer adequate to recover these costs.

II. RATE PROPOSAL FOR 2008

During informal discussions prior to the commencement of this rate adjustment process, Western received requests from firm power customers to identify its Firm Electric Service revenue requirement using a Base component (Base) and Drought Adder component (Drought Adder). The firm power customers noted that by identifying the components of the Firm Electric Service revenue requirement in this manner, Western could identify drought impacts in the regions covered by the LAP and the Pick-Sloan Missouri Basin Program (Pick-Sloan)--Eastern Division (individually called Project and collectively called Projects) and demonstrate a proactive approach to repaying incurred costs related to the drought.

In response to these suggestions, Western prepared a proposed rate schedule for LAP Firm Electric Service (L-F7) for consideration and comment during this public process. This proposed rate schedule also reflects rate adjustments based on the Fry-Ark and Pick-Sloan--Western Division revenue requirements derived from the Fiscal Year 2006 Power Repayment Studies (PRS). The PRSs set the LAP revenue requirement for 2008 for Firm Electric Service at \$66.1 million, which is an 18.5 percent increase. The proposed rates under L-F7 are compared to the current rates under L-F6 in Table 1.

Table 1 – Proposed Firm Electric Service Revenue Requirement and Rates

Firm Electric Service	Existing Rate (L-F6)	Proposed Rate (January 1, 2008) (L-F7)	Percent Change
LAP Revenue Requirement	\$55.8 million	\$66.1 million	18.5%
LAP Composite Rate	27.36 mills/kWh	32.42 mills/kWh	18.5%
Firm Energy	13.68 mills/kWh	16.21 mills/kWh	18.5%
Firm Capacity	\$3.59/kW-month	\$4.25/kW-month	18.4%

Western’s Rocky Mountain and Upper Great Plains Regions (Regions) are proposing to identify their Firm Electric Service revenue requirements using a Base component and a Drought Adder component. The Base component is a fixed revenue requirement for each Project that includes annual operation and maintenance expenses, investment repayment and associated interest, normal timing power purchases, and transmission costs. Normal timing power purchases are purchases due to operational constraints (e.g., management of endangered species habitat, water quality, navigation, control area purposes, etc.) and are not associated with the current drought in the Regions.

The Drought Adder component is a formula-based revenue requirement for each Project that includes costs attributable to the present drought conditions within the Regions. The Drought Adder includes costs associated with future non-timing purchases of additional power to firm obligations not covered with available system generation due to the drought, previously incurred deficits due to purchased power debt that resulted from non-timing power purchases made during this drought, and the interest associated with the previously incurred and future drought debt. The Drought Adder is designed to repay the drought debt within 10 years from the time the debt was incurred, using balloon payment methodology. For example, the drought debt incurred in Pick-Sloan in 2006 will be paid off by 2016.

The Annual Revenue Requirement calculation can be summarized by the following formula: Annual Revenue Requirement = Base + Drought Adder. Under this proposal, the LAP Annual Revenue Requirement equals \$66.1 million and is comprised of a Base revenue requirement of \$48.6 million plus a Drought Adder revenue requirement of \$17.5 million.

Western’s proposal for identifying its Firm Electric Service revenue requirement using a Base and a Drought Adder will allow Western to identify and present the impacts of the drought, demonstrate repayment of those drought related costs in the Fry-Ark and Pick-Sloan PRSs, and allow Western to be more responsive to changes in drought-related expenses. Western will continue to charge and bill its customers

Firm Electric Service rates for energy and capacity, which are the sum of the Base and Drought Adder.

Western reviews its Firm Electric Service rates annually and will review the Base component after the annual PRSs are completed; generally in the first quarter of the calendar year. If an adjustment to the Base is necessary, Western will initiate a public process pursuant to 10 CFR part 903 prior to making an adjustment.

Western will review the Drought Adder each September to determine if drought costs differ from those projected in the PRSs. Based upon this review, Western will determine whether an adjustment to the Drought Adder is necessary. For any adjustments attributed to drought costs of less than or equal to the equivalent of 2 mills/kWh to the LAP composite rate, Western will notify customers by letter in October of the planned adjustment and implement the adjustment in the following January billing cycle. For the portion of any planned incremental adjustment greater than the equivalent of 2 mills/kWh to the LAP composite rate, Western will engage in a public process pursuant to 10 CFR part 903 prior to making that portion of the adjustment. Although a decremental adjustment to the Drought Adder is possible, the adjustment cannot result in the Drought Adder being a negative number. Western will conduct a preliminary review of the Drought Adder in early summer to give customers advance notice of any adjustment for the following January. Customers will be advised by letter of the estimated change to the Drought Adder with the final Drought Adder adjustment verified with notification in the October letter to the customers.

The major factors contributing to the proposed rate adjustment are the economic impact of the drought, increased operation and maintenance (O&M) and other annual expenses, increased investments, and increased interest expense associated with deficits. Detailed discussions of these factors are included in Section III.B. of this brochure.

III. LOVELAND AREA PROJECTS FIRM ELECTRIC SERVICE RATES

The current rates, \$3.59 per kilowatt-month (kW-mo) and 13.68 mills per kilowatthour (mills/kWh) are the 2nd step rates from the 2006 LAP rate adjustment. These rates were placed in effect in the January 2007 billing period and approved by FERC on a final basis on June 14, 2006, under Federal Energy Regulatory Commission (FERC) Docket No. EF06-5181-000 (115 FERC ¶ 62,276). These rates are set to expire on December 31, 2010.

A. Proposed LAP Firm Electric Service Rates: The LAP firm electric service rates were developed by combining the revenue requirements calculated from the 2008 Rate Setting PRS for both Pick-Sloan and Fry-Ark. The proposed rates are \$4.25 per kilowatt for firm capacity and 16.21 mills/kWh for energy. These rates are to be implemented in the first full billing period beginning on or after January 1, 2008.

1. LAP Revenue Requirement:

PRESENT REVENUE REQUIREMENT: \$55,828,280

PROPOSED INCREASE:

Jan 08 – 5.06 mills/kWh \$10,304,160
 Proposed Revenue Requirement \$66,132,440

- a. Pick-Sloan Missouri Basin Program--Western Division: The present annual revenue requirement for P-SMBP--WD firm power is \$41,926,920, and is based on the current firm P-SMBP--WD composite rate of 21.09 mills/kWh and projected energy sales of 1,988 GWh.

PRESENT REVENUE REQUIREMENT:

21.09 mills/kWh x 1,988,000,000 kWh \$41,926,920

PROPOSED INCREASE:

Jan 08 – 4.95 mills/kWh x 1,988,000,000 kWh \$ 9,840,600

Proposed Revenue Requirement
 21.09 + 4.95 = 26.04 mills/kWh x 1,988,000,000 kWh \$51,767,520

- b. Fryingpan-Arkansas Project: The present annual revenue requirement for Fry-Ark is \$13,901,360, and is based on the projected sale of 200 MW of capacity and 52 GWh of energy.

PRESENT REVENUE REQUIREMENT: \$13,901,360

PROPOSED INCREASE:

Jan 08 – \$ 463,560
 Proposed Revenue Requirement \$14,364,920

The proposed LAP rate is formula based. The formula for each project is: PRS Composite Rate Solution equals Base component plus Drought Adder component. It follows that the LAP total revenue requirement is then composed of a Base component revenue requirement and a Drought Adder component revenue requirement that will be reviewed annually. The calculation is as follows:

Base Component \$48,619,800
 Drought Adder Component \$17,512,640
 Proposed LAP Revenue Requirement \$66,132,440

The components are comprised as follows:

- a. Base component revenue requirement = operation and maintenance expense + investments and replacements + interest on investments and replacements + normal timing purchase power + transmission costs.
 - b. Drought Adder component revenue requirement = future purchase power above timing purchases + previous purchase power drought deficits + interest on the purchase power drought deficits.
 - c. Any proposed change in the Base component will trigger a public process.
 - d. The Drought Adder component may be increased on an annual basis up to 2 mills/kWh. However, for any incremental increase above 2 mills/kWh, the 2 mills/kWh will be implemented in the following January and a public process will be triggered for the increment above 2 mills/kWh.
 - e. Although adjustments to the Drought Adder component may be either incremental or decremental based on hydrological conditions, the Drought Adder revenue requirement cannot go below zero.
2. Rate Design: The proposed LAP firm electric service rate is designed to return 50 percent of the revenues from the capacity component and 50 percent from the energy component. The capacity component is based on a monthly billing of the seasonal contract rate of delivery. The energy component is based on the annual contracted energy.

Monthly Rates:

The calculations for the Capacity and Energy charges are as follows:

Capacity Charge:

$$\frac{(\$66,132,440/2) = \$33,066,220}{(690.8 \text{ MW} + 605.3 \text{ MW}) (6) (1,000)} = \$4.25$$

Energy Charge:

$$\frac{(\$66,132,440/2) = \$33,066,220}{2,040 \text{ GWh} (1,000)} = 16.21 \text{ mills/kWh}$$

Charge Components: Using the proposed Base and Drought Adder components, the calculations for the Capacity and Energy charges are as follows:

Base Component

Capacity:

$$\frac{(\$48,619,800/2) = \$24,309,900}{(690.8 \text{ MW} + 605.3 \text{ MW}) (6) (1,000)} = \$3.13$$

Energy:

$$\frac{(\$48,619,800/2) = \$24,309,900}{2,040 \text{ GWh} (1,000)} = 11.92 \text{ mills/kWh}$$

Drought Adder Component

Capacity:

$$\frac{(\$17,512,640/2) = \$8,756,320}{(690.8 \text{ MW} + 605.3 \text{ MW}) (6) (1,000)} = \$1.12$$

Energy:

$$\frac{(\$17,512,640/2) = \$8,756,320}{2,040 \text{ GWh} (1,000)} = 4.29 \text{ mills/kWh}$$

Total LAP Capacity Charge	\$4.25
Total LAP Energy Charge	16.21 mills/kWh

B. Supporting Information: Drought information and statistics related to this rate process are detailed below.

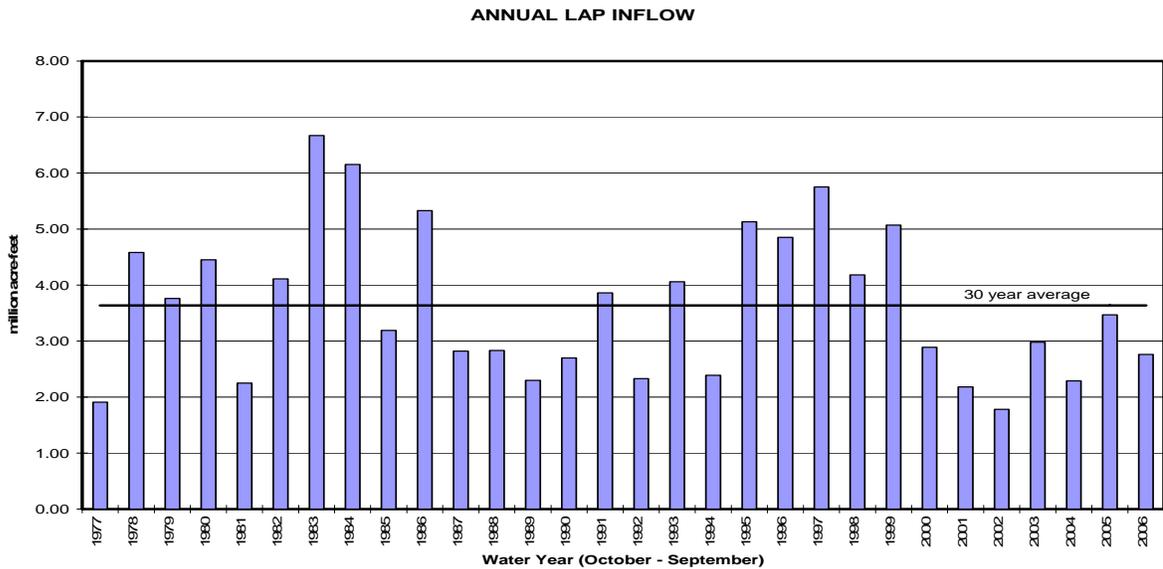
1. Drought:

- a. P-SMBP--WD: Drought conditions persist in the P-SMBP--WD as a whole and are less severe in Colorado than in recent years. Drought conditions are more severe in Wyoming than they were last year. Winter reservoir inflows were above normal in the P-SMBP--WD from October 2006 through March 2007; 122 percent of average for C-BT, 125 percent for the North Platte Basin, and 80 percent in the Bighorn Basin. The combined P-SMBP--WD reservoir inflow was 101 percent of average from October 2006 through March 2007. The resulting P-SMBP--WD reservoir storage at the end of the winter was 82 percent of average, down from 89 percent at the end of last winter. Assuming normal precipitation and temperatures in the P-SMBP--WD for the remainder of FY 2007, the reservoir inflows for FY 2007 will be 73 percent of average. The resulting P-SMBP--WD reservoir storage will be 76 percent of average at the end of September 2007.
- b. Fry-Ark: For flow-through water, the drought also persists in the Fry-Ark Project but is not as severe as in recent years. The reservoir inflow this past winter was 115 percent of average. The reservoir storage was

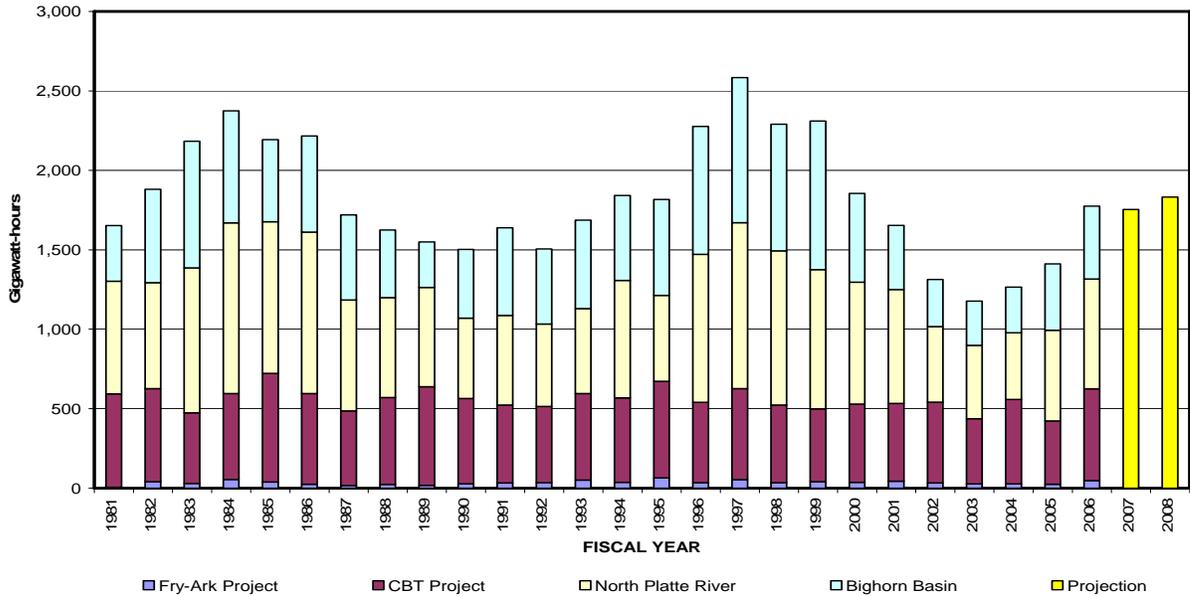
97 percent of average at the end of March 2007. The Boustead Tunnel import from the Fryngpan River and Hunter Creek is forecast to be 87 percent of average in FY 2007.

The LAP is in its 8th year of drought, which has resulted in reduced hydro-power generation. Reduced generation causes purchased power expense to increase and revenue from non-firm energy sales to decrease. The current drought was the primary basis for our 2004 and 2006 rate adjustments and has continued resulting in the proposed 2008 rate adjustment. In general, rate increases are directly related to periods of drought where Western must purchase power on the open market at rates much higher than our rates to meet our firm obligations.

The following charts highlight the current and historical droughts in the Rocky Mountain Region:



LAP GROSS GENERATION AT PLANT



The following chart shows the LAP rate history from 1989 through 2007 and the projected LAP rate, as proposed, for 2008.

Loveland Area Projects Rate History			
Year	Composite Rate		
1989	14.30		
1990	Step 1	16.78	Step 2 -17.20
1991	Step 1	19.18	Step 2 20.06
1994	Step 1	20.66	Step 2 21.70
2004	Step 1	23.44	Step 2 23.90
2006	Step 1	26.12	Step 2 27.36
2008	32.42		

2. Power Repayment Studies: A PRS for the Pick-Sloan is prepared annually by Western with the cooperation of Reclamation and the Corps of Engineers (Corps). Basic river basin hydrology, water depletions, power generation, and

project development data and cost information are supplied by Reclamation and the Corps. The annual Fry-Ark PRS is prepared by Western and coordinated with Reclamation for project development data and cost information. PRSs are prepared in accordance with authorizing legislation and with Department of Energy (DOE) Order No. RA 6120.2 (Power Marketing Administration Financial Reporting).

The PRS summarizes historic income, expenses, and investment to be repaid from power revenues. It also estimates income, expenses, and investments for future years, as well as calculating the application of revenues, the annual repayment of power system production and transmission costs, and displaying other costs assigned to power for repayment. The PRS also calculates the total Federal investment remaining to be repaid over the repayment period.

Revenues, expenses, and investments are entered into the PRS from historical data and from short-term, future budget estimates. These figures are then used to estimate long-term projections of revenues and expenses.

The purpose of a PRS is to determine the ability of power rates to generate sufficient revenue for repayment of project investments and costs during the project's repayment period. A PRS contains the following component parts:

- a. Resources and Annual Revenues: In the PRS for Pick-Sloan, future available energy resources (based on the latest hydrology, depletions, and marketing projections) are multiplied by a composite energy yield to determine annual revenue estimates. In the PRS for Fry-Ark, flow-through energy is valued at the current LAP energy rate. The remaining revenue is attributed to capacity sales.

For the Pick-Sloan 2008 Rate Set PRS, future P-SMBP--WD annual firm energy sales are based on an annual energy amount of 1,988 GWh and capacity sales are based on actual LAP contract commitments (491 MW for summer season and 405 MW for winter season). For the 2008 Fry-Ark Rate Set PRS, capacity sales are based on marketing the available 200 MW of capacity and 52 GWh of flow-through energy. In addition, the PRS for each project includes other revenues, such as economy energy, ancillary services, and transmission revenues.

- b. Annual Revenue Deductions or Expenses: Unless required payments are due, revenues are normally first applied to repayment of annual expenses which include:

- O&M costs, purchased power, and transmission costs; and
- Yearly interest expenses on investments.

These expenses are discussed below.

(1) Annual Expenses: O&M expenses shown in each PRS reflect the costs associated with the operation of powerplants, substations, and transmission lines, as well as labor and supplies associated with maintenance. O&M expenses also reflect costs for nonrecurring maintenance and administrative overhead. The cost of purchased power and transmission required for firm contractual obligations is also included in annual expenses.

(a) Historical O&M expenses are based on accounting records through September 30, 2006. Projected O&M expenses are based on the FY 2008 budget documents.

For Fry-Ark, the routine O&M in the “out year” in the current PRS increased approximately 9 percent over the routine O&M in the “out year” that set the January 1, 2007, rate. This increase in O&M between the 2006 Rate Setting PRS and the 2008 Rate Setting PRS is related to the realignment of base budget costs for the Bureau and also to normal inflation.

For Pick-Sloan, the routine O&M in the “out-year” in the current PRS has increased approximately 4 percent over the routine O&M in the “out-year” in the PRS that set the January 1, 2007, rate. This increase in O&M between the 2006 Rate Setting PRS and the 2008 Rate Setting PRS is related to normal inflation.

(b) Purchased power costs are projected for 2 future years. The projections are based on Reclamation’s Generation Projections for FYs 07-08. Purchases for energy imbalance, losses, and timing are also projected. Some of these purchases are offset by projected revenues that are to be received from providing the service(s).

(c) Transmission expenses are included in the Fry-Ark PRS through 2013; assuming an estimated timeframe to negotiate another transmission contract. Transmission expenses are included in the Pick-Sloan PRS for the full 100 years of the study.

(2) Interest Expenses: The yearly interest expenses are paid next. Historical interest expenses in each PRS are based on accounting records through September 30, 2006. Projected interest expenses reflect the various interest rates applicable to the unpaid balances of outstanding investments.

The interest rates of unpaid balances in the Pick-Sloan PRS vary from 0 to 11.07 percent. The interest rates of unpaid balances in the Fry-Ark PRS vary from 3.046 to 8.270 percent.

c. Deficit Repayment: Project deficits (expenses exceeding revenues), or a portion thereof, are normally paid after annual expenses have been paid.

These deficits are capitalized at current interest rates and classified into two categories:

- (1) Category 1 – A deferred interest expense deficit
- (2) Category 2 – A deferred annual cost deficit

Pick-Sloan expenses exceeded revenues by \$92.7 million in FY 2006. Primarily drought related, the deficits resulted from increased purchased power expenditures and decreased revenue from surplus sales. This resulted in both “Category 1” and “Category 2” deficits. The total deficits recorded through FY 2006 are \$438 million and, based on current hydrologic forecasts; an additional \$135 million in deficits is projected for FY 2007, for a total cumulative deficit amount of \$573 million. In the current PRS, it is projected that deficit repayment will begin in FY 2008 and end in FY 2017.

There are no deficits being projected in the Fry-Ark Rate Set PRS.

- d. Investment Repayment: Investments are normally repaid on the basis of the highest interest-bearing investment being paid first. However, if the repayment period of a low interest-bearing investment is about to expire, the low interest investment may take repayment precedence. The investment(s) to be repaid are described below.

- (1) Replacements and Additions:

Replacements are defined as features or equipment that needs to be replaced to ensure project performance. Replacements carry current interest rates, and are required to be repaid within each unit’s estimated service life (not to exceed 50 years). The total electric plant investment for a project is used in computing the estimated future replacement costs for the project.

Additions are defined as a project feature or facility that is not included in the original authorizing legislation is considered to be an Addition.

The historical replacements in the Rate Set PRSs are based on accounting records through September 30, 2006. Replacements within the 5-year budget period (2007-2011) are based on the FY 2008 budget documents. Beyond the budget period, each PRS estimates replacements by units of property and service life factors based on data from “Replacements Units, Service Lives, and Factors” published by Reclamation and Western in May 1989, and updated in May 2006.

To compare the power investment (replacements and additions) in the current PRS with the power investment from the rate setting study, we

compared the cumulative investment in the last year in the 2006 rate setting study.

In the Fry-Ark 2006 rate setting study, the cumulative investment in 2055 was \$190.9 million. In the current 2008 rate setting study, the cumulative investment through 2055 is \$198.0 million, an increase of almost 4 percent. This increase in power investment between the 2006 Rate Setting PRS and the 2008 Rate Setting PRS is mostly related to the estimated costs for the Mt. Elbert turbine runner replacements.

For Pick-Sloan, we compared 2104, the last year in the FY 2006 Rate Setting PRS. In the 2006 rate setting study, cumulative power investment in 2104 was \$5.019 billion. In the current 2008 rate setting PRS, cumulative power investment is \$4.576 billion in the year 2104. The decrease is due mainly to the change in service lives on some replacement items.

- (2) Project Investments: Project investments are the original Federal investments authorized by legislation. The interest rate which applies to these investments is defined as the project interest rate. Portions of the project's multipurpose features which are allocated to power are included in project investments.

The project interest rates in the Pick-Sloan PRS are 2.5 percent and 3.0 percent. The project interest rate in the Fry-Ark PRS is 3.046 percent.

- (4) Irrigation Assistance: Generally, power users are required to pay irrigation investment that is beyond the irrigators' ability to repay. Interest is not accrued on irrigation investments. Pick-Sloan currently includes irrigation investments in the PRS; Fry-Ark does not have any irrigation assistance assigned to power at this time.

IV. PICK-SLOAN MISSOURI BASIN-EASTERN DIVISION PROPOSALS

A. Elimination of Tiered Rate

1. During informal discussions during this rate process, the P-SMBP--ED received requests from customers to eliminate the Tiered Rate. The Tiered Rate charge was implemented in the mid-1970's for loads in excess of 60% load factor. Customers believe that continuing the Tiered Rate charge discouraged proper load management. Moreover, eliminating the Tiered Rate from the P-SMBP--ED Firm Electric Service Schedule is consistent with the administration of Firm Electric Service rates in the P-SMBP--WD, which does not assess a Tiered Rate charge.
2. Effect on the LAP Firm Electric Service Rate: The revenue from this rate is not projected in the Pick-Sloan PRS, so removing the charge does not impact

the current rate solution. It does, however, impact the collection of historical revenues, which does effect Pick-Sloan repayment. Historically this rate has collected around \$5 million a year into the Pick-Sloan PRS.

B. Re-Design of Firm Peaking Service

1. During informal discussions during this rate process, the P-SMBP--ED also received requests from customer to redesign its revenue recovery methodology for Firm Peaking Service. The P-SMBP--ED currently provides both Firm Electric and Firm Peaking Service to customers using a seasonal contract rate of delivery (CROD). P-SMBP--ED's Firm Peaking Capacity rate is equal to the Firm Power Capacity rate, which is calculated by dividing one-half of the P-SMBP--ED revenue requirement by the sum of the metered billing units for Firm Electric Service and the seasonal CROD modeled as monthly billing units for Firm Peaking Service. During informal discussions, several customers stated that P-SMBP--ED's rate design for Firm Electric Capacity and Firm Peaking Capacity should be representative of the different products. Customers recommended that P-SMBP--ED use the sum of the total allocated seasonal CRODs for both Firm Electric Capacity and Firm Peaking Capacity. To determine the peaking rate, P-SMBP--ED has adopted this new method in its proposed Firm Electric Service rates.
2. Effect on the LAP Firm Electric Service Rate: This change shifts the recovery of approximately \$1.7 million of the revenue requirement from the firm peaking customers to the firm power customers. Western Division is allocated approximately \$.4 million of this requirement.

APPENDIX A

Rate Adjustment Procedures

Western's rate adjustment procedures are governed by the "Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions" (10 CFR part 903). These procedures give interested parties an opportunity to participate in the development of power rates.

- I. Notice of Proposed Rate and Consultation and Comment Period: Initially, a notice of the Proposed Rate and official time for public participation must be published in the Federal Register. This notice is referred to as the Proposed Rates for Loveland Area Projects Firm Electric Service, and establishes a consultation and comment period. This period begins on the publication date of the Federal Register notice and closes not less than 90 days later. During this period, interested parties may consult with and obtain information from Western's representatives. They may also examine data used in the power repayment studies and suggest changes. Specific details for providing comments are included in the Federal Register notice.
 - A. Public Information Forum: Western's representatives explain the Proposed Rate changes and answer questions. Those questions not answered at the information forum receive written responses at least 15 days prior to the end of the consultation and comment period.
 - B. Public Comment Forum: This forum provides a formal opportunity for interested parties to submit either written or oral comments to be shared with other attendees and Western representatives. Usually, Western does not respond to comments at this forum. However, comments are considered in developing the final rate.
 - C. Written Comments: Interested parties may submit written comments and inquiries to Western during the consultation and comment period.
 - D. Revision of Proposed Rate: After the close of the consultation and comment period, Western will review and consider comments. If appropriate, the Proposed Rate will be revised. If the Administrator determines that further public comment should be invited or is necessary, interested parties will be given a period of at least 30 days to submit additional comments concerning the Proposed Rate.
 - E. Preliminary Decision on Provisional Rate: Following the end of the consultation and comment period, the Administrator will develop provisional rates. The Deputy Secretary of Energy for the Department of Energy (DOE) has the authority to confirm, approve, and place this rate into effect on an interim basis. The decision, together with an explanation of the principal factors leading to the decision, will be published in the Federal Register.

F. Final Approval of Provisional Rate: The Deputy Secretary will submit information concerning the provisional rate to the Federal Energy Regulatory Commission (FERC) and request final approval. The response of FERC will be to:

1. give final confirmation and approval to the provisional rate,
2. disapprove the provisional rate, or
3. remand the matter to Western for further study.

The provisional rate does not become final until it is approved by FERC.

APPENDIX B

Environmental Evaluation

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

APPENDIX C

Proposed Schedule

- Informal Customer Meeting took place on April 9, 2007
- Public Process
 - FRN – Published (May 31, 2007)
 - 90 Day Comment Period (closes August 29, 2007)
 - Information Forum
 - June 18, 2007, 10 a.m. - Noon MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO
 - Comment Forum
 - July 23, 2007, 10 a.m. - Noon MDT
Radisson Stapleton Plaza
3333 Quebec Street
Denver, CO
- Address Comments
- Record of Decision (mid-November)
- Rate Announcement (December)
- Implement Rate – January 1, 2008

APPENDIX D

Project Descriptions

Pick-Sloan Missouri Basin Program--Western Division

The initial stages of the Missouri River Basin Project were authorized by section 9 of the Flood Control Act of December 22, 1944 (58 Stat. 877, Public Law 534, 78th Congress, 2nd session). The Missouri River Basin Project has been under construction since 1944. It was later renamed the Pick-Sloan Missouri Basin Program to honor its two principal authors. The Pick-Sloan encompasses a comprehensive program, with the following authorized functions: flood control, navigation improvement, irrigation, municipal and industrial water development, and hydroelectric production for the entire Missouri River Basin. Multipurpose projects have been developed on the Missouri river and its tributaries in Colorado, Montana, Nebraska, North Dakota, South Dakota, and Wyoming.

The Colorado-Big Thompson (C-BT), Kendrick, and Shoshone projects were administratively combined with Pick-Sloan in 1954, followed by the North Platte Project in 1959. These projects are known as the “Integrated Projects” of the Pick-Sloan. The Riverton Project was reauthorized as a unit of Pick-Sloan in 1970.

Western Division generating resources include five units of the Pick-Sloan and four other Reclamation projects authorized before Pick-Sloan, but that are integrated with Pick-Sloan for repayment purposes. The Boysen, Glendo, Kortez, Riverton, and Yellowtail Pick-Sloan units include the Boysen, Glendo, Fremont Canyon, Kortez, Pilot Butte, and Yellowtail powerplants. The C-BT, Kendrick, North Platte, and Shoshone projects include the Green Mountain, Marys Lake, Estes, Pole Hill, Flatiron, Big Thompson, Seminole, Alcova, Guernsey, Shoshone, Buffalo Bill, Heart Mountain, and Spirit Mountain powerplants. Reclamation operates and maintains all Western Division powerplants. The Western Division’s powerplants’ combined installed capability is 624 MW.

Fryingpan-Arkansas Project

Fry-Ark is a transmountain diversion project in central and southeastern Colorado which was authorized by the Act of August 16, 1962, (Public Law 87-590, 76 Stat. 399, as amended by Title XI of the Act of October 27, 1974, Public Law 93-493, 88 Stat. 1487). Fry-Ark diverts water from the Fryingpan River and other tributaries of the Roaring Fork River to the Arkansas River on the East Slope of the Continental Divide. The Fryingpan and Roaring Fork Rivers are part of the Colorado River Basin, on the West Slope of the Rocky Mountains. The water diverted from the West Slope, together with regulated Arkansas River water, provides supplemental irrigation, municipal and industrial water supplies and hydroelectric power production. Flood control, fish and wildlife enhancement, and recreation are also supported by these water diversions.

The project has six dams and five reservoirs with a total storage of 741,000 acre-feet of water, 70 miles of tunnels and canals and a pumped-storage powerplant at Mount Elbert. Its two generating units have an installed capacity of 206 MW. While the majority of project capacity depends on water pumped during off-peak hours and water releases for power production when needed, some generation is attributed to flow-through water. Authorization for the first 100 MW unit of the powerplant was granted on August 16, 1962. The second unit was authorized on October 27, 1974. Work on these two units was completed in 1984.

The pumped-storage capability of the Mount Elbert power plant has become increasingly valuable to Western and its customers. With high prices for power during peak periods, customers have been maximizing their use of the pumped-storage capability under their contracts by taking delivery during the day (on-peak) and returning energy at night (off-peak) to pump water back into the forebay at the powerplant.

Loveland Area Projects

The “Post-1989 General Power Marketing and Allocation Criteria” (Criteria) was published in the Federal Register on January 31, 1986 (51 FR 4012), and effectively integrated the operations, resources, and contracts of the P-SMBP--WD and Fry-Ark. The integration of these projects, which are now known as Loveland Area Projects (LAP), increased marketable resources, simplified contract administration, and established a consolidated rate for LAP power sales. The Criteria also authorized the development of other services such as transmission service.

Although operationally and contractually integrated, P-SMBP--WD and Fry-Ark retain separate financial status. For this reason, separate PRSs are prepared annually for each project. These PRSs are used to determine the ability of the power rates to generate sufficient revenue to repay project investments and costs during each project’s prescribed repayment period. To develop one rate for LAP firm electric service, the revenue requirements for Fry-Ark and P-SMBP--WD are combined.



FRYINGPAN-ARKANSAS PROJECT
Power Repayment Study
2008 Rate Setting PRS
(S)

EXHIBIT 1

REMOVED AUTOMATIC TURBIN REPLACEMENT COMING IN IN FY 2031 FOR SSM

Study ID: FA-FY06 final for 2008 Rate Adj
2006 final PRS, adj for Cal vs FY eff date, rev energy rat

Change
\$1.82
\$1.66
396,240
463,560
0
3.33%

Sales Rate (10/01/06 - 9/30/07) \$65,9500
Sales Rate (10/01/07 - to end of study) \$67,6100
FY 07 Rev Req 13,901,360
FY 08 Rev Req 14,364,920
FY 09 Rev Req 14,364,920

Fiscal Year	Total Revenue	EXPENSES					Prior Year Adjustments	Revenue After Annual Expenses	CAPITALIZED DEFICITS					REPLACEMENTS					ORIGINAL INVESTMENT AND ADDITIONS					AID TO IRRIGATION					Fiscal Year		
		Operations & Maintenance Expense	Purchase Power Expense	Transmission Expense	Interest Expense	Total Expenses			Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment			
1983	1,003,101	2,938,927	0	29,483	2,968,410	0	(1,965,309)	0	1,965,309	1,965,309	1,965,309	1,965,309	0	0	0	0	0	0	113,822,364	113,822,364	113,822,364	113,822,364	0	0	0	0	0	0	1983		
1984	1,182,450	1,455,442	0	3,798,264	5,253,706	0	(4,071,256)	0	6,036,565	6,036,565	6,036,565	4,071,256	0	0	0	0	0	0	183,655,605	183,655,605	183,655,605	183,655,605	69,833,241	0	0	0	0	0	1984		
1985	1,088,856	1,974,320	0	6,456,958	8,431,278	0	(7,342,422)	0	13,378,987	13,378,987	13,378,987	7,342,422	0	0	0	0	0	0	183,943,307	183,943,307	183,943,307	183,943,307	287,702	0	0	0	0	0	1985		
1986	5,312,563	1,921,812	0	7,145,536	9,067,348	0	(3,754,785)	0	17,133,772	17,133,772	17,133,772	3,754,785	0	0	0	0	0	0	185,013,403	185,013,403	185,013,403	185,013,403	1,070,096	0	0	0	0	0	1986		
1987	6,906,056	1,897,553	0	7,466,320	9,363,873	0	(2,457,817)	0	19,591,589	19,591,589	19,591,589	2,457,817	0	0	0	0	0	0	186,131,555	186,131,555	186,131,555	186,131,555	1,118,152	0	0	0	0	0	1987		
1988	9,993,280	1,783,677	0	7,540,756	9,324,433	0	668,847	0	668,847	18,922,742	19,591,589	19,591,589	0	0	0	0	0	0	186,730,178	186,730,178	186,730,178	186,730,178	598,623	0	0	0	0	0	1988		
1989	8,046,821	3,080,887	0	7,716,755	10,797,642	0	(2,750,821)	0	21,673,563	22,342,410	22,342,410	2,750,821	0	0	0	0	0	0	184,904,633	184,904,633	184,904,633	184,904,633	(1,825,545)	0	0	0	0	0	1989		
1990	8,415,927	2,372,754	406,189	7,918,415	10,697,358	0	(2,281,431)	0	23,954,995	24,623,842	24,623,842	2,281,432	0	0	0	0	0	0	185,843,394	185,843,394	185,843,394	185,843,394	938,761	0	0	0	0	0	1990		
1991	12,126,298	2,870,238	2,375,602	8,126,662	13,372,502	(43,237)	(1,202,967)	0	25,157,962	25,826,809	25,826,809	1,202,967	0	0	0	0	0	0	186,595,706	186,595,706	186,595,706	186,595,706	752,312	0	0	0	0	0	1991		
1992	14,597,710	3,049,285	3,302,735	8,162,495	14,514,515	0	83,195	0	25,074,767	25,826,809	25,826,809	83,195	0	0	0	0	0	0	186,714,729	186,714,729	186,714,729	186,714,729	119,023	0	0	0	0	0	1992		
1993	14,468,486	3,658,827	2,511,400	7,145,536	14,431,727	0	36,759	0	25,038,008	25,826,809	25,826,809	36,759	0	0	0	0	0	0	187,785,328	187,785,328	187,785,328	187,785,328	1,070,599	0	0	0	0	0	1993		
1994	14,461,458	2,818,649	2,725,512	(12,638,144)	14,431,727	1/	(7,093,983)	0	21,555,442	3,482,566	25,826,809	25,826,809	0	0	0	0	0	0	187,965,855	187,965,855	187,965,855	187,965,855	180,527	0	0	0	0	0	1994		
1995	13,005,711	3,035,479	2,635,854	4,721,480	10,393,248	0	2,612,430	0	25,826,809	25,826,809	25,826,809	2,612,430	0	0	0	0	0	0	188,029,162	188,029,162	188,029,162	188,029,162	63,307	0	0	0	0	0	1995		
1996	14,326,089	2,960,771	3,119,252	4,561,166	10,641,189	0	3,684,900	0	25,826,809	25,826,809	25,826,809	3,684,900	0	0	0	0	0	0	2,814,763	185,214,399	188,029,162	188,029,162	0	0	0	0	0	0	1996		
1997	13,194,951	2,506,904	3,401,472	4,332,904	10,241,280	0	2,953,671	0	25,826,809	25,826,809	25,826,809	2,953,671	0	0	0	0	0	0	2,953,671	182,403,826	188,172,260	188,172,260	143,098	0	0	0	0	0	1997		
1998	13,892,641	2,502,079	3,507,871	4,958,118	10,968,068	3/	2,924,573	0	25,826,809	25,826,809	25,826,809	2,924,573	0	0	0	0	0	0	2,924,574	179,482,219	188,175,227	188,175,227	2,967	0	0	0	0	0	1998		
1999	13,021,526	3,329,113	3,460,727	4,196,367	10,986,207	(1,126)	2,036,445	0	25,826,809	25,826,809	25,826,809	2,036,445	0	0	0	0	0	0	2,036,445	177,445,819	188,175,272	188,175,272	4,657	0	0	0	0	0	1999		
2000	13,954,258	3,292,230	6,302,028	4,147,841	13,742,099	0	21,259	0	25,826,809	25,826,809	25,826,809	21,259	0	0	0	0	0	0	177,446,621	188,176,074	188,176,074	188,176,074	802	0	0	0	0	0	2000		
2001	11,747,598	4,318,026	(99,562)	4,197,604	12,533,678	(688,518)	99,562	0	99,562	25,926,371	25,926,371	99,562	0	0	0	0	0	0	177,507,809	188,237,262	188,237,262	188,237,262	61,888	0	0	0	0	0	2001		
2002	13,919,886	3,763,716	943,741	4,550,781	13,505,707	0	414,179	0	25,926,371	25,926,371	25,926,371	414,179	0	0	0	0	0	0	177,563,815	188,293,268	188,293,268	188,293,268	56,006	0	0	0	0	0	2002		
2003	14,390,997	4,440,463	1,243,331	3,948,156	13,877,893	127,678	385,426	0	99,562	25,926,371	25,926,371	385,426	0	0	0	0	0	0	177,604,508	188,333,961	188,333,961	188,333,961	40,693	0	0	0	0	0	2003		
2004	14,655,166	4,913,550	1,339,892	4,580,125	15,233,951	0	(578,785)	0	578,785	678,347	26,505,156	578,785	0	0	0	0	0	0	178,423,165	189,152,618	189,152,618	189,152,618	818,657	0	0	0	0	0	2004		
2005	17,739,845	4,846,784	1,659,767	3,989,503	15,043,289	(4,216)	2,700,778	0	678,347	26,505,156	26,505,156	2,700,778	0	0	0	0	0	0	177,942,091	189,159,852	189,159,852	189,159,852	7,234	0	0	0	0	0	2005		
2006	16,133,063	5,012,629	1,202,153	4,124,659	14,662,779	(598,371)	2,068,655	0	678,347	26,505,156	26,505,156	2,068,655	0	0	0	0	0	0	177,611,631	189,159,858	189,159,858	189,159,858	6	0	0	0	0	0	2006		
PRIOR YEAR ADJ.	731,755	122,336	0	0	(598,371)	(476,035)	1,207,790	0	0	0	0	0	0	0	0	0	0	0	(344,650)	(344,650)	(344,650)	(344,650)	0	(40,417,712)	(40,417,712)	(40,417,712)	(40,417,712)	0	0	PRIOR YEAR ADJ.	
HISTORICAL SUBTOTAL	268,316,492	74,866,451	44,157,574	21,193,224	112,266,940	0	252,484,189	0	15,832,303	26,505,156	26,505,156	26,505,156	0	0	0	0	0	0	4,284,077	2,601,579	6,885,656	6,885,656	6,885,656	11,548,227	137,193,919	148,742,146	148,742,146	148,742,146	0	0	HISTORICAL SUBTOTAL
2007	16,487,289	4,751,074	1,351,232	3,977,780	14,462,394	0	2,024,895	0	678,347	26,505,156	26,505,156	2,024,895	0	0	0	0	0	0	1,974,422	8,283,394	8,283,394	8,283,394	1,397,738	0	0	0	0	0	0	2007	
2008	16,857,495	4,822,851	1,289,777	3,977,780	14,394,141	0	2,463,354	0	678,347	26,505,156	26,505,156	2,463,354	0	0	0	0	0	0	2,199,810	9,244,612	9,244,612	9,244,612	1,150,000	263,544	137,065,375	148,877,146	148,877,146	148,877,146	0	0	2008
2009	16,008,122	5,114,265	27,229	3,977,780	14,413,663	0	2,594,459	0	678,347	26,505,156	26,505,156	2,594,459	0	0	0	0	0	0	2,449,459	10,202,153	10,202,153	10,202,153	3,545,000	145,000	137,065,375	149,022,146	149,022,146	145,000	0	0	2009
2010	15,848,102	5,370,511	27,229	3,977,780	13,791,904	0	2,056,198	0	678,347	26,505,156	26,505,156	2,056,198	0	0	0	0	0	0	1,886,198	11,339,956	11,339,956	11,339,956	4,000,000	170,000	137,065,375	149,192,146	149,192,146	170,000	0	0	2010
2011	15,051,583	4,993,882	27,229	3,977,780	13,600,242	0	1,451,341	0	578,785	26,505,156	26,505,156	1,451,341	0	0	0	0	0	0	1,451,341	12,166,422	12,166,422	12,166,422	4,188,028	0	0	0	0	0	0	2011	
2012	14,917,982	4,934,160	0	3,977,780	13,582,891	0	1,335,091	0	578,785	26,505,156	26,505,156	1,335,091	0	0	0	0	0	0	1,335,091	13,509,347	13,509,347	13,509,347	437,953	0	0	0	0	0	0	2012	
2013	14,917,982	4,923,581	0	3,977,780	13,524,052	0	1,324,052	0																							

Fiscal Year	EXPENSES										Capitalized Deficits					Replacements/Retirements					Investment Additions					Aid to Irrigation					Fiscal Year
	(1,513,010)										Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investment	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	Principal Payment	Unpaid Balance	Allowable Unpaid Balance	Cumulative Balance	Incremental Investments	
	Total Revenue	Operations & Maintenance Expense	Purchased Power Expense	Transmission Service Expense	Other Expense	Integrated Projects	Interest Expense	Total Expenses	Prior Year Adjustments	Revenue After Annual Expenses																					
2049	392,518,553	163,912,564	0	10,380,995	0	0	174,293,559	0	218,224,994	0	0	0	763,555,210	0	7,676,030	0	557,758,303	1,090,682,350	7,676,030	0	0	(3)	520,749,546	2,554,911,023	0	65,306,000	0	1,684,087,248	2,295,338,382	65,306,000	2049
2050	392,617,911	163,912,564	0	10,380,995	0	0	174,293,559	0	218,324,352	0	0	0	763,555,210	0	15,608,159	0	557,758,068	1,106,290,509	15,608,159	0	0	(3)	486,201,565	2,554,911,023	0	65,306,000	0	1,748,344,917	2,360,644,382	65,306,000	2050
2051	392,665,868	163,912,564	0	10,380,995	0	0	174,293,559	0	218,372,309	0	0	0	763,555,210	0	20,130,011	0	559,783,624	1,126,420,520	20,130,011	0	0	(3)	455,407,266	2,554,911,023	0	65,306,000	0	1,777,705,805	2,425,950,382	65,306,000	2051
2052	392,724,226	163,912,564	0	10,380,995	0	0	174,293,559	0	218,430,667	0	0	0	763,555,210	0	18,711,884	0	556,258,116	1,145,132,044	18,711,884	0	0	(3)	427,636,396	2,554,911,023	0	65,306,000	0	1,843,011,805	2,491,256,382	65,306,000	2052
2053	392,782,583	163,912,564	0	10,380,995	0	0	174,293,559	0	218,489,024	0	0	0	763,555,210	0	27,953,537	0	548,840,871	1,173,085,941	27,953,537	0	0	(3)	406,177,452	2,554,911,023	0	65,306,000	0	1,906,034,531	2,556,562,382	65,306,000	2053
2054	392,871,541	163,912,564	0	10,380,995	0	0	174,293,559	0	218,577,982	0	0	0	763,555,210	0	16,960,938	0	551,607,267	1,190,046,879	16,960,938	0	0	(3)	374,449,531	2,554,911,023	0	65,306,000	0	1,896,625,531	2,621,868,382	65,306,000	2054
2055	392,929,901	163,912,564	0	10,434,397	0	0	174,346,961	0	218,582,940	0	0	0	763,555,210	0	35,160,075	0	574,375,793	1,225,206,954	35,160,075	0	0	(3)	287,807,145	2,554,911,023	0	65,306,000	0	1,956,579,800	2,687,174,382	65,306,000	2055
2056	393,018,858	163,912,564	0	10,434,397	0	0	174,346,961	0	218,671,897	0	0	0	763,555,210	0	12,695,987	0	575,382,464	1,237,902,941	12,695,987	0	0	(3)	212,361,445	2,554,911,023	0	65,306,000	0	2,021,885,800	2,752,480,382	65,306,000	2056
2057	393,036,216	163,912,564	0	10,434,397	0	0	174,346,961	0	218,689,255	0	0	0	763,555,210	0	21,013,645	0	588,467,187	1,258,916,586	21,013,645	0	0	(3)	171,176,308	2,554,911,023	0	65,306,000	0	2,087,191,800	2,817,786,382	65,306,000	2057
2058	393,166,173	163,912,564	0	10,434,397	0	0	174,346,961	0	218,819,212	0	0	0	763,555,210	0	10,921,066	0	590,690,921	1,269,837,652	10,921,066	0	0	(3)	145,323,110	2,554,911,023	0	65,306,000	0	2,152,497,800	2,883,092,382	65,306,000	2058
2059	393,183,531	163,912,564	0	10,434,397	0	0	174,346,961	0	218,836,570	0	0	0	763,555,210	0	13,653,357	0	587,260,949	1,283,491,009	13,653,357	0	0	(3)	59,931,758	2,554,911,023	0	65,306,000	0	2,217,803,800	2,948,398,382	65,306,000	2059
2060	378,392,084	163,912,564	0	10,029,445	0	0	173,942,009	0	204,450,075	0	0	0	763,555,210	0	13,867,756	0	585,282,385	1,297,358,765	13,867,756	0	0	(3)	33,899,966	2,554,911,023	0	65,306,000	0	2,283,109,800	3,013,704,382	65,306,000	2060
2061	378,733,990	163,912,564	0	10,020,386	0	0	173,932,950	0	204,801,040	0	0	0	763,555,210	0	17,965,818	0	592,371,756	1,315,324,583	17,965,818	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,348,415,800	3,079,010,382	65,306,000	2061
2062	379,027,551	163,912,564	0	10,014,043	0	0	173,926,607	0	205,100,944	0	0	0	763,555,210	0	9,546,953	0	592,371,756	1,324,871,536	9,546,953	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,413,721,800	3,144,316,382	65,306,000	2062
2063	379,369,459	163,912,564	0	10,004,985	0	0	173,917,549	0	205,451,910	0	0	0	763,555,210	0	13,722,280	0	592,371,756	1,338,593,816	13,722,280	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,479,027,800	3,209,622,382	65,306,000	2063
2064	379,638,135	163,912,564	0	9,997,737	0	0	173,910,301	0	205,727,834	0	0	0	763,555,210	0	15,081,919	0	592,371,756	1,353,675,735	15,081,919	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,544,333,800	3,274,928,382	65,306,000	2064
2065	379,980,040	163,912,564	0	9,988,677	0	0	173,901,241	0	206,078,799	0	0	0	763,555,210	0	12,579,221	0	592,371,756	1,366,254,956	12,579,221	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,609,639,800	3,340,234,382	65,306,000	2065
2066	380,362,946	163,912,564	0	9,979,618	0	0	173,892,182	0	206,470,764	0	0	0	763,555,210	0	9,153,621	0	592,371,756	1,375,408,577	9,153,621	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,674,945,800	3,405,540,382	65,306,000	2066
2067	380,615,507	163,912,564	0	9,973,277	0	0	173,885,841	0	206,729,666	0	0	0	763,555,210	0	28,039,902	0	592,371,756	1,403,448,479	28,039,902	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,740,251,800	3,470,846,382	65,306,000	2067
2068	380,957,413	163,912,564	0	9,964,217	0	0	173,876,781	0	207,080,632	0	0	0	763,555,210	0	3,505,649	0	592,371,756	1,406,954,128	3,505,649	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,805,557,800	3,536,152,382	65,306,000	2068
2069	381,267,088	163,912,564	0	9,956,970	0	0	173,869,534	0	207,397,554	0	0	0	763,555,210	0	3,675,003	0	592,371,756	1,410,629,131	3,675,003	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,870,863,800	3,601,458,382	65,306,000	2069
2070	381,608,994	163,912,564	0	9,947,911	0	0	173,860,475	0	207,748,519	0	0	0	763,555,210	0	2,218,121	0	592,371,756	1,412,847,252	2,218,121	0	0	(3)	0	2,554,911,023	0	65,306,000	0	2,936,169,800	3,666,764,382	65,306,000	2070
2071	381,861,558	163,912,564	0	9,941,568	0	0	173,854,132	0	208,007,426	0	0	0	763,555,210	0	20,939,345	0	592,371,756	1,433,786,597	20,939,345	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,001,475,800	3,732,070,382	65,306,000	2071
2072	382,244,463	163,912,564	0	9,932,509	0	0	173,845,073	1	208,399,391	0	0	0	763,555,210	0	7,300,377	0	592,371,756	1,441,086,974	7,300,377	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,066,781,800	3,797,376,382	65,306,000	2072
2073	382,586,569	163,912,564	0	9,925,450	0	2	173,836,014	2	208,790,357	0	0	0	763,555,210	0	47,706,966	0	592,371,756	1,488,793,940	47,706,966	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,132,087,800	3,862,682,382	65,306,000	2073
2074	382,855,045	163,912,564	0	9,916,202	0	0	173,828,766	0	209,026,279	0	0	0	763,555,210	0	20,398,612	0	592,371,756	1,509,192,552	20,398,612	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,197,393,800	3,927,988,382	65,306,000	2074
2075	383,155,951	163,912,564	0	9,907,143	0	0	173,819,707	0	209,336,244	0	0	0	763,555,210	0	9,287,610	0	592,371,756	1,518,480,162	9,287,610	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,262,699,800	3,993,294,382	65,306,000	2075
2076	383,531,511	163,912,564	0	9,900,802	0	0	173,813,366	0	209,718,145	0	0	0	763,555,210	0	5,279,227	0	592,371,756	1,523,759,389	5,279,227	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,328,005,800	4,058,600,382	65,306,000	2076
2077	383,832,417	163,912,564	0	9,891,742	0	0	173,804,306	0	210,028,111	0	0	0	763,555,210	0	70,664,321	0	592,371,756	1,594,423,710	70,664,321	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,393,311,800	4,123,906,382	65,306,000	2077
2078	384,133,325	163,912,564	0	9,882,683	0	0	173,795,247	0	210,338,078	0	0	0	763,555,210	0	11,669,771	0	592,371,756	1,606,093,481	11,669,771	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,458,617,800	4,189,212,382	65,306,000	2078
2079	384,402,001	163,912,564	0	9,875,436	0	0	173,788,000	0	210,614,001	0	0	0	763,555,210	0	18,814,854	0	592,371,756	1,624,908,335	18,814,854	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,523,923,800	4,254,518,382	65,306,000	2079
2080	374,253,718	163,912,564	0	9,645,328	0	0	173,557,892	0	200,695,826	0	0	0	763,555,210	0	27,314,082	0	592,371,756	1,652,222,417	27,314,082	0	0	(3)	0	2,554,911,023	0	65,306,000	0	3,589,229,800	4,319,824,382	65,306,000	2080
2081	374,301,675	163,912,564	0	9,645,328	0	0	173,557,892	0	200,743,783	0	0	0	763,555,210	0	10,629,410	0	592,371,756	1,662,851,827	10,629,												

EXHIBIT 3

Proposed Rate Schedule L-F7
(Supersedes Schedule L-F6)
January 1, 2008

UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

LOVELAND AREA PROJECTS
COLORADO, KANSAS, NEBRASKA, WYOMING

SCHEDULE OF RATES FOR FIRM ELECTRIC SERVICE
(Approved Under Rate Order No. WAPA-134)

Effective:

Beginning on the first day of the first full billing period on or after January 1, 2008, through December 31, 2012.

Available:

Within the marketing area served by the Loveland Area Projects.

Applicable:

To the wholesale power customers for firm power service supplied through one meter at one point of delivery, or as otherwise established by contract.

Character:

Alternating current, 60 hertz, three phase, delivered and metered at the voltages and points established by contract.

Monthly Rates:

CAPACITY CHARGE: \$4.25 per kilowatt of billing capacity.

ENERGY CHARGE: 16.21 mills per kilowatthour (kWh) of use.

BILLING CAPACITY: Unless otherwise specified by contract, the billing capacity will be the seasonal contract rate of delivery.

Charge Components:

Base: A fixed revenue requirement that includes operation and maintenance expense, investments and replacements, interest on investments and replacements, normal timing purchase power (purchases due to operational constraints, not associated with drought), and transmission costs.

Base Capacity	=	$\frac{50\% \times \text{Base Revenue Requirement}}{\text{Firm Billing Capacity}}$	=	\$3.13 per kW
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Base Energy	=	$\frac{50\% \times \text{Base Revenue Requirement}}{\text{Annual Energy}}$	=	11.92 mills/kWh
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Drought Adder: A formula-based revenue requirement that includes future purchase power above timing purchases, previous purchase power drought deficits, and interest on the purchase power drought deficits.

Drought Adder Capacity	=	$\frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Firm Billing Capacity}}$	=	\$1.12 per kW
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Drought Adder Energy	=	$\frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Annual Energy}}$	=	4.29 mills/kWh
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Process:

Any proposed change to the Base component will require a public process.

The Drought Adder component may be adjusted on an annual basis up to the equivalent of 2 mills/kWh to the LAP composite rate. For any incremental annual increase greater than the equivalent of the 2 mills/kWh to the LAP composite rate, the 2 mills/kWh will be implemented on January 1 billing cycle of the coming year and a public process will be initiated for a rate adjustment.

Adjustments due to the Drought Adder component will be listed in a revision to this rate schedule.

Adjustments:

For Transformer Losses: If delivery is made at transmission voltage but metered on the low-voltage side of the substation, the meter readings will be increased to compensate for transformer losses as provided for in the contract.

For Power Factor: None. The customer will be required to maintain a power factor at all points of measurement between 95-percent lagging and 95-percent leading.

p. *Agency Comments*: Federal, state, and local agencies are invited to file comments on the described application. A copy of the application may be obtained by agencies directly from the Applicant. If an agency does not file comments within the time specified for filing comments, it will be presumed to have no comments. One copy of an agency's comments must also be sent to the Applicant's representatives.

q. Comments, protests and interventions may be filed electronically via the Internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's Web site at <http://www.ferc.gov> under the "e-Filing" link.

Kimberly D. Bose,
Secretary.

[FR Doc. E7-10432 Filed 5-30-07; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 1962-153]

Pacific Gas and Electric Company; Notice of Application for Amendment of License and Soliciting Comments, Motions To Intervene, and Protests

May 22, 2007.

Take notice that the following hydroelectric application has been filed with the Commission and is available for public inspection:

a. *Application Type*: Amendment of License to modify condition 10 and article 404 related to certain fishery habitat improvements.

b. *Project No*: 1962-153.

c. *Date Filed*: April 25, 2007.

d. *Applicant*: Pacific Gas and Electric Company (PG&E).

e. *Name of Project*: Rock Creek-Cresta Project.

f. *Location*: The project is located partly within the Plumas National Forest on the North Fork Feather River in Butte and Plumas Counties, California.

g. *Filed Pursuant to*: Federal Power Act, 16 U.S.C. 791a-825r.

h. *Applicant Contact*: Bill Zemke, Pacific Gas and Electric Company, Mail Code N11C, P.O. Box 770000, San Francisco, CA 94177.

i. *FERC Contact*: Diana Shannon, Telephone (202) 502-8887, and e-mail: DianaShannon@ferc.gov.

j. *Deadline for filing comments, motions to intervene, and protest*: June 22, 2007.

All documents (original and eight copies) should be filed with: Secretary,

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

The Commission's Rules of Practice and Procedure require all interveners filing documents with the Commission to serve a copy of that document on each person whose name appears on the official service list for the project. Further, if an intervener files comments or documents with the Commission relating to the merits of an issue that may affect the responsibilities of a particular resource agency, they must also serve a copy of the document on that resource agency. A copy of any motion to intervene must also be served upon each representative of the Applicant specified in the particular application.

k. *Description of Request*: PG&E requests that Condition 10 of the license be modified to accommodate changes agreed to by the Ecological Resources Committee in September 2006. Proposed modifications include: (1) Specify in Condition 10(A) that monitoring of gravel in Granite Creek be performed annually with supplemental gravel placement being made no more frequently than once every three years for the life of the license; (2) specify in Condition 10(C) to add and maintain spawning gravel in Opapee Creek, rather than construct a spawning channel at that location; and (3) specify in Condition 10(D) the actual size (width and length) of the completed spawning channel in Milk Ranch Creek.

l. *Locations of the Application*: A copy of the application is available for inspection and reproduction at the Commission's Public Reference Room, located at 888 First Street, NE., Room 2A, Washington, DC 20426, or by calling (202) 502-8371. This filing may also be viewed on the Commission's Web site at <http://www.ferc.gov> using the "eLibrary" link. Enter the docket number excluding the last three digits in the docket number field to access the document. You may also register online at <http://www.ferc.gov/docs-filing/esubscription.asp> to be notified via email of new filings and issuances related to this or other pending projects. For assistance, call 1-866-208-3676 or e-mail FERCOnlineSupport@ferc.gov, for TTY, call (202) 502-8659. A copy is also available for inspection and reproduction at the address in item (h) above.

m. Individuals desiring to be included on the Commission's mailing list should so indicate by writing to the Secretary of the Commission.

n. *Comments, Protests, or Motions to Intervene*: Anyone may submit comments, a protest, or a motion to

intervene in accordance with the requirements of Rules of Practice and Procedure, 18 CFR 385.210, .211, .214. In determining the appropriate action to take, the Commission will consider all protests or other comments filed, but only those who file a motion to intervene in accordance with the Commission's Rules may become a party to the proceeding. Any comments, protests, or motions to intervene must be received on or before the specified comment date for the particular application.

o. Any filings must bear in all capital letters the title "COMMENTS", "PROTEST", or "MOTION TO INTERVENE", as applicable, and the Project Number of the particular application to which the filing refers.

p. *Agency Comments*: Federal, state, and local agencies are invited to file comments on the described application. A copy of the application may be obtained by agencies directly from the Applicant. If an agency does not file comments within the time specified for filing comments, it will be presumed to have no comments. One copy of an agency's comments must also be sent to the Applicant's representatives.

q. Comments, protests and interventions may be filed electronically via the Internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's Web site at <http://www.ferc.gov> under the "e-Filing" link.

Kimberly D. Bose,
Secretary.

[FR Doc. E7-10451 Filed 5-30-07; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Loveland Area Projects—Rate Order No. WAPA-134

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed power rates.

SUMMARY: The Western Area Power Administration (Western) is proposing revised rates for Loveland Area Projects (LAP) firm electric service. LAP consists of the Fryingpan-Arkansas Project (Fry-Ark) and the Pick-Sloan Missouri Basin Program (Pick-Sloan)—Western Division, which were integrated for marketing and rate-making purposes in 1989. The current rates, under Rate Schedule L-F6, expire on December 31, 2010, but are not sufficient to meet the LAP revenue requirements. The proposed rates will provide sufficient

revenue to pay all annual costs, including interest expense, and repay required investment within the allowable period. Western will prepare a brochure that provides detailed information on the proposed rates. The proposed rates, under Rate Schedule L-F7, are scheduled to go into effect on January 1, 2008, and will remain in effect through December 31, 2012. Publication of this **Federal Register** notice begins the formal process for the proposed rate adjustment.

DATES: The consultation and comment period begins today and will end August 29, 2007. Western will present a detailed explanation of the proposed rates at a public information forum on June 18, 2007, 10 a.m. to 12 p.m. MDT, in Denver, Colorado. Western will accept oral and written comments at a public comment forum on July 23, 2007, 10 a.m. to 12 p.m. MDT, in Denver, Colorado. Western will accept written comments any time during the consultation and comment period.

ADDRESSES: The public information forum and the public comment forum will both be held at the Radisson Stapleton Plaza Hotel, 3333 Quebec Street in Denver, Colorado, on the dates cited above. Written comments and/or requests to be informed of Federal Energy Regulatory Commission (Commission) actions concerning the rates submitted by Western to the Commission for approval should be sent to James D. Keselburg, Regional Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard,

Loveland, CO 80538-8986, e-mail lapfirmadj@wapa.gov. Western will post information about the rate process on its Web site under the "Rate Adjustments" section at <http://www.wapa.gov/rm/ratesRM/2008RatesAdjustment-FirmPower.htm>. Western will post comments received via letter and e-mail to its Web site after the close of the comment period. Written comments must be received by the end of the consultation and comment period to be considered by Western in its decision process.

FOR FURTHER INFORMATION CONTACT: Ms. Sheila D. Cook, Rates Manager, Rocky Mountain Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO 80538-8986, telephone (970) 461-7211, e-mail lapfirmadj@wapa.gov or scCook@wapa.gov.

SUPPLEMENTARY INFORMATION: Proposed rates for LAP firm electric service are designed to recover an annual revenue requirement that includes investment repayment, interest, purchase power, operation and maintenance, and other expenses. The projected annual revenue requirement for firm electric service is allocated equally between capacity and energy.

Rate Schedule L-F6 for firm electric service, WAPA-125, was approved for a 5-year period beginning January 1, 2006, and ending December 31, 2010.¹ Under the current Rate Schedule L-F6, a two-step method was approved. The composite rate for the second step, effective on January 1, 2007, is 27.36 mills per kilowatt-hour (mills/kWh), the

firm energy rate is 13.68 mills/kWh and the firm capacity rate is \$3.59 per kilowatt-month (kW-month). These rates are listed in Table 1.

During informal discussions prior to the commencement of this rate adjustment process, Western received requests from firm power customers to identify its firm electric service revenue requirement using a Base component (Base) and Drought Adder component (Drought Adder). The firm power customers noted that by identifying the components of the firm electric service revenue requirement in this manner, Western could identify drought impacts in the regions covered by the LAP and the Pick-Sloan Missouri Basin Program (Pick-Sloan)—Eastern Division (individually called Project and collectively called Projects) and demonstrate a proactive approach to repaying incurred costs related to the drought.

In response to these suggestions, Western prepared a proposed rate schedule identifying these two components for LAP firm electric service (L-F7) for consideration and comment during this public process. This proposed rate schedule also reflects rate adjustments based on the Fry-Ark and Pick-Sloan—Western Division revenue requirements derived from the Fiscal Year 2006 Power Repayment Studies (PRS). The PRSs set the LAP revenue requirement for 2008 for firm electric service at \$66.1 million, which is an 18.5 percent increase. The proposed rates under L-F7 are listed in Table 1.

TABLE 1.—PROPOSED FIRM ELECTRIC SERVICE REVENUE REQUIREMENT AND RATES

Firm electric service	Existing rate L-F6	Proposed Rate (Jan. 1, 2008) L-F7	Percent change
LAP Revenue Requirement	\$55.8 million	\$66.1 million	18.5
LAP Composite Rate	27.36 mills/kWh	32.42 mills/kWh	18.5
Firm Energy	13.68 mills/kWh	16.21 mills/kWh	18.5
Firm Capacity	\$3.59/kW-month	\$4.25/kW-month	18.4

Through this **Federal Register** notice, as well as through Western's Pick-Sloan—Eastern Division Rate Order No. WAPA-135 process, Western's Rocky Mountain and Upper Great Plains Regions (Regions) are proposing to identify their firm electric service revenue requirements using a Base and a Drought Adder. The Base is a revenue requirement for each Project that includes annual operation and maintenance expenses, investment

repayment and associated interest, normal timing power purchases, and transmission costs. Normal timing power purchases are purchases due to operational constraints (e.g., management of endangered species habitat, water quality, navigation, control area purposes, etc.) and are not associated with the current drought in the Regions.

The Drought Adder revenue requirement for each Project is a

formula-based revenue requirement that includes costs attributable to the present drought conditions within the Regions. The Drought Adder includes costs associated with future non-timing purchases of additional power to firm obligations not covered with available system generation due to the drought, previously incurred deficits due to purchased power debt that resulted from non-timing power purchases made during this drought, and the interest

¹ WAPA-125 was approved by the Deputy Secretary of Energy on November 9, 2005 (70 FR

¶ 71273), and confirmed and approved by FERC on

a final basis on June 14, 2006, in Docket No. EF06-5181-000 (115 FERC ¶ 62276).

associated with the previously incurred and future drought debt. The Drought Adder is designed to repay the drought debt within 10 years from the time the debt was incurred, using balloon payment methodology. For example, the drought debt incurred in Pick-Sloan in 2006 will be paid off by 2016.

The annual revenue requirement calculation can be summarized by the following formula: Annual Revenue Requirement = Base + Drought Adder. Under this proposal, the LAP annual revenue requirement equals \$66.1 million and is comprised of a Base revenue requirement of \$48.6 million plus a Drought Adder revenue requirement of \$17.5 million.

Western's proposal for identifying the firm electric service revenue requirement using a Base and a Drought Adder will allow Western to identify and present the impacts of the drought, demonstrate repayment of those drought related costs in the Fry-Ark PRS and the Pick-Sloan PRS, and allow Western to be more responsive to changes in drought-related expenses. Western will continue to charge and bill its customers firm electric service rates for energy and capacity, which are the sum of the Base and Drought Adder.

Western reviews its firm electric service rates annually. Western will review the Base component after the annual PRSs are completed, generally in the first quarter of the calendar year. If an adjustment to the Base is necessary, Western will initiate a public process pursuant to 10 CFR part 903 prior to making an adjustment.

Western will review the Drought Adder each September to determine if drought costs differ from those projected in the PRSs. Based upon this review, Western will determine whether an adjustment to the Drought Adder is necessary. For any adjustments attributed to drought costs of less than or equal to the equivalent of 2 mills/kWh to the LAP composite rate, Western will notify customers by letter in October of the planned adjustment and implement the adjustment in the following January billing cycle. For the portion of any planned incremental adjustment greater than the equivalent of 2 mills/kWh to the LAP composite rate, Western will engage in a public process pursuant to 10 CFR part 903 prior to making that portion of the adjustment. Although decremental adjustments to the Drought Adder will occur, the adjustment cannot result in the Drought Adder being a negative number. Western will conduct a preliminary review of the Drought Adder in early summer to give customers advance notice of any

adjustment for the following January. Customers will be advised by letter of the estimated change to the Drought Adder with the final Drought Adder adjustment verified with notification in the October letter to the customers.

Legal Authority

Since the proposed rates constitute a major adjustment as defined by 10 CFR part 903, Western will hold both a public information forum and a public comment forum. After review of public comments and possible amendments or adjustments, Western will recommend that the Deputy Secretary of Energy approve the proposed rates on an interim basis.

Western is establishing firm electric service rates for LAP under the Department of Energy Organization Act (42 U.S.C. 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws; section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the projects involved.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Commission. Existing Department of Energy (DOE) procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

Availability of Information

All brochures, studies, comments, letters, memorandums, e-mail, or other documents that Western initiates to develop the proposed rates are available for inspection and copying at the Rocky Mountain Regional Office, located at 5555 East Crossroads Boulevard, Loveland, Colorado. Many of these documents and supporting information are also available on Western's Web site under the "Rate Adjustments" section located at <http://www.wapa.gov/rm/ratesRM/2008RatesAdjustment--FirmPower.htm>.

Ratemaking Procedure Requirements

Environmental Compliance

In compliance with the National Environmental Policy Act of 1969

(NEPA) (42 U.S.C. 4321, *et seq.*); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: May 15, 2007.

Timothy J. Meeks,
Administrator.

[FR Doc. E7-10513 Filed 5-30-07; 8:45 am]

BILLING CODE 6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Pick-Sloan Missouri Basin Program— Eastern Division—Rate Order No. WAPA-135

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed power rates.

SUMMARY: The Western Area Power Administration (Western) is proposing revised rates for Pick-Sloan Missouri Basin Program—Eastern Division (P-SMBP—ED) firm electric and firm peaking power service. Current rates, under Rate Schedules P-SED-F8 and P-SED-FP8, extend through December 31, 2010, but are not sufficient to meet the P-SMBP—ED revenue requirements. The proposed rates will provide sufficient revenue to pay all annual costs, including interest expense, and repayment of required investment within the allowable period. Western will prepare a brochure that provides detailed information on the proposed rates. The proposed rates, under Rate Schedules P-SED-F9 and P-SED-FP9, are scheduled to go into effect on January 1, 2008, and will remain in effect through December 31, 2012. Publication of this **Federal Register** notice begins the formal process for the proposed rate adjustment.

DATES: The consultation and comment period begins today and will end August 29, 2007. Western will present a detailed explanation of the proposed

