

DEPARTMENT OF ENERGY
Western Area Power Administration
AGENCY: Western Area Power Administration, Department of
Energy.

51 FR 4012

January 31, 1986

Post-1989 General Power Marketing and Allocation Criteria; Pick-Sloan Missouri Basin Program-
Western Division

ACTION: Final marketing criteria and call for applications for power.

SUMMARY: The Post-1989 General Power Marketing and Allocation Criteria (Criteria) for the sale of energy with capacity from the Pick-Sloan Missouri Basin Program-Western Division (P-SMBP-WD) and the Fryingpan-Arkansas Project (Fry-Ark) by the Western Area Power Administration (Western) is published herein, together with a discussion of the issues raised during the public comment process, and a discussion of revisions made to the Proposed Post-1989 General Power Marketing Criteria (Proposed Criteria) published in the Federal Register on August 23, 1983 (*48 FR 38279*). Most of the current contracts for the two projects expire at the end of the 1989 summer billing period; therefore, Western's Loveland Area Office (LAO), formerly known as the Loveland-Fort Collins Area Office, will market energy with capacity under these Criteria beginning no later than the 1989-90 winter season. The LAO expects the allocations to be completed and the contracts ready for signature by allottees in 1987.

EFFECTIVE DATE: March 3, 1986.

DATES: Applications for an allocation of both energy and associated capacity must be received in Western's LAO by close of business on April 1, 1986. See V.E. for further details.

Signed contracts for previously allocated long-term energy and/or capacity from the LAO must be received in Western's LAO by close of business April 1, 1986, to establish eligibility as an existing contractor under these criteria.

Applicant Profile Data must be submitted by potential applicants in the southwest portion of Kansas by April 1, 1986. Applicant Profile Data requirements may either be obtained from the Area Manager, Loveland Area Office, or found at *48 FR 38279, 38282* (August 23, 1983). The southwest portion of Kansas is defined as the area south of the Missouri River Basin and west of the eastern boundaries of the counties intersected by the 100th Meridian.

FOR FURTHER INFORMATION CONTACT: Mr. Mark N. Silverman, Area Manager, Loveland Area Office, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539, (303) 224-7201.

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I. Regulatory Procedural Requirements

A. Determination Under Executive Order 12291: The Department of Energy has determined that this is not a major rule because it does not meet the criteria of section 1(b) of Executive Order 12291, *46 FR 13193* (February 19, 1981). Western has been exempted from sections 3, 4 and 7 of Executive Order 12291.

B. Regulatory Flexibility Analysis: Pursuant to the Regulatory Flexibility Act of 1980 (*5 U.S.C. 601 et seq.*), each agency, when required by *5 U.S.C. 553* to publish a proposed rule, is further required to prepare and make available for public comment an initial regulatory flexibility analysis to describe the impact of the proposed rule on small entities. In this instance, the marketing plan relates to electric services provided by Western. Under *5 U.S.C. 601(2)*, services are not considered "rules" within the meaning of the Act. Therefore, Western believes that no flexibility analysis is required.

C. Environmental Assessment: An Environmental Assessment (EA) (DOE/EA-0266) was prepared by Western in April of 1985. Further refinements to the Criteria necessitated supplemental environmental analysis, which was completed in December of 1985. A Finding of No Significant impact (FONSI) determination covering the EA and the supplemental analysis has been made by the Department of Energy in accordance with the Council on Environmental Quality regulations for implementing the procedural provisions of the National Environmental Policy Act of 1969 (NEPA), 40 CFR Parts 1500-1508. The EA evaluates the potential environmental effects of the Criteria. Copies of the EA and FONSI may be obtained by contacting the LAO Area Manager whose address appears above.

D. Statutory Basis of the Criteria: These Criteria are based upon the provisions of the Reclamation Act of 1902, approved June 17, 1902 (ch. 1093, 32 Stat. 388); the Reclamation Project Act of 1939, approved August 4, 1939 (*43 U.S.C. 485h(c)*); and the Department of Energy Organization Act of 1977, approved August 4, 1977 (*42 U.S.C. 7152, 7191*); and are more specifically based upon the provisions of the Flood Control Act of 1944, approved December 22, 1944 (58 Stat. 891); the Fryngpan-Arkansas Project Acts of 1962 and 1974, approved August 16, 1962 (Pub. L. 87-590, 76 Stat. 389), and October 27, 1974 (Pub. L. 93-493, 88 Stat. 1497); and acts amending or supplementing all of the foregoing legislation.

II. Background of the Development of the Criteria

The LAO is responsible for marketing power in a region encompassing portions of Colorado, Wyoming, Nebraska, and Kansas, which is roughly equivalent to the Lower Missouri River Basin and the Arkansas River Basin in Colorado and Kansas. The power resources to be marketed pursuant to these Criteria are produced by 18 federally owned and constructed powerplants located in Colorado, Wyoming, and Montana. All but one of the powerplants were constructed as features of the North Platte, Shoshone, Riverton, Kendrick, and Colorado-Big Thompson Projects and the Pick-Sloan Missouri Basin Program (P-SMBP). In the 1950's the first five of these projects were integrated with the power features of the P-SMBP for marketing purposes. They are sometimes referred to as the Integrated Projects for this reason. The power features of all six of these projects are collectively referred to as the Pick-Sloan Missouri Basin Program-Western Division. the addition of the words "Western Division" to the project name distinguishes these powerplants from

those P-SMBP powerplants whose output is marketed by Western's Billings Area Office in the Eastern Division.

The remaining powerplant, Mt. Elbert, is the principal power feature of Fry-Ark located in central Colorado.

The development of these Criteria began with the identification of 24 alternative marketing plans, which were presented at a February 18, 1982, public information forum. The LAO held this forum to discuss potential criteria for the marketing of Federal hydroelectric power resources. Interested parties were requested to submit written comments by March 20, 1982, and data on their loads and resources by April 8, 1982. After analyzing the data and considering all public comments, both written and oral, the LAO began to draft the proposed Criteria. The Proposed Criteria were published in the Federal Register on August 23, 1983 (*48 FR 38279*). This same publication included an announcement of public information and public comment forums on the Proposed Criteria and a final request for Applicant Profile Data. These Applicant Profile Data were necessary for any applicant to be considered eligible for an allocation of energy with capacity from P-SMBP-WD and Fry-Ark under the Proposed Criteria. Interested parties were initially given until November 15, 1983, to submit this data. The deadline was later extended to December 30, 1983 (*48 FR 54880*, December 7, 1983). A second public information forum was held on September 8, 1983. At that forum, the Proposed Criteria were presented and questions from contractors and other interested parties were addressed. A public comment forum was held on October 4, 1983. At this forum, contractors and other interested parties were invited to state their views on the Proposed Criteria. In addition to public comments presented at this forum, written comments were accepted until November 15, 1983.

The Applicant Profile Data and the comments from all meetings and correspondence have been analyzed. The Criteria for marketing energy with capacity from P-SMBP-WD and Fry-Ark are published herein. They supersede the 1962 P-SMBP-WD power marketing plan; the June 23, 1981, power marketing plan for Fry-Ark; and the August 30, 1982, power marketing plan for the sale of P-SMBP-WD excess capacity (P-SMBP-WD Excess).

III. Summary of Revisions

Certain editorial and format changes have been made to the Proposed Criteria for the sake of clarity and consistency. Other changes were made after evaluating all of the comments received. The major revisions to the Proposed Criteria are:

A. The Term of Contract article has been modified to provide for a contract term of 15 years, but with provision for Western to adjust contracted amounts of capacity and energy at the end of 10 years based on the marketable resource. (See IV.A. for further discussion.)

B. Allocation priorities and eligibility requirements have been clarified and modified to recognize a third level of priority for nonpreference entities acting as agents for public entities over other nonpreference entities. Western's Salt Lake City Area Office (SLCAO) has received an application for an allocation from an investor-owned utility on behalf of 143 cities, counties, and towns. Western believes this application does not constitute a situation meriting equal eligibility with consumer-owned utilities, but the arguments in its favor persuade Western that such an arrangement is superior to direct sales to investor-owned utilities and should have priority within the nonpreference category.

C. Special eligibility requirements for wholesale utilities have been eliminated in favor of contract provisions applicable to all contractors. (See IV.B.2.b. for further discussion.)

D. Certain entities who have taken significant and tangible steps to acquire the means to receive and distribute power within a designated period of time are now recognized as qualified applicants for Federal power, provided they meet other applicable requirements as described in V.B.5.b. of the Criteria.

E. The proposed options to purchase and allocate approximately 308 gigawatthours (GWh) of additional energy and to purchase offpeak energy required for maintenance of contractors' pumped-storage energy accounts have been combined and simplified. Western may purchase energy over and above the amount of Western's firm monthly energy obligation, at the contractor's request and on a passthrough cost basis, up to an amount associated with the contractor's load factor and its firm Federal capacity entitlement from the LAO. Western will honor individual contractor energy requests until the LAO system capability to support such purchases is reached. (See IV.D.2.b. for further discussion.)

F. Modifications were made to certain generation capacity, energy production capability, and marketable resource quantities contained in Appendix A. The generation capacity of the P-SMBP-WD and Fry-Ark were modified to reflect recent changes in the maintenance schedules for these powerplants by the Bureau of Reclamation (Reclamation).

The annual energy production capability of the Mt. Elbert Powerplant (table 1, appendix A) has been reduced from 63,751 MWh to 58,247 MWh based on updated information concerning the energy production capability of flowthrough water provided by Reclamation. Certain project and existing special use designations, which the generation capacity and energy production capability quantities in proposed appendix A were subject to, have been defined and quantified in the final appendix A.

In table 1 of appendix A, the energy requirements for the P-SMBP-WD pumps at Lake Granby, Willow Creek, and Flatiron were added to the available energy of the P-SMBP-WD and subtracted as project use load. This was done so as to be consistent in the handling of project

and existing special use loads. Reserve requirements have been reduced from 100 MW to 48 MW. (For further discussion of reserves, see IV.D.2.c.)

G. Statements were added to indicate that diversity among capacity allocations will be retained by Western and that long-term capacity commitments will be subject to reductions if diversity and losses are not equal, as assumed.

H. A statement was added indicating that a reasonable opportunity to discuss contract provisions would be provided prior to Western's contract offer. Allottees will have 6 months to accept the contract offer or until September 30, 1987, whichever is later.

I. The Criteria now state that the right to receive power pursuant to a contract would terminate if means to receive and distribute power are not acquired by September 30, 1988, unless the LAO agrees otherwise in writing.

J. The marketing area for LAO resources has been modified to include the Mountain Parks Rural Electric Association (Mountain Parks REA) service territory, which is located in Colorado, west of the Continental Divide. Mountain Parks REA is a long-standing firm power contractor for capacity and energy from the P-SMBP-WD as a member of Tri-State Generation and Transmission Association, Inc., and the exclusion of this territory in the Proposed Criteria was an oversight.

Additionally, the southwestern portion of Kansas has been added to the marketing area. This part of the State was excluded in the Proposed Criteria. It is currently part of the Fry-Ark marketing area, and Western believes the integration of the P-SMBP-WD and Fry-Ark resources in these Criteria indicates the need to combine the marketing areas as well. Because the marketing area defined in the Proposed Criteria did not include this section of Kansas, entities in this section were not afforded an opportunity to submit Applicant Profile Data. We believe it is appropriate, therefore, to accept Applicant Profile Data from entities in Kansas who are located west of the eastern borders of the counties intersected by the 100th Meridian, and south of the Missouri River Basin until 60 days after publication of the Criteria in the Federal Register. The deadline for entities in all other portions of the marketing area to submit Applicant Profile Data was December 30 1983.

K. The statement that purchase costs incurred in meeting Western's energy and capacity commitments would be on a passthrough cost basis for contractors desiring the service has been modified. Western will purchase any energy required to meet its monthly obligations based upon average water conditions (firming energy) and will not pass the cost through directly to contractors. The rate charged to the contractor for these purchases will be the firm energy rate. The anticipated costs for firming energy purchases will be considered when the firm energy rate is established. Costs incurred by Western in purchasing capacity required to meet its contractors' monthly entitlements due to adverse hydrologic conditions (firming capacity), up to a maximum of 37 MW for any month of the winter season and 38 MW for any month of the summer season, will

continue to be on a passthrough cost basis for the contractors who request this service. The maximum monthly capacity purchase each contractor would be subject to, on a passthrough cost basis, will be specified in each electric service contract. While passthrough costs will be incurred as a result of capacity purchase expenses up to the 90-percent probability of exceedence level, purchases up to 99-percent probability water conditions would be blended into the firm power rate.

L. The statement that capacity entitlements would be limited to the allottee's average seasonal demand for 1980, 1981, and 1982 has been changed to indicate the limitation will be on the energy allocation instead of the capacity entitlement. The limitation provision now indicates that no applicant will receive a seasonal energy allocation from the LAO that, when combined with its post-1989 firm energy entitlements from other Federal sources, exceeds its average use for 1980, 1981, and 1982. It also indicates that the historical energy use figures will be adjusted to include additional energy which the applicant can demonstrate was not used during that period as a result of its conservation or energy management efforts. The change was made necessary by the fact that limiting the capacity entitlement after an energy allocation had been made resulted, in certain instances, in a relatively large energy allocation being associated with a relatively small capacity entitlement. The load factor associated with such an allocation could be greater than 100 percent. This change is in keeping with the original intent of the limitation in that it tends to redistribute any inordinately large allocations that may have been made in the past. (See IV.G. for further discussion.)

IV. Public Comment Issues

A. Ten-Year Contract Term

Western proposed to offer resources for sale for a 10-year period beginning in October 1989 and ending in September 1999.

1. Comments: a. A 10-year contract term is too short. It should be extended to 20 years.

b. A 10-year contract term requires an excessive administrative and financial expense on the part of Western and its contractors in almost continual allocation proceedings. The contract term should be at least 20 years even if this means adjustment of allocations after 10 years due to system hydrology.

2. Discussion: The proposed term of contract was a subject of comment by many of the respondents, most of whom urged a term of 20 years or longer. A few of the respondents proposed the adjustment of amounts of energy with capacity under contract during the contract period based on changed hydrologic conditions. This suggestion offers a potential middle ground, removing the concern Western has about being locked into contractual commitments not supportable

by current hydrology. However, the concept of adjusting the amounts of energy and capacity under contract based solely upon "changed hydrology" does not give Western the flexibility to meet potentially changed circumstances other than hydrology. These include, but are not limited to, possible future allocations in support of conservation and renewable energy projects or changing national priorities or economic conditions that would be likely to occur in a 20-year or longer contract term.

Western recognizes the strong desire of contractors to have as much certainty as possible about future resources. However, there is no absolute certainty about the long-term availability of any resource. Federal power offers some obvious benefits over construction of additional general generating facilities, principally its reasonable cost. In addition, Western is willing to obtain firming capacity or energy in the event the hydroelectric resources are not available when required.

One of the drawbacks of Federal power is the limited time for which it is committed.

A 15-year contract term with the provision of Western to adjust allocations after 10 years provides a reasonable planned commitment. Since commitments are planned to be made in the early part of 1986 for the period ending in the latter part of 2004, the know commitment will actually be for nearly 19 years.

Western is also interested in minimizing administrative procedures which are costly and will not unnecessarily initiate the development of new marketing criteria. However, it is equally important that Western reserve options so that Federal resources in the future can be applied where they are required to meet changing requirements.

While Western does not now foresee any conditions which might dictate the need to adopt policies other than those expressed in these Criteria and in the discussion of Criteria issues, it is prudent that Western retain the flexibility which will enable it to be responsive to future changing circumstances. Western, therefore, cannot support a contract term of 20 years or longer.

3. Summary and Conclusion: After consideration of the many comments provided, Western concludes that the most prudent course of action is to offer a 15-year of contract with provision for adjustment of contract commitments (due to changes in the marketable resource) at the end of 10 years. Western will provide contractors with a minimum of 3 years' notice of any necessary changes and the changes will be made through an appropriate public process. This compromise will give Western the flexibility to meet changed circumstances, which may impact the availability of resources.

B. Applicant Qualifications

In the Proposed Criteria, Western stated that resources would be allocated in accordance with preference provisions of Reclamation law in the following order of priority: (1) Preference entities in the market area; (2) preference entities outside the market area; and (3) nonpreference entities. To have been eligible for an allocation, a preference entity must be an electric utility, a Federal or State ultimate consumer load of a defined type, or an existing LAO contractor for long-term firm power. For an entity to have been considered as an existing contractor under the Proposed Criteria, that entity must have had an executed contract for capacity and/or energy from the P-SMBP-WD or Fry-Ark generation resources as of July 15, 1984.

The Proposed Criteria also contained special requirements for potential new contractors and wholesale utilities. Potential new contractors must have had a 1982 load greater than 100 kilowatts and, except for State or Federal ultimate consumer type loads, all potential contractors must take steps no later than April 1, 1986, to achieve utility status by September 30, 1988. Wholesale utilities were required to satisfy Western's Administrator: (1) That the benefits of federal financed power are distributed at the lowest possible rates to consumers consistent with sound business principles; (2) that consumers can identify their true power supply costs from all sources so that the costs of growth and the benefits of conservation are identifiable; and (3) that "accountability" for the cost and management of the Federal investment is directly linked between Western and the retailing utility, so that retailing utilities can identify cost and other significant characteristics of each of its power supplies.

1. Comments:

-- Criteria for eligibility of wholesale utilities are not clear, are unfair, unnecessary, and unduly burdensome. The methods that will be used to apply the criteria are uncertain and these criteria could create legal and financial problems for some existing contractors.

-- Objectives that the Administrator would use to evaluate wholesale utility applications have been accomplished by contract terms.

-- Conservation and renewable energy criteria should be established for determining eligibility for an allocation.

-- Support Conservation and Renewable Energy (C&RE) program and concur with these provisions as proposed.

-- Contractors who have executed Fry-Ark or P-SMBP-WD Excess contracts anytime prior to executing post-1989 contracts should be defined as existing contractors.

-- In order to be eligible as an existing contractor, an entity should be required to have executed Fry-Ark or P-SMBP-WD Excess contracts prior to July 15, 1984.

-- In order to be eligible as an existing contractor, an entity should be required to have executed Fry-Ark or P-SMBP-WD Excess contracts prior to August 23, 1983.

-- In order to be eligible as an existing contractor, an entity should be required to have executed a Fry-Ark contract by October 4, 1983, or a P-SMBP-WD Excess contract prior to December 1983.

-- Allocations to existing contractors should not be reduced.

-- Inclusion of Fry-Ark in the allocation formula reduces the capacity and energy allocations to existing contractors.

-- Allocations should not be made to new contractors.

-- Allocation formula should be the same for new and existing contractors and allocations should be based on need.

-- Support allocations to new and existing contractors in proportions proposed.

-- Oppose any allocation directly to members of a joint action group.

2. Discussion: The comments have been grouped for discussion into the following categories:

a. Distribution among Qualified Preference Entities;

b. Special Eligibility Requirements for Wholesale Utilities;

c. Other Special Eligibility Requirements.

a. Distribution among Qualified Preference Entities: Western is mindful of the need to balance the requirements of existing purchasers of Federal power against the requirements of potential new purchasers. Existing contractors will, in most cases under the Criteria, experience a limited reduction in individual allocations. This reduction is a result of the expansion of the number of qualified existing contractors who will receive energy allocations and of offering some benefits to potential new contractors.

The amount of energy available to each potential new contractor is limited to the energy associated with 5 MW of capacity at the LAO system plant factor; 7,295 MWh in the winter season and 8,059 MWh in the summer season. These amounts are probably not sufficient to encourage entities without distribution systems to acquire a system in order to qualify for a share of the available Federal power. This limitation is appropriate because it would be unduly disruptive economically to withdraw large amounts of Federal power from existing contractors. In addition, since

the commitment of Federal power is for a limited contract period only, the prospect of acquiring a Federal power allocation today may not be a prudent basis for making a decision to create a consumer-owned utility. Amounts available to potential new contractors are intended to provide some benefit to those preference entities who, for some other reason, have already initiated actions to acquire utility systems or who already have utility systems. On the other hand, it would be equally unjust to completely exclude qualified preference organizations from participating in the benefits of Federal power simply because the economic circumstances of past years precluded purchasing Federal power. The appropriate distribution of power between existing contractors and potential new contractors is a discretionary decision committed by law to this agency. Western's distribution between these two groups reflects our best judgment of what is appropriate and fair under the circumstances.

Western has extended the deadline for execution of P-SMBP-WD Excess or Fry-Ark contracts in order to be eligible for existing contractor status under these Criteria. This was considered appropriate because these contracts were the first offered by the LAO that had no provisions for delivery of power to load, other than for Colorado River Storage Project (CRSP) power. Instead, the contracts offered delivery only to specified points on the P-SMBP-WD transmission system, leaving the transmission to load as the responsibility of the contractor. Western's Administrator approved the reallocation of Fry-Ark resources on July 31, 1984. Western believes that it is reasonable to offer additional time for execution of these contracts in light of the need for the arrangement for delivery of this power. The Criteria identifies the deadline as 60 days after publication of the Criteria in the Federal Register, rather than the previously stated date of July 15, 1984.

b. Special Eligibility Requirements for Wholesale Utilities: This proposed requirement was opposed by some wholesale utilities.

Western is committed to promoting the objectives of assuring that the benefits of federally financed power are distributed as widely as possible to consumers and that power supply cost information is available to retailing utilities and retail level consumers. In pursuing these objectives, Western previously singled out wholesale utilities because they add another organizational level through which these objectives must be filtered. The suggestion that requirements should be the same for retail and wholesale utilities is well taken. The basic objectives apply to both types of utilities.

The observation that the objectives proposed for use by the Administrator of Western to evaluate wholesale utility applications are related to existing contract terms is accurate. The existing resale of electric energy provision in existing contracts promotes these objectives, but does not provide for any penalties in the event of noncompliance. Since the exact requirements of this provision have been questioned in the past, a detailed discussion of it is warranted.

The existing resale of electric energy provision requires the Federal power contractor to take five steps to encourage the widespread use of low-cost Federal power.

First, the contractor contractually agrees to make the benefits of Federal power available at fair and reasonable terms to all of its customers at the lowest possible rates consistent with sound business principles. Second, the contractor agrees to maintain books of account in accordance with the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission. Third, the contractor agrees to provide Western with copies of its schedules of retail rates. Fourth, the contractor agrees to submit to Western as annual statement indicating, among other things, that the charges to contractors are consistent with the principles set forth in the first subsection of the resale provision. Fifth, the contractor agrees either to publish operating and financial data annually in a newspaper of general circulation in the member's electrical service area, or to furnish such information by mailing copies of the data to each of its electrical customers.

The underlying philosophy of the existing resale provision is set forth in section 5 of the Flood Control Act of 1944 (*16 U.S.C. 825s*). This philosophy requires the passing on of the benefits of low-cost Federal power to consumers, under fair and reasonable terms, at the lowest possible rates consistent with sound business principles. This concept is related to the preference clause, but goes beyond the establishment of preference to public bodies and cooperatives. This principle allows Western to verify that the ultimate consumer is receiving the benefits of low-cost Federal power.

Western believes there is merit in comments made by wholesale utilities objecting to the use of the resale of electric energy provisions as a criterion for allocation. Since the objectives of the resale provision can be accomplished through appropriate contractual language, Western has eliminated the special eligibility requirements for wholesale utilities as a criterion for allocation prior to the signing of a contract. Rather, Western will develop contractual provisions to be used with both wholesale and retail utilities to achieve the goals of ensuring that the benefits of Federal power are passed on to consumers and informing consumers of the source and cost of various components of their power supply. While the existing principles contained in the resale contractual article will be part of this new language, emphasis will be placed on providing information to the power consumer in accordance with flexible but objectively defined standards.

Noncompliance with the contractual provision may result in a penalty of the loss of all or a part of the contractor's energy allocation and associated capacity.

As a result of the deletion of the resale provision as a criterion for allocation to wholesale entities, Western has deleted the provision in the Criteria that provided for allocation directly to the members of a wholesale entity in the event the wholesale entity were to be disqualified for an allocation. As a matter of general policy, however, Western expects the benefits of Federal power will be distributed proportionally by a wholesale entity to each of its preference members who are located within the marketing area of the resource being distributed.

c. Other Special Eligibility Requirements: Western received several comments about adopting eligibility requirements which might more effectively encourage conservation and the development of renewable energy resources. It was suggested that Federal hydropower be sold to those preference entities that develop the best Conservation and Renewable Energy programs. Under this approach, conservation would become an eligibility criterion rather than a goal to be encouraged after an allocation is made and a contract signed.

Western fully supports the need to utilize energy efficiently and the importance of encouraging cost-effective and meaningful conservation efforts, as well as the development of alternative methods for the generation of power. However, Western believes that its C&RE program is effective in attaining national, regional, and agency conservation goals. In the absence of an acceptable program, the contractual penalty provision of a potential reduction in the amount of power sold to a contractor offers an adequate incentive to develop C&RE programs of particular relevance to each contractor and its consumers.

Western also believes that Congress has endorsed this approach in encouraging C&RE efforts through contractual provision, as opposed to making conservation an allocation criterion. In the course of debate on the floor of the House of Representatives on the Hoover Power Plant Act of 1984, a conservation amendment was offered by Representative Udall of Arizona. 130 Cong. Rec. H3336-37 (May 3, 1984). That conservation amendment, which applied to all power sold by Western, adopted the approach of striving for conservation goals through contractual provisions with a power allottee with reductions if predefined goals are not realized. The amendment was approved by Congress and became Title II of the Hoover Power Plant Act of 1984. Given the congressional passage of affirmative legislation which requires accomplishing conservation through contractual provisions, Western believes that it is inappropriate to modify long-standing allocation practices by making conservation the overriding factor in allocating all Federal power resources. (See IV.H. for further discussion of C&RE.)

3. Summary and Conclusion: Some commenters pointed out the lack of clarity in defining eligibility requirements for receiving an allocation of long-term firm resources. Western recognizes the need for further clarification. The applicant qualifications have been revised to include the following:

a. Each potential applicant must have submitted substantially complete Applicant Profile Data to the LAO on or before December 30, 1983. The only exceptions to this deadline being those potential applicants in the southwest portion of Kansas, who must submit substantially complete Applicant Profile Data by April 1, 1986.

b. Each potential applicant must have had a 1982 load greater than 100 kilowatts.

c. Each potential applicant must be an existing contractor for LAO long-term firm power or, by April 1, 1986, must:

(1) Be a utility, primarily engaged in retail or wholesale sales of electricity, with power supply responsibility for the load to be served; or

(2) Be a Federal or State ultimate consumer type load, including such loads of State agencies whose use of power enhances the available Federal power resource; or

(3) Have taken significant and tangible steps to acquire the means to distribute power by September 30, 1988, or have taken initial steps to acquire the means to distribute power by that date and have requested an extension of time for taking significant and tangible steps.

Contractors must have the means to receive and distribute power by September 30, 1988, in order to avoid termination of a contract right to receive power unless the LAO specifically agrees otherwise in writing prior to this date.

In response to the potential hardships of requiring wholesale utilities, for the purpose of qualifying for an allocation, to verify their compliance with the proposed special eligibility requirements for wholesale utilities which identified several specific objectives (selling Federal power at the lowest possible rates to consumers consistent with sound business principles, assuring that consumers can identify true power costs from all sources and assuring that retailing utilities have provided detailed power supply information), Western will depend instead upon contract provisions to accomplish these objectives.

The Criteria have been revised to indicate that the contracts will contain a resale of electric energy provision requiring purchasers of Federal power to demonstrate that:

(1) The benefits of Federal power are distributed to its customers at the lowest possible rates consistent with sound business principles.

(2) Consumers can identify the costs of Federal power and non-Federal power.

When the contractor consists of members or principals who are retail distributors of Federal power, these retail distributors as well as the parent organization will be directly accountable to Western for complying with these requirements. One of the ways these requirements may be satisfied by the contractor and its members or principals is to furnish to customers, on a seasonal basis, a breakdown of the amounts and costs of Federal power and non-Federal power and of the magnitude and type of other costs which constitute the composite costs charged to the customer. Failure to comply with this provision may result in the loss of all or a part of the resources committed to the contractor.

Finally, because of Western's view that there has been congressional support for the approach taken in its existing C&RE program, these Criteria continue to reflect the approach of encouraging

conservation efforts through contractual provisions as opposed to making conservation a criterion for allocation.

C. LAO Project Integration

The Criteria reflect the consolidation of the P-SMBP-WD with the Fry-Ark Project to increase the firm marketable resources, simplify contract development and administration, and establish a blended rate for LAO power. Repayment requirements would continue to be determined separately.

1. Comments:

-- Oppose operational integration. The resulting blended rate will penalize existing P-SMBP-WD contractors who have not elected to purchase Fry-Ark pumped storage capacity.

-- Blended rate is contrary to statutory restrictions, and the resulting reduction in rates to Fry-Ark contractors encourages consumption rather than conservation with subsequent adverse impact on the environment.

-- Support operational integration and blended rate because it achieves the widest practicable and beneficial use of available resources and assures long-term sources of revenue to repay all projects.

-- Oppose operational integration and blended rate because of the difficulty in determining who actually uses the power from Fry-Ark. This power will no longer be cost-based, and this will confuse Fry-Ark's repayment status.

2. Discussion: Western does not agree that a blended rate among projects will encourage consumption. The principal purchasers of LAO power draw on a variety of other resources to meet their power needs. Because the rate paid by the end-user is a blend of these various wholesale rates, the impact of the proposed rate change will be greatly reduced by the time the end user receives the blended product. Moreover, the marginal prices paid by the LAO's contractors for new resources to meet load growth promotes conservation over consumption.

The conservation provision, which will be incorporated into Western's electric service contracts, further encourages efficient consumption. Furthermore, Western's environmental analysis indicates that the proposed integration and blended rate will have no significant impact on the environment.

Western sees no legal obstacles to the integration of the resources as reflected in these Criteria with the power marketed at a uniform, blended rate. No provision in Reclamation law prohibits such an integration. In fact, rates for two Western projects have been administratively integrated with smaller Federal power resources in the past.

The integration of the Colorado–Big Thompson, Kendrick, North Platte, and Shoshone Projects into the power repayment study for the P–SMBP–WD is one example. The integration of the Pacific Northwest–Pacific Southwest intertie into the Central Valley Project repayment study is a second instance where administrative integration took place. Under Reclamation law, the Secretary of the Department of Energy has the authority to perform "any and all acts" for the purpose of putting his statutory responsibilities into full force and effect (*43 U.S.C. 485i; 43 U.S.C. 373*). In Western's judgment, this flexibility includes the ability to integrate projects and to charge a uniform rate for the resulting power.

Western also does not agree that operational integration and a blended rate, as reflected in these Criteria, will cause difficulty in determining who is using power from Fry–Ark and that Fry–Ark will no longer be cost based, thereby confusing its repayment status. Under these Criteria, firm resources from Fry–Ark will be proportionally allocated to all firm power contractors. Therefore, there will be no need to differentiate between the firm energy with capacity allocated from the two projects. The blended rate will be determined by the individual power repayment studies (PRS) and revenues from the integrated projects will be divided between the projects in the proportions dictated by these individual PRS. Since these PRS are based on project costs, the blended rate and revenues provided for repayment will be cost based. Part of the administrative cost benefits associated with integration of the projects is reflected in the fact that there is no longer a need for differentiating between the firm power from the two projects. There will no longer be a need to account for interchanges between the projects as capacity and energy sales from one project to the other. Integration will therefore simplify the need for determining who uses firm power from Fry–Ark. The requirement for contractors to submit hourly schedules 24 hours in advance for the use of the pumped–storage energy features of Fry–Ark will make accounting for this use manageable.

Integration of the projects will assure repayment of project costs. The slight additional cost to current P–SMBP–WD contractors under an integrated marketing approach is reasonable considering the efficiencies and additional power to be gained.

3. Summary and Conclusion: Western concludes that operational integration of the LAO resources and the blended rate achieves the widest practical and most beneficial use of the available resource and assures long–term sources of revenue to repay all projects. Western believes that these benefits outweigh the opposition to integrating the resource as proposed.

D. Derivation of marketable resources

Western proposed on August 23, 1983, that capacity available from the LAO projects would be based on the maximum operating capacity of Fry–Ark and on the capacity of the P–SMBP–WD powerplants based on a 90–percent probability level. Energy would be based on forecasts of

average hydrologic conditions. Western proposed to purchase firming capacity and energy on a passthrough cost basis and to allocate approximately 308 GWh of purchased energy.

1. Comments:

-- Support opinion to purchase energy to increase the load factor of the available resource.

-- Oppose purchase energy option. Suggest purchasing energy only for those contractors who request it.

-- Western should base its reserve requirements on its share of the projected Inland Power Pool (IPP) total reserve obligation and market the resulting additional capacity.

-- The combined total reserve of 200 MW for the Loveland Area and Salt Lake City Area could be reduced by 50 MW if the operations of the two Areas were integrated.

-- Western should use a hydrologic probability lower than 90 percent. This would increase available capacity by 15 to 20 MW.

-- Opposes marketing maximum amounts of capacity and energy because that may affect the environment. Maximum amounts are reduced only in 1 month to reflect adverse hydrologic conditions.

2. Discussion: These comments have been grouped for discussion into the following categories:

a. Hydrology Studies

b. Purchases

c. Reserves

a. Hydrology Studies: The proposed Criteria indicated that the generation capacity of the P-SMBP-WD would be marketed based upon a 90-percent probability level (i.e., 10-percent risk each year of having insufficient capacity available). The formula used, however, for determining the marketable capacity of the integrated resources defined marketable capacity as the lesser of the maximum available capacity minus reserves, or the capacity at the 90-percent probability level. After reviewing the comments and reevaluating this position, Western has determined that this method resulted in a higher risk of not being able to meet its contractors' monthly entitlements than was intended under the 90-percent probability level scenario. Western has therefore modified appendix A. Marketable capacity is now determined by subtracting reserves, project use, and existing special use loads from the capacity determined to be available using 90-percent hydrologic probability. A column was added to the capacity table in appendix A to indicate the magnitude of the project use

and existing special use loads. The values for the monthly 90-percent hydrologic probability quantities now include reductions for scheduled maintenance.

Western was influenced by a number of factors in adopting the use of a 90-percent hydrologic probability as a basis for determination of marketable capacity. Recognition of the need to provide existing contractors a resource as similar as possible to their current supply and the need to offer new contractors an opportunity to participate in the post-1989 allocation induced Western to depart from the historic policy of using "most adverse" as marketable capacity.

The 90-percent probability level represents a statistical application for P-SMBP-WD only. Fry-Ark is included at maximum operating capacity because of the pumped-storage nature of this resource.

When the 10-percent risk condition of being short of capacity occurs and/or hydroelectric energy is in short supply because a less than average water year has occurred, thermal resources are often called upon to meet the loads normally served from hydrogeneration. This reduces the availability of thermal generation and could increase its cost. If poor hydrologic conditions are experienced in adjoining river basins, the situation is worsened as far as the costs related to the risks are concerned. When other utilities in the area are also experiencing heavy demand and competing for any remaining resources the possibility of capacity not being available at any price must also be considered in determining the marketable resource. For this reason, Western concluded that it would not be prudent to offer marketable capacity with a higher risk of unavailability than 10 percent.

b. Purchases: The proposed option to purchase and allocate approximately 308 GWh of additional energy received wide support from commenters, although some contractors voiced concern over the impact it could have on the rates of those contractors who might not want or need this additional allocated energy. They suggested that additional energy be purchased and paid for by only those contractors who requested such service. These comments are well taken and the Criteria has been modified to reflect the fact that the purchase energy option has been adopted in a modified form reflecting the comments received.

Western is not persuaded by comments that question the legal authority to purchase capacity and energy supplemental to the Federal resource. Power marketing administrations have inherent authority to purchase capacity and/or energy reasonably incidental to the integrated marketing of power from a hydroelectric project. *Kansas City Power and Light Company v. McKay*, 115 F. Supp. 402 (D.D.C. 1953), judgment vacated for lack of standing to sue, 225 F.2d 924 (D.C. Cir.), cert. denied, 350 U.S. 884 (1955). The past practice had been to sell hydroelectric energy based upon average water conditions. For many years, the United States has purchased energy to firm up commitments under electric service contracts. In fact, the practice of maximizing the amount of power to be sold at firm power rates is statutorily required for the Colorado River Storage Project. 43 U.S.C. 620f. The final criteria constitute a reasonable extension of these same

historical purchase principles. Western believes that full legal authority exists to market capacity which is available 90 percent of the time and energy which is available much of the time.

c. Reserves: Western is a participant in the IPP and a member of the Western System Coordinating Council (WSCC). The requirements of the IPP are identified in the revised IPP Agreement dated November 23, 1983, and the WSCC criteria contain prescribed reserve requirements. The revised IPP Agreement states that IPP reserve requirements will always meet or exceed WSCC requirements. The IPP reserve requirements are currently about 30 MW. IPP reserve requirements are subject to change depending on the largest single hazard in the pool and on the size of the membership. Since the members of the pool have the latitude to withdraw their membership under certain conditions, Western has determined it to be prudent to establish its reserve requirement in the post-1989 period based on IPP requirements and on the assumption that Western's Salt Lake City, Loveland, and Boulder City Area Offices would be the only remaining members of the pool. Under this approach, the Loveland Area Office's reserve requirement would be 48 MW.

3. Summary and Conclusion: In response to comments received, Western will purchase energy over and above the amount of Western's firm monthly energy obligation, at the contractor's request and on a passthrough cost basis, up to an amount associated with the contractor's capacity entitlement at the contractor's load factor, until the limit of the LAO system to support such purchases is reached. This procedure will remove this purchased energy from the allocation process, allow the contractor to use the energy in ways it deems appropriate under contractual restrictions, including use as pump-back energy, and allow the contractor to decide on the amount of energy required.

Western is interested in marketing the maximum amount of capacity it can without assuming a level of risk that could be harmful to either Western or its contractors. After weighing the various probability levels, Western concludes that the use of the 90 percent probability as a basis for determining marketable capacity is appropriate. The use of average hydrology is considered a reasonable basis for determining marketable energy.

After carefully considering the various needs and requirements relative to reserves, Western has provided for a reserve level of 48 MW for the LAO. This will meet the WSCC and IPP requirements and should give Western sufficient flexibility throughout the contract term to maintain adequate reserves.

E. Classes of Service

Western will offer long-term firm energy with capacity, short-term firm capacity with or without energy, or with the return of energy, and other services such as providing pumped-storage energy,

sales of surplus energy, delivering or receiving interchange, emergency assistance, maintenance service, and transmission service.

1. Comment: Short-term power should be used in the resource coordination program only after it is offered for sale to preference contractors.

2. Discussion: In the past, when Western determined that short-term firm capacity with or without energy was available for sale, such resources were offered to preference contractors first. Under these Criteria, such resources will be marketed in accordance with the same allocation priorities as any other "available resource."

3. Summary and Conclusion: Western will market short-term capacity with or without energy, or with the return of energy in accordance with priorities presented in V.B.5.a. of the Criteria.

F. Reallocation

The LAO's Proposed Criteria indicated in Part III.C. "Reallocations," that:

Long-term firm energy with associated capacity available for marketing because an allocation(s) has been reduced or withdrawn may be administratively reallocated by Western's Administrator without further public process.

1. Comments: Request a statement be included to define how reallocations will be made. Suggest reallocations be distributed on a pro-rata basis to the allottees found eligible during the initial application of this Criteria.

2. Discussion: Western believes that reallocating on a pro-rata basis to those entities who were found to be eligible under initial application of these Criteria is one appropriate way of redistributing energy or capacity made available because an allocation has been reduced or rescinded. Although this is the method that will be used in most cases, flexibility of the Criteria would be lost if such a statement were included. For instance, if a municipal contractor were to fail to sign an offered contract that contained a relatively small allocation, it would not be prudent to expend the resources that would be required to redistribute such a small amount of energy on a pro-rata basis to all initially eligible contractors. Such a redistribution could be administratively burdensome.

3. Summary and Conclusion: Western intends to make reallocations, whenever possible, on a pro-rata basis to applicants who were found to be eligible for an allocation of power under initial application of these Criteria. We have, however, retained the original language in the reallocations section which states that reallocations may be made by the Administrator of Western without further public process. This was done in order to retain flexibility to cover situations such as the one discussed as well as any unforeseen situations that may arise.

G. Limitation of Allocations

Western has proposed a capacity allocation limitation from combined Federal sources based on the average of 1980 through 1982 average peak demands.

1. Comment: Limitation should be based on 1989 loads. Some contractors have been purchasing peaking capacity that has not yet been fully utilized.

2. Discussion: The purpose of the proposed limitation is to ensure fair and equitable distribution of Federal resources. Since final allocations are planned to be prepared in 1986, 1989 loads would be projected figures. Western feels that the variety of forecasting techniques and the inherent uncertainty of forecasting in general would insert an unacceptable measure of uncertainty into the allocation process. The only disadvantage in the proposed limitation would be to entities that have experienced faster growth than the average applicant in the years since 1980. Administrative delays in the finalization of the Criteria have forced this limitation to be based on data that is more historic than was originally anticipated, but Western feels that requesting updated Applicant Profile Data would be unduly burdensome to Western and the applicants for post-1989 Federal resources. Western has, however, become aware that this restriction may be unfair to some applicants whose 1980 through 1982 loads were reduced through conservation or load management efforts. The Criteria have been modified to account for such reductions. Applicants for power who have experienced historical load reductions due to C&RE efforts are encouraged to substantiate such a reduction as part of the application for energy. In recognition of the fact that energy is the commodity being allocated pursuant to these criteria, the capacity limitation has been changed to an energy limitation.

3. Summary and Conclusion: To ensure equitable distribution of Federal resources, Western believes the most prudent course of action is to retain the limitation, modified as indicated in the discussion in section III.L. and as follows:

No applicant will receive a seasonal allocation of energy from Western that, when combined with its total post-1989 Federal firm energy entitlements from all Federal sources, exceeds its average seasonal total energy use for 1980, 1981, and 1982. The average seasonal total energy use for 1980, 1981, and 1982 will be adjusted to include additional energy which the applicant can demonstrate was not used during that period as a result of its conservation or energy management efforts.

H. Shaping and Storage for Renewable Energy Resources

Western currently supports renewable energy projects by contractually allowing integration of these resources into the LAO power system.

1. Comment: Western should actively pursue the means to effectively integrate renewable resources that may be seasonal in nature into the Criteria.

2. Discussion: Western supports the need to develop cost-effective renewable energy resources. Support of this activity through Criteria provisions would require that a capacity reservation be set aside for this use. This capacity reservation would be deducted from the total available resource and would result in a reduction in the allocations to all preference contractors. Western is considering the institution of a program of this type in the Salt Lake City Area, in which approximately 30 MW may be allocated to entities who have exemplary conservation programs or who participate in renewable energy projects which meet specific criteria. Western believes, however, that a program of this type is premature in the Loveland Area due to the limited availability of resources in this Area.

3. Summary and Conclusion: Western believes its most prudent course of action in the Loveland area, for the period 1989 to 2004, is to allocate the available resource without a reservation for promotion of C&RE projects and to continue to support conservation and renewable energy projects that provide an economic resource to Western and its contractors through separate agreements. This will permit Western to support these projects on a case-by-case basis.

V. Post-1989 General Power Marketing and Allocation Criteria

A. General:

1. Applicability: These Post-1989 General Power Marketing and Allocation Criteria (Criteria) of the Western Area Power Administration's (Western) Loveland Area Office (LAO) are established in accordance with the provisions of the Reclamation Project Act of 1902, approved June 17, 1902 (ch. 1093, 32 Stat. 388); the Reclamation Act of 1939, approved August 4, 1939 (*43 U.S.C. 485h(c)*); and the Department of Energy Organization Act of 1977, approved August 4, 1977 (*42 U.S.C. 7152*), 7191); and are more specifically based upon the provisions of the Flood Control Act of 1944, approved December 22, 1944 (58 Stat. 891); the Fryingpan-Arkansas Project Acts of 1962 and 1974, approved August 16, 1962 (Pub. L. 87-590 76 Stat. 389), and October 27, 1974 (Pub. L. 93-493 88 Stat. 1497); and acts amending or supplementing all of the foregoing legislation.

These Criteria shall become effective on the first day of the October 1989 billing period and will apply to all power marketed by Western's LAO other than power from the Colorado River Storage Project (CRSP). Contract arrangements existing on the effective date of these criteria will only be affected upon amendment by the parties. These Criteria will supersede the 1962 Pick-Sloan

Missouri Basin Program–Western Division (P–SMBP–WD) power marketing plan, the Fryingpan–Arkansas Project (Fry–Ark) power marketing plan for the sale of power from the Mt. Elbert Pumped–Storage Powerplant of Fry–Ark effective June 23, 1981, and the power marketing plan for the sale of excess capacity in the P–SMBP–WD effective August 30, 1992. These criteria are subject to change upon reasonable notice by the Administrator of Western and the opportunity for comment by interested parties.

2. Marketable resources: a. PO–SMBP–WD Resources: The LAOP markets power penetrated at 17 P–SMBP–WD powerplants situated in Colorado, Wyoming, and Montana. The energy production and generation capacity capability of these resources are:

	<u>Winter</u>	<u>Summer</u>
Energy (MWh) <u>1/</u>	1,022,100	1,254,400
Capacity (MW) <u>2/</u>	484.0	557.0

1/ At plant annual energy production based on average year water, from table 1, appendix A.

2/ Generation capacity based on 90–percent hydrologic probability, from table 2, appendix A.

b. Fry–Ark Resources: The Mt. Elbert Powerplant, with two 100–MW reversible pump/turbines, comprises the power feature of Fry–Ark. The energy production and generation capacity capability of these units are:

	<u>Winter</u>	<u>Summer</u>
Energy (MWh) <u>1/</u>	33,478	24,769
Pumped Storage Energy (MWh) <u>2/</u>	2,800	2,800
Capacity (MW) <u>3/</u>	200	200

1/ At plant annual energy production of flowthrough water from table 1, appendix A.

2/ Energy available each time the reservoir is refilled. Return energy of 3,920 MWh is required to refill the reservoir.

3/ Maximum available capacity from table 2, appendix A

c. Operationally Integrated Resources: More effective utilization of the resources of the P–SMBP–WD and Fry–Ark will be achieved by continuing the operational integration of the two projects.

The marketable resources available annually at load by operationally integrating the projects are found in table 3 of appendix A, and are summarized below:

<u>Winter</u>	<u>Summer</u>
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Energy Production (MWh)	932,541	1,155,300
Generation Capacity (MW)	638.5	716.5

The P-SMBP-WD energy production and generation capacity capabilities are subject to completion of the Shoshone Project modifications, water from the Windy Gap Project, as well as various upgrades scheduled for completion before 1989. Should Congress authorize any future P-SMBP-WD irrigation projects requiring pumping power, such power will be purchased until a new marketing plan is developed.

In addition to the marketable resources to be allocated under these Criteria, Western will offer the pumped-storage energy feature of Fry-Ark to its contractors under the following conditions:

At the beginning of the contract period for contracts executed pursuant to these Criteria, each contractor will be deemed to have 4.4 kWh/kW of their seasonal capacity entitlements for the winter season and 3.9 kWh/kW of their seasonal capacity entitlement for the summer season as pumped-storage energy in an energy account. Each contractor may schedule energy into and out of its energy account by mutually agreed upon hourly schedules which must be submitted to Western 24 hours in advance. The energy account may never exceed the initial value and the account must be restored to these initial levels at the end of each season. Energy may be scheduled out of the energy account only when there is a positive balance in the account. The combined rates of delivery of the pumped-storage energy and the firm energy scheduled from combined LAO sources may never exceed the contractor's monthly capacity entitlement. For every kWh scheduled out of the energy account, 1.4 kWh must be scheduled into the account. Energy will normally be scheduled into the energy account during offpeak hour, which, for pump-back purposes, are initially defined as the hours between 2200 hours on any day to 0800 hours of the next succeeding day. These hours are subject to change should operating experience indicate that such a change is necessary. Contractors, may schedule energy into the energy account at times other than offpeak hours when special circumstances warrant, subject to Western's approval. For contractors that are not directly interconnected with Western's transmission system at Malta Substation, losses and wheeling over the Public Service Company of Colorado system will be assessed on schedules into and out of pumped-storage energy accounts. The rate of energy scheduled into the energy account during any season may not exceed 1.4 times the contractor's capacity entitlement for that season unless the LAO grants prior written permission for a contractor to do so.

d. Future Resources: New or revised marketing criteria will be developed as necessary when future power resources are available and offered for sale.

B. Marketing Considerations

1. Market Area: The market area for power from the LAO is described as the portion of the State of Wyoming east of the Continental Divide, the portion of the State of Colorado east of the

Continental Divide, Mountain Parks REA's service territory in Colorado west of the Continental Divide, the portion of the State of Nebraska west of the 101st Meridian, the portion of the State of Kansas located in the Missouri River Basin, and the portion of the State of Kansas west of the eastern borders of the counties intersected by the 100th Meridian. These marketing area boundaries are approximated on the map in appendix B.

2. Service Seasons: a. Winter Season: The winter season is defined as the 6-month period from the first day of the October billing period of any calendar year through the last day of the March billing period of the next succeeding calendar year.

b. Summer Season: The summer season is defined as the 6-month period from the first day of the April billing period of any calendar year through the last day of the September billing period of the same calendar year.

3. Classes of Service: The classes of service to be offered by the LAO are based upon operational integration of the P-SMBP-WD and the Fry-Ark resources.

a. Long-Term Firm Energy With Capacity: The LAO will offer firm energy commitments based on average hydrologic conditions. Any energy in excess of that available which is required by the LAO to meet its firm energy commitments under these Criteria, would be purchased by Western. The rate charged to the contractor for these purchases will be the firm energy rate. The anticipated costs for firming energy purchases will be considered when the firm energy rate is established.

Generation capacity offered by the LAO will be based upon the installed capacity of Fry-Ark and upon the 90-percent probability level of the powerplants of the P-SMBP-WD. A portion of any generation capacity which may be required by the LAO to meet its monthly obligations, due to unfavorable hydrologic conditions, would be purchased by Western's contractors or by Western on a passthrough cost basis upon the contractor's request. The portion of these purchases that would be subject to passthrough costs is that portion between the 99-percent and the 90-percent probability level, which amounts to a maximum purchase risk to all contractors, collectively, of 37 MW for the worst case month of the winter season and 38 MW for the worst case month in the summer season. Any costs associated with required capacity purchases up to a 99-percent probability level will be incorporated into the rate base for the LAO blended rate. The maximum purchase for each month that every contractor would be subject to on a passthrough cost basis will be specified in each electric service contract.

Western may utilize the pumped-storage feature of Fry-Ark during onpeak hours to firm its long-term firm energy with capacity commitments. Offpeak energy purchasers will be required to replenish any water used during these onpeak hours. The costs for these purchasers will be incorporated into the LAO blended rate base.

Table 3 of appendix A shows the seasonal energy production and generation capacity to be allocated with the long-term firm energy with capacity class of service.

b. Short-Term Firm Energy and/or Capacity: To the extent that project and existing special uses, as estimated in appendix A, have not developed and/or annual stream-flow conditions and reservoir operations result in the production of greater amounts of power than is committed on a long-term basis, short-term firm energy and/or capacity may be offered for sale on a monthly or seasonal basis. Such offers will be for firm energy with or without capacity, capacity with the return of energy, or capacity without energy. These resources may be integrated with the resources of other entities.

c. Other Services: In addition to marketing these classes of service, the LAO will engage in other transactions, such as providing pumped-storage energy as described in V.A.2.b. and c., sales of surplus energy, delivering or receiving interchange, emergency assistance, maintenance service, and/or regulation services to the extent that resources permit.

Western will purchase energy over and above the amount of Western's firm monthly energy obligation, at the contractor's request and on a passthrough cost basis, up to an amount associated with the contractor's monthly Federal capacity entitlement at the contractor's load factor. Western will honor individual contractor energy purchase requests until the LAO hydroelectric system capability to support such purchasers is reached.

In order to conserve fossil fuels, enhance the environment, and/or ensure the availability to preference contractors of contracted amounts of energy and capacity, Western may purchase or exchange energy and/or capacity, as necessary or desirable to supplement its resources. Nonfirm energy service may be available as a result of these purchases or exchanges. To the extent that transmission capacity is determined to be available, the LAO will provide firm and nonfirm transmission service.

4. Derivation of Marketable Resources: Capacity available from LAO resources will be based on the installed capacity of Fry-Ark along with the capacity of the P-SMBP-WD powerplants based on 90-percent hydrologic probability. Energy available for load will be based on average hydrologic conditions. Energy with associated capacity will be reserved for certain project use and existing special use requirements.

The derivation of the marketable resources for LAO, the availability of these resources by seasons, and identification of project use and existing special use loads is contained in appendix A.

5. Allocation Priorities: a. Available resources will be allocated in accordance with these Criteria and the preference provisions of Federal law in the following order of priority:

(1) Preference entities within the LAO market area.

- (2) Preference entities outside the LAO market area.
- (3) Nonpreference entities acting as agents for public entities without distribution systems.
- (4) Nonpreference entities acting on their own behalf.

These priorities may be recognized within pricing blocks for nonfirm energy.

b. Applicant Qualifications: The following requirements must be met in order to be eligible for an allocation of long-term LAO resources:

(1) Each potential applicant must have submitted substantially complete Applicant Profile Data to the LAO on or before December 30, 1983. The only exceptions to this deadline are those potential applicants in the southwest portion of Kansas, who must submit substantially complete Applicant Profile Data by April 1, 1986.

(2) Each potential new contractor must have had a 1982 load greater than 100 kW.

(3) Each potential applicant must be an existing LAO contractor for long-term firm power or, by April 1, 1986, must:

(a) Be a utility, primarily engaged in the retail or wholesale sale of electricity, with responsibility for the load being served; or

(b) Be a Federal or State agency with an ultimate consumer type load, including such loads of State agencies whose use of power enhances the available Federal power resource; or

(c) Have provided evidence to the LAO that significant and tangible steps to acquire the means to distribute power by September 30, 1988, have been taken, or provided evidence that initial steps to acquire the means to distribute power by that date have been taken and the contractor has requested an extension of time for taking significant and tangible steps.

Significant and tangible steps toward becoming a utility would include one, or some combination, of the following:

(i) Evidence of a financial commitment to purchase or construct a transmission system to distribute power;

(ii) Evidence of negotiations with a utility regarding distribution system acquisition;

(iii) Action before a public service or public utility commission to acquire a distribution system;

(iv) Initiation of condemnation proceedings; and/or

(v) Construction of a distribution system.

C. Allocation of Marketable Resources

1. Basis of Allocation: To ensure widespread distribution of the benefit of Federal power, the LAO will divide its net resources into two parts representing a reservation for new contractors and a reservation for existing contractors. Existing contractors are defined as those eligible applicants in the market area described in V.B.1. who have a contract for long-term firm capacity and/or energy from the P-SMBP-WD or Fry-Ark generation resources as of April 1, 1986. The reservations for each group are detailed in table 3 of appendix A. The portion of total seasonal resources to be reserved is based upon the ratio of energy currently available to existing contractors and the total energy available for allocation: $1,918,247/2,087,841$ MWh. Each contractor's monthly capacity entitlement will be a percentage of the seasonal capacity entitlement. These percentages are shown in appendix A, table 2, column (7).

a. Allocation Criteria for New Contractors: The seasonal energy reserved for new contractors, table 3 of appendix A, will be allocated according to the proportion each new contractor's average energy consumption in 1980, 1981, and 1982 bears to the total of all new contractors' average energy consumption in the same period.

Eligible applicants may request capacity with allocated energy based upon its individual system characteristics. If there is insufficient capacity in the reservation for this group to satisfy all of the capacity requests, the LAO may limit the capacity entitlement, but not below the capacity associated with the plant factors of the resources reserved for this group: 33.4 percent in the winter season and 36.7 percent in the summer season.

New contractors may not receive a seasonal allocation of energy greater than the energy associated with 5 MW of capacity at the seasonal plant factors specified above: 7,295 MWh in the winter season and 8,059 MWh in the summer season.

b. Allocation Criteria for Existing Contractors: The seasonal energy reserved for existing contractors, table 3 of appendix A, will be allocated according to the proportion each existing contractor's long-term firm Contract Rate of Delivery (CROD), in effect at the close of business on April 1, 1986, from P-SMBP-WD and Fry-Ark resources, bears to the total of all existing contractors' long-term firm CRODs.

Eligible applicants may request capacity with allocated energy based upon its individual system characteristics. If there is insufficient capacity in the reservation for this group to satisfy all of the capacity requests, the LAO may limit the capacity entitlement, but not below the capacity associated

with the plant factors of the resources reserved for this group: 33.4 percent in the winter season and 36.7 percent in the summer season.

2. Limit on Energy Allocation: No applicant will receive a seasonal allocation of energy from Western that, when combined with its total post-1989 Federal firm energy entitlements from all Federal sources, exceeds its average seasonal total energy use for 1980, 1981, and 1982. The average seasonal total energy use for 1980, 1981, and 1982 will be adjusted to include additional energy the applicant can demonstrate was not used during that period as a result of its conservation or energy management efforts. Entities applying for power are encouraged to document any conservation impact on historical energy consumption as part of any application for power.

3. Reallocations: Long-term firm energy with associated capacity made available for marketing because an allocation(s) has been reduced or withdrawn may be administratively reallocated by Western's Administrator without further public process.

D. Contract Arrangements

Those entities receiving an allocation and taking any other required steps, will be offered an electric service contract for the allocated resources based on these Criteria after reasonable opportunity to discuss proposed contract language has been provided to allottees. Allottees will have 6 months to sign the offered contract or until September 30, 1987, whichever is later.

1. General Contract Terms: a. Effective Date and Contract Term: Existing contracts will be allowed to expire by their own terms. Contracts offered for the sale of newly allocated long-term firm energy with capacity will become effective on the first day of the October 1989 billing period (or upon expiration of an existing contract, if later) and will terminate on the last day of the September 2004 billing period. However, at the end of the 1999 summer season billing period, the provisions of the contracts concerning the amounts of energy and capacity committed will be subject to revision based on the marketable resource. Any necessary revisions to these contract provisions will be determined by Western and presented to the contractors by the end of the 1996 summer season billing period.

b. Power Receipt and Distribution: Contractors must have the means to receive and distribute power by September 30, 1988, in order to avoid termination of contract rights unless the LAO specifically agrees otherwise in writing prior to this date.

c. Conservation and Renewable Energy (C&RE) Program: An "Announcement of Final Guidelines and Acceptance Criteria for Customer Conservation and Renewable Energy Programs" was originally published in the Federal Register (*46 FR 56140*) on November 13, 1981, and amended in the Federal Register on August 21, 1985 (*50 FR 33892*). To achieve the stated purposes, the LAO will guide and assist its firm contractors in their C&RE development, as requested and to

the extent possible. As specified in the "Final Guidelines," failure to develop a C&RE program that meets Western's Acceptance Criteria may subject a contractor to the potential loss of up to 10 percent of its allocation.

Existing contractors will implement the terms of Western's C&RE program, or any that may supersede it, within 1 year of the date of contract execution. New contractors will implement a C&RE program no later than 1 year subsequent to the date of execution of a contract for Federal power. The development of the program is the responsibility of each contractor receiving long-term firm energy with capacity and its member systems, if any, benefiting from the purchase of Federal long-term firm power.

d. Allottee Purchasing Agents: Western may contract with a single purchasing agent for two or more allottees, under these Criteria, upon request of the allottees. Western, however, will not be willing to eliminate load diversity that permits it to meet its operating obligations.

e. Load Diversity Adjustment: Contract provisions shall permit Western to adjust monthly capacity entitlements downward on a proportional basis in the event total system load diversity does not cover transmission system losses or other operating requirements.

f. Resale Provisions: All contracts for long-term firm energy with capacity under these Criteria will contain a resale of electric energy provision. Existing contractors will implement the terms of this resale provision upon contract execution. New contractors will implement them upon receipt of Federal power. The resale of electric energy provision will include, among other things, a requirement that the contractor demonstrate that:

(1) The benefits of Federal power are distributed to the contractors' consumers at the lowest rates consistent with sound business principles, and

(2) Consumers can identify the costs of Federal power and non-Federal power.

When the contractor consists of members or principals who are retail distributors, of Federal power, these retail distributors, as well as the parent organization, will be directly accountable to Western for complying with the resale provisions. One of the ways these requirements may be satisfied by the contractor and its members or principals is to provide cost information semiannually to their customers, including a breakdown of the amounts and costs of Federal power and non-Federal power, and of the magnitude and type of other costs which constitute the composite costs charged to the customer.

Failure to comply with the resale provisions may result in the loss of all or part of the resources committed to the contractor.

2. Long-Term Firm Energy With Capacity Obligations: a. Monthly long-term firm energy delivery obligations with associated capacity for each season will be set forth in each contractor's electric contract. Western's monthly energy obligation will reflect the same monthly distribution of seasonal energy allocation as shown in table 1 of appendix A for the monthly distribution of total marketable energy at load. Monthly capacity entitlements will reflect the same monthly distribution of seasonal capacity entitlements as is shown in table 2 of appendix A for the monthly distribution of marketable capacity.

Western's capacity obligation for a given hour will be limited to the capacity scheduled during that hour; i.e., contractors will not be entitled to claim unscheduled capacity as operating expenses.

b. The monthly energy obligations may be increased at Western's discretion, should short-term conditions allow. If the established limit is increased for any month, it may be subsequently decreased at Western's discretion to the normal monthly energy delivery obligations set forth in the electric service contract.

3. Scheduling, Accounting, and Billing: The LAO its contractors will establish mutually agreeable scheduling and accounting procedures, based upon accepted utility industry practices, which will provide efficient and practicable utilization of energy and capacity. These procedures will be set forth in Western contracts or in separate written agreements made a part thereof.

a. Scheduling: (1) Each contractor's maximum scheduled rate of delivery for long-term firm energy in each billing period will be the monthly capacity entitlements as indicated by the percentages of seasonal capacity entitlement in column (7) of table 2 of appendix A.

(2) All long-term energy with capacity contractors will be required to maintain a minimum power schedule in order to meet water release constraints and permit offpeak purchase of energy which may be required to meet Western's total energy or capacity obligations. The minimum schedule requirement may be changed as necessary to meet changing water release constraints, resource constraints, or seasonal variation in hydrologic conditions. Upon request by the contractor, the LAO may waive or reduce the requirement for a minimum schedule.

(3) The monthly minimum percentage of each contractor's seasonal capacity entitlement which must be scheduled is:

Winter season/percentages

October --- 19
November -- 19
December -- 22
January --- 21
February -- 17
March ----- 17

Summer season/percentages

April ----- 19
May ----- 21
June ----- 24
July ----- 32
August ----- 25
September -- 17

(4) Each contractor electing to utilize the pumped-storage energy feature of Fry-Ark must schedule this energy into and out of the energy account as described in part V.A.2.c. of these Criteria.

b. Accounting and Billing: (1) The amounts of capacity to be paid for by the contractor will be determined in accordance with accounting procedures set forth in the contracts and will be based on the seasonal capacity entitlement. Said accounting procedures will include determining the amounts of energy delivered to the contractor at each point of delivery and shall establish the amounts of Federal energy delivered over the LAO transmission system to each contractor at each point of delivery.

(2) Firm energy with associated capacity will be billed at a blended P-SMBP-WD and Fry-Ark rate to recover the revenue requirements of the individual projects.

(3) These procedures will also provide for billing at multiple points of delivery. If the contractor's distribution system is operated as to permit power to flow between points of delivery, accounting and billing will be on a coincidental basis. Otherwise, accounting and billing will be on a noncoincidental basis.

(4) The cost of energy purchased on behalf of a contractor, as specified in V.B.3., "Other Services," each month by the LAO in excess of that necessary to meet LAO contractual obligations shall be the average cost of such purchases during the month. The cost of capacity purchased on a passthrough cost basis on behalf of a contractor each month by the LAO to meet LAO contractual obligations shall also be the average cost of such purchases during the month. Western's allocable costs will be added to the cost of these purchases. These costs shall be accrued during the month in which they are incurred. To the extent they were not anticipated and collected during the same month, they will be billed to contractors during the following month or portion thereof, as the LAO deems appropriate, along with the regular monthly power bill. Trust funds will be established prior to Western's expenditures for such purchases.

4. Delivery Conditions: a. Location and Voltage: All delivery points will be on the LAO transmission system. Normal delivery will be made at LAO transmission system voltages. Deliveries may continue to be made at subtransmission voltages at power-plant, substation, and tap locations where contractors already have systems operating at such lower voltage levels.

b. Modifications to Facilities: Modifications to existing facilities and alternate or additional delivery points requested by contractors may be permitted at the discretion of the LAO, with costs for such modifications being assigned to the appropriate parties. Requests for substations or taps will be considered on a case-by-case basis, with final determination by the LAO.

c. Federal Transmission: Energy other than LAO energy will be transmitted over the LAO transmission system to the extent that transmission capacity is determined by the LAO to be

available. The contractor shall pay for such service at the established rate for LAO transmission service.

d. Delivery Beyond the LAO Transmission System: All costs, including losses, for delivery of energy beyond the LAO transmission system will be the responsibility of the contractor.

The following alternatives are available to contractors for accomplishing delivery of LAO energy beyond the LAO transmission system:

(1) The contractor(s) may construct all facilities to accept delivery from the LAO transmission system at established voltage(s). The basic design of any facilities which interconnect with the LAO transmission system is subject to LAO approval.

(2) Arrangements may be made with a third party to transmit and deliver energy to a contractor's point of use. Such arrangements will normally be made by the contractor, or by a group of contractors. When the contractor makes its own transmission arrangements, the contractor will be billed directly by the transmission agent and will pay the transmission charges directly to the transmission agent. If the LAO contracts for the transmission on behalf of the contractor or group of contractors, the LAO will pass the costs, along with associated allocable costs, to the contractor(s).

(3) The LAO may construct the transmission facilities required beyond the existing LAO transmission system. Payment for the constructed facilities may be borne by the P-SMBP-WD, Fry-Ark, future projects, or the beneficiaries thereof, as determined by Western.

E. Application Procedures

Western hereby requests all qualified applicants to apply to the Area Manager, Loveland Area Office, in writing, for an allocation of energy and capacity under these Criteria. Applications from each potential allottee must be received in Western Loveland Area Office at P.O. Box 3700, Loveland, Colorado 80539, no later than the close of business on April 1, 1986. Applicants must be identify the kWh/kW desired for both the summer and winter seasons. Western's Administrator will allocate the available resources under the terms of these Criteria only to those applicants who are qualified and who provide a request for energy by the specified data. Proposed allocations will be published in the Federal Register for public comment prior to finalization.

VI. Appendix A -- Derivation of Marketable Resources:

A. Derivation of P-SMBP-WD Marketable Resources

Western and Reclamation have conducted a series of joint studies to quantify post-1989 water systems operations and the corresponding capabilities of the P-SMBP-WD power system, including its capabilities for hydrothermal. This summary describes the methodology and procedures for defining and quantifying the power resources of the P-SMBP-WD for the post-1989 time period.

1. At-Plant Capability Basis for Existing Allocations: The firm power allocations established in 1962 were based on Reclamation's 1956 hydrology study. The results of that study are summarized in table 2 of "Level 1 Report, Hydropower Capability and energy of P-SMBP-WD, August 1980." After considering losses and pumping requirements, the average year energy production capability was 1,860 GWh. Based on the projected load pattern of its preference contractors at that time, Reclamation determined that this average year energy production capability would support firm power allocations of 346 MW in the winter season and 384 MW in the summer season. This allocation of resources included project use loads.

After the allocations were made, each contractor's Federal entitlement was a proportionate share of its total load. The proportionate share was determined by the ratio of the contractor's seasonal CROD to its seasonal peak demand.

From 1962 until 1983, the difference between the firm generation capacity allocated and the actual available generation capacity was marketed on a seasonal basis.

Since Reclamation's 1956 hydrology study and the 1962 allocation, there have been many changes on the P-SMBP-WD system. Contractor loads and load patterns have changed substantially. The expiration of most existing contracts in 1989 and the requirement to develop a post-1989 marketing plan in conjunction with these changes and proposed further changes before 1989 promoted the need for an update of the 1956 Reclamation hydrology study.

Western and Reclamation determined that three levels of study effort were required. The first level was an update of the 1956 study assuming initial water conditions and the system configuration existing in 1980. The second level of effort was a followup of the 1980 update to determine the hydrothermal integration capability of the P-SMBP-WD system. The purpose of that effort was to provide the hydrologic and load obligation basis for marketing unallocated firm generation capacity and energy production capability between 1983 and 1989.

Following the second level study, additional generation capacity of 72 MW in the winter season and 79 MW in the summer season with non-Federal energy supplied by other entities was allocated to preference contractors through 1989. The total capacity allocated through the 1989 summer season now is 418 MW in the winter season and 463 MW in the summer season. The total energy obligation associated with this generation capacity is 1,860 GWh/year.

2. At-Plant Capability for Projected 1990 Conditions: The third level of study effort was a long-term hydrology study using a projected 1990 system configuration and an update of the hydrothermal integration capability reflecting 1990 conditions (Task No. 2 Report, Hydrothermal Integration Capability-Study of the P-SMBP-WD, June 1983). Table 1, column (1), summarizes the results of this effort and is the basis for determining the P-SMBP-WD resource to be allocated in the post-1989 period.

B. Derivation of Fry-Ark Resources

The Fry-Ark resources available were computed by Western, based upon a 1974 Reclamation study and an updated study done in 1983 by the Fry-Ark Project Office. These studies determined average inflows available for energy production at the Mt. Elbert Powerplant.

C. Derivation of marketable Resources From Operational Integration of P-SMBP-WD and Fry-Ark Resources

Table 1 shows the at-plant and at-load energy production capability of the operationally integrated P-SMBP-WD and Fry-Ark resources. These resources, available for marketing, consist of the integrated energy production capability of LAO resources minus losses, project use, and existing special use loads.

Table 2, column (6), shows the marketable generation capacity of the operationally integrated resources. The resources thus available for marketing consists of the integrated generation capacity of LAO resources minus necessary reserves, projects use and existing special use loads.

Table 3 shows the reservations of marketable long-term firm energy with capacity for new and existing contractors.

Project use and existing special use loads are quantified in tables 1 and 2 and are defined as:

Project Use

1. P-SMBP-WD Pumps: Pumps at Lake Granby, Willow Creek, and Flatiron operated by Reclamation, which are an integral part of the P-SMBP-WD system. Power is supplied to operate these pumps as project use under Federal Reclamation law.

2. Burlington Northern Railroad: A Reclamation contract, with no expiration date, for electric service for light and ventilation in Boysen Tunnel; entered into as compensation for inundation of the original tunnel by Reclamation when Boysen Dam was constructed.

3. Colorado River Improvement Pumps: Seven Reclamation contracts with no expiration date, for power to operate pumps used for gravity irrigation purposes along the Colorado River. These contracts were made as compensation for depletions of the Colorado River caused by the Colorado-Big Thompson Project.

Existing Special Use

1. Highland Hanover Irrigation District, Owl Creek Irrigation District, Upper Bluff Irrigation District: Three Reclamation contracts which Reclamation has advised Western to treat as project use loads.

2. Goshen Irrigation District, Midvale Irrigation District: Two Western contracts which will not expire prior to the effective date of these criteria.

3. U.S. Forest Service: Two Western contracts for electric service to the Forest Service's Blue Ridge Repeater Station and to Arapahoe National Recreation Area which will not expire prior to the effective date of these Criteria.

4. U.S. National Park Service: A Western contract with no expiration date, for electric service to Rocky Mountain National Park.

Issued at Golden, Colorado January 17, 1986.

William H. Clagett,

Administrator.

Table 1

Energy Capability With
Operational Integration of
P-SMBP-WD and Fry-Ark
(MWh)

	(1) At Plant Energy P-SMBP-WD <u>1/</u>	(2) At Plant Energy Fry-Ark <u>2/</u>	(3) At Plant Total Energy	(4) Total Energy At Load <u>3/</u>	(5) Project And Existing Special Use Loads	(6) Total Marketable Energy At Load	(7) %
October	172,400	5,957	178,357	166,423	8,464	157,960	16.9
November	173,800	5,617	179,417	167,430	9,479	157,951	16.9
December	188,700	5,542	194,242	181,288	9,215	172,073	18.5
January	184,500	5,504	190,004	177,329	9,668	167,661	18.0
February	144,500	5,429	149,929	139,879	7,492	132,387	14.2
March	158,200	5,429	163,629	152,683	8,173	144,510	15.5
Winter total	1,022,100	33,478	1,055,578	985,031	52,490	932,541	100
April	186,400	4,562	190,962	178,266	9,077	169,189	14.6
May	198,800	1,093	199,893	186,768	9,435	177,333	15.3
June	219,300	3,732	223,032	208,275	5,199	203,076	17.6
July	272,800	4,939	277,739	259,349	5,517	253,832	22.0
August	218,100	5,844	223,944	209,033	5,159	203,874	17.6
September	159,000	4,599	163,599	152,692	4,695	147,996	12.9
Summer total	1,254,400	24,769	1,279,169	1,194,383	39,082	1,155,300	100
Total	2,276,500	58,247	2,334,747	2,179,414	91,573	2,087,841	

1/ From Table 10 Task No. 2 Report. Annual energy of 80,100 MWh has been added to column (1) figures and subsequently added to the figures in column (5). This is the load of the P-SMBP-WD pumps.

2/ Based on long-term hydrology study performed by Bureau of Reclamation -- Fryingpan-Arkansas Project Office.

3/ Total energy at load=[(col 2/1.05)+col 1]/1.07.

Table 2

Capacity With
Operational Integration
Of
P-SMBP-WD and Fry-Ark
(MW)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	P-SMBP-WD Capacity At 90% Probability	Fry-Ark Capacity	Maintenance Required <u>1/</u> <u>3/</u>	Reserves Required	Project and Existing Special Use Required	Marketable Capacity	Percent Maximum
October	484.0	200.0	67.7	48.0	1.023	591.3	92.6
November	477.0	200.0	70.3	48.0	0.413	582.3	91.2
December	483.0	200.0	20.0	48.0	0.532	638.5	<u>2/</u> 100.0
January	478.0	200.0	32.0	48.0	0.604	621.4	97.3
February	466.0	200.0	64.5	48.0	0.447	577.1	90.4
March	480.0	200.0	131.8	48.0	0.399	523.8	82.0
April	467.0	200.0	50.0	48.0	1.401	591.6	82.6
May	497.0	200.0	115.0	48.0	2.635	555.4	77.5
June	517.0	200.0	23.1	48.0	3.251	666.6	93.0
July	557.0	200.0	13.0	48.0	3.533	716.5	<u>2/</u> 100.0
August	531.0	200.0	73.9	48.0	3.266	629.8	87.9
September	505.0	200.0	65.6	48.0	3.223	612.2	85.4

1/ Total reserve requirement is 48 MW -- half of this total required to be spinning, therefore only half, or 24 MW depletes the available water supply and only half is subtracted from the available capacity.

2/ In December and July, the Contractor's monthly capacity entitlement will equal its seasonal capacity entitlement. In the other months it will be the indicated percentage of the appropriate seasonal entitlement.

3/ Includes no reduction for P-SMBP-WD pumps. These are operated only during offpeak hours.

RESERVATION
OF
RESOURCES

Appendix A

Table 3

	WINTER		SUMMER		YEAR
	Energy (MWH)	Capacity (MW)	Energy (MWH)	Capacity (MW)	Energy (MWH)
New Contractors	75,750 <u>5/</u>	51.9 <u>4/</u>	93,844 <u>5/</u>	58.2 <u>4/</u>	169,594 <u>2/</u>
Existing Contractors	856,791 <u>5/</u>	586.6 <u>4/</u>	1,061,456 <u>5/</u>	658.3 <u>4/</u>	1,918,247 <u>6/</u>
Totals	932,541 <u>1/</u>	638.5 <u>3/</u>	1,155,300 <u>1/</u>	716.5 <u>3/</u>	2,087,841 <u>1/</u>

1/ Marketable Energy at Load from Column 6, Table 1.

2/ Difference of total energy reserved for existing contractors (see note 6) and total annual energy resource.

3/ Marketable seasonal capacity (100% months, Table 2).

4/ Capacity reservations for each contractor group are the product of the total seasonal capacity and the ratio of each contractor group's annual energy reservation to the total annual energy reservation.

5/ Energy reservations for each contractor group are the product of the total seasonal energy and the ratio of each contractor group's annual energy reservation to the total annual energy reservation.

6/ Annual energy reserved for existing contractors is equal to the energy available for allocation in 1962 from the P-SMBP-WD (1,860 GWh) plus the flowthrough energy from Fry-Ark (58.247 GWh).

(Typographical and table formatting have been completed in this document)