DEPARTMENT OF ENERGY

Western Area Power Administration

Loveland Area Projects—Rate Order No. WAPA–134

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Order Concerning Power Rates.

SUMMARY: The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA–134 and Rate Schedule L–F7, placing firm electric service rates from the Loveland Area Projects (LAP) of the Western Area Power Administration (Western) into effect on an interim basis. The provisional rates will be in effect until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places them into effect on a final basis or until they are replaced by other rates. The provisional rates will provide sufficient revenue to pay all annual costs, including interest expenses, and repay power investment and irrigation aid within the allowable periods.

DATES: Rate Schedule L–F7 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after January 1, 2008, and will be in effect until FERC confirms, approves, and places the provisional rates into effect on a final basis ending December 31, 2012, or until the rate schedule is superseded.

FOR FURTHER INFORMATION CONTACT: Mr. James D. Keselburg, Regional Manager, Rocky Mountain Customer Service Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO, 80538–8986, telephone (970) 461–7201, or Mrs. Sheila D. Cook, Rates Manager, Rocky Mountain Customer Service Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, CO, 80538–8986, telephone (970) 461–7211, e-mail *scook@wapa.gov.*

SUPPLEMENTARY INFORMATION: The Deputy Secretary of Energy approved existing Rate Schedule L–F6 for LAP firm electric service on an interim basis on November 9, 2005 [1]. The existing rate schedule is effective from January 1, 2006, through December 31, 2010.

The LAP firm power rates must be increased due to the economic impact of the drought, increased operation and maintenance and other annual expenses, increased investments, and increased interest expense associated with drought induced deficits. Additionally, under Rate Schedule L–F7, Western will identify its firm electric revenue requirement using a Base component (Base) and a Drought Adder component (Drought Adder).

The existing firm electric service Rate Schedule L–F6 is being superseded by Rate Schedule L–F7. Under the current Rate Schedule L–F6, a two-step method was approved. The composite rate for the second step of Rate Schedule L–F6, effective on January 1, 2007, is 27.36 mills per kilowatthour (mills/kWh), the firm energy rate is 13.68 mills/kWh and the firm capacity rate is $3.59 per kilowattmonth (kWmonth). Under Rate Schedule L–F7, the provisional rates for LAP firm electric services will result in a combined composite rate of 32.42 mills/kWh. The energy rate will be 16.21 mills/kWh (a Base component of 11.92 mills/kWh and a Drought Adder component of 4.29 mills/kWh) and the capacity rate will be $4.25/kWmonth (a Base component of $3.13/kWmonth and a Drought Adder component of $1.12/kWmonth). This will result in an increase of 18.5 percent when compared with the existing LAP firm power rate under Rate Schedule L–F6.

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

Under Delegation Order Nos. 00–037.00 and 00–001.00C, 10 CFR part 903, and 18 CFR part 300, I hereby confirm, approve, and place Rate Order No. WAPA–134 and the proposed LAP firm electric service rates into effect on an interim basis. The new Rate Schedule L–F7 will be promptly submitted to FERC for confirmation and approval on a final basis.

Dated: November 1, 2007.

Clay Sell,

Deputy Secretary of Energy.

Department of Energy; Deputy Secretary

In the matter of: Western Area Power Administration Rate Adjustment for the Loveland Area Projects: Order Confirming, Approving, and Placing the Loveland Area Projects Firm Electric Service Rates Into Effect on an Interim Basis

Rate Order No. WAPA–134]

These rates for Loveland Area Projects firm electric service were established in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other Acts that specifically apply to the project involved.

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

Acronyms and Definitions

As used in this Rate Order, the following acronyms and definitions apply:

Administrator: The Administrator of the Western Area Power Administration.

Base: Revenue requirement component of the power rate including annual operation and maintenance expenses, investment repayment and associated interest, normal timing power purchases, and transmission costs.

Capacity: The electric capability of a generator, transformer, transmission circuit, or other equipment. It is expressed in kilowatts.

[1] Rate Order No. WAPA–125, November 9, 2005 (70 FR 71273). It was confirmed and approved by FERC on a final basis on June 14, 2006, in Docket No. EF06–5181–000 (115 FERC ¶ 62276).

Capacity charge: The rate which sets forth the charges for capacity. It is expressed in dollars per kWmonth.
Composite rate: The rate for commercial firm power which is the total annual revenue requirement for capacity and energy divided by the total annual firm energy sales under contract. It is expressed in mills per kilowatthour and used for comparison purposes.
Criteria: The Post–1989 General Power Marketing and Allocation Criteria for the sale of energy with capacity from the Pick-Sloan Missouri Basin Program—Western Division and the Fryingpan-Arkansas Project.
Customer: An entity with a contract for and receiving firm electric service from Western's Rocky Mountain Region.
Deficits: Deferred or unrecovered annual expenses.
DOE Order RA 6120.2: An order outlining power marketing administration financial reporting and rate-making procedures.
Drought Adder: Formula-based revenue requirement component including costs associated with the drought.
Energy: Measured in terms of the work it is capable of doing over a period of time. It is expressed in kilowatthours.
Energy charge: The rate which sets forth the charges for energy. It is expressed in mills per kilowatthour and applied to each kilowatthour delivered to each customer.
FERC: Federal Energy Regulatory Commission.
Firm: A type of product and/or service that is available at the time requested by the customer.
FRN: **Federal Register** notice.
Fry-Ark: Fryingpan-Arkansas Project.
FY: Fiscal year; October 1 to September 30.
kW: Kilowatt—the electrical unit of capacity that equals 1,000 watts.
kWmonth: Kilowattmonth—the electrical unit of the monthly amount of capacity.
kWh: Kilowatthour—the electrical unit of energy that equals 1,000 watts in 1 hour.
LAP: Loveland Area Projects.
L–F6: Loveland Area Projects existing firm electric service rate schedule (expires December 31, 2010, or until superseded).
L–F7: Loveland Area Projects provisional firm electric service rate schedule (effective January 1, 2008).
M&I: Municipal and industrial water development.
MW: Megawatt—the electrical unit of capacity that equals 1 million watts or 1,000 kilowatts.
Mills/kWh: Mills per kilowatthour—the unit of charge for energy (equals one tenth of a cent or one thousandth of a dollar).
NEPA: National Environmental Policy Act of 1969 (42 U.S.C. 4321, *et seq.*).
Non-timing purchases: Power purchases that are not related to operational constraints such as management of endangered species, species habitat, water quality, navigation, and control area purposes.
O&M: Operation and Maintenance.
P–SMBP: The Pick-Sloan Missouri Basin Program.
P–SMBP—WD: Pick-Sloan Missouri Basin Program—Western Division.
Power: Capacity and energy.
Preference: The requirements of Reclamation Law which provide that preference in the sale of Federal power shall be given to municipalities and other public corporations or agencies and also to cooperatives and other nonprofit organizations financed in whole or in part by loans made under the Rural Electrification Act of 1936 (Reclamation Project Act of 1939, section 9(c), 43 U.S.C. 485h(c)).
Provisional Rates: Rates which have been confirmed, approved, and placed into effect on an interim basis by the Deputy Secretary.
PRS: Power Repayment Study.
Rate brochure: A June 2007 document prepared for public distribution explaining the rationale and background of the rate proposal contained in this rate order.
Ratesetting PRS: The PRS used for the rate adjustment proposal.
Reclamation: United States Department of the Interior, Bureau of Reclamation.
Reclamation Law: A series of Federal laws. Viewed as a whole, these laws create the originating framework under which Western markets power.
Regions: Western's Rocky Mountain and Upper Great Plains Customer Service Regional Offices.
Revenue Requirement: The revenue required to recover annual expenses (such as O&M, purchase power, transmission service expenses, interest, and deferred expenses) and repay Federal investments, and other assigned costs.
Timing purchases: Power purchases that are due to operational constraints (e.g., management of endangered species habitat, water quality, navigation, control area purposes, etc.) and are not associated with the drought.
Rocky Mountain Region: The Rocky Mountain Customer Service Region of Western.
Western: United States Department of Energy, Western Area Power Administration.

Effective Date

The new provisional rates will take effect on the first day of the first full billing period beginning on or after January 1, 2008, and will be in effect until December 31, 2012, pending approval by FERC on a final basis.

Public Notice and Comment

Western followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in developing these rates. The steps Western took to involve interested parties in the rate process were:

1. The proposed rate adjustment was initiated on March 19, 2007, when Western's Rocky Mountain Region mailed a notice announcing an informal customer meeting to discuss the proposed firm electric service rate adjustment to all LAP preference customers and interested parties. The informal meeting was held on April 9, 2007, in Denver, Colorado. At this informal meeting, Western explained the rationale for the rate adjustment, presented rate designs and methodologies, and answered questions.

2. A FRN was published on May 31, 2007 (72 FR 30370), officially announcing the proposed LAP rates, initiating the public consultation and comment period, and announcing the public information and public comment forums.

3. On May 31, 2007, Western's Rocky Mountain Region mailed letters to all LAP preference customers and interested parties transmitting a copy of the FRN published on May 31, 2007.

4. The public information forum was held on June 18, 2007, beginning at 10 a.m. MDT, in Denver, Colorado. Western provided detailed explanations of the proposed LAP rates, provided a list of issues that could change the proposed rates, and answered questions. A rate brochure detailing the proposed rates was provided at the forum.

5. The public comment forum was held on July 23, 2007, beginning at 10 a.m. MDT, in Denver, Colorado. Western gave the public an opportunity to comment for the record. No oral comments were made and no written comments were received during the comment forum.

6. Western's Rocky Mountain Region provided a Web site with all of the letters, time frames, dates and locations of forums, documents discussed at the information meetings, FRNs, rate brochure, and all other information about this rate process for customer access. The Web site is located at *http://www.wapa.gov/rm/ratesRM/2008RatesAdjustment—FirmPower.htm*

7. Western received 7 comment letters during the consultation and comment period, which ended August 29, 2007. All formally submitted comments have been considered in preparing this Rate Order.

Comments

Written comments were received from the following organizations:

Lower Yellowstone Rural Electric Association, Inc., Montana
Municipal Energy Agency of Nebraska, Nebraska
Mid-West Electric Consumers Association, Colorado
Woodbury County Rural Electric Cooperative, Iowa
Nebraska Public Power District, Nebraska
Town of Julesburg, Colorado
City of Gering, Nebraska

Project Descriptions

Loveland Area Projects

The Post–1989 General Power Marketing and Allocation Criteria, published in the **Federal Register** on January 31, 1986 (51 FR 4012), integrated the resources of the P–SMBP—WD and Fry-Ark. This operational and contractual integration, known as LAP, allowed an increase in marketable resource, simplified contract administration, and established a blended rate for LAP power sales.

The P–SMBP—WD and Fry-Ark retain separate financial status. For this reason, separate PRSs are prepared annually for each project. These PRSs are used to determine the sufficiency of the power rate to generate adequate revenue to repay project investment and costs during each project's prescribed repayment period. The revenue requirement of the Fry-Ark PRS is combined with the P–SMBP—WD revenue requirement derived from the P–SMBP PRS, to develop one rate for LAP firm electric sales.

Pick-Sloan Missouri Basin Program—Western Division

The initial stages of the Missouri River Basin Project were authorized by Congress in section 9 of the Flood Control Act of December 22, 1944, commonly referred to as the 1944 Flood Control Act (Pub. L. 78–534, 58 Stat. 877, 891). The Missouri River Basin Project, later renamed the Pick-Sloan Missouri Basin Program to honor its two principal authors, has been under construction since 1944. The P–SMBP encompasses a comprehensive program of flood control, navigation improvement, irrigation, M&I water development, and hydroelectric production for the entire Missouri River Basin. Multipurpose projects have been developed on the Missouri River and its tributaries in Colorado, Montana, Nebraska, North Dakota, South Dakota, and Wyoming.

The Colorado-Big Thompson, Kendrick, Riverton, and Shoshone projects were administratively combined with P–SMBP in 1954, followed by the North Platte Project in 1959. These projects are known as the ''Integrated Projects'' of the P–SMBP. The Riverton Project was reauthorized as a unit of the P–SMBP in 1970.

The P–SMBP—WD and the Integrated Projects include 19 powerplants. There are six powerplants in the P–SMBP—WD: Glendo, Kortes, and Fremont Canyon powerplants on the North Platte River; Boysen and Pilot Butte on the Wind River; and Yellowtail powerplant on the Big Horn River.

In the Colorado-Big Thompson Project, there are also six powerplants. Green Mountain powerplant on the Blue River is on the West Slope of the Rocky Mountains. Marys Lake, Estes, Pole Hill, Flatiron, and Big Thompson powerplants are on the East Slope.

The Kendrick Project has two power production facilities: Alcova and Seminoe powerplants. Power production facilities in the Shoshone Project are Shoshone, Buffalo Bill, Heart Mountain, and Spirit Mountain powerplants. The only production facility in the North Platte Project is the Guernsey powerplant.

Fryingpan-Arkansas Project

The Fry-Ark is a transmountain diversion development in southeastern Colorado authorized by the Act of Congress on August 16, 1962 (Pub. L. 87–590, 76 Stat. 389, as amended by Title XI of the Act of Congress on October 27, 1974 (Pub. L. 93–493, 88 Stat. 1486, 1497)). The Fry-Ark diverts water from the Fryingpan River and other tributaries of the Roaring Fork River in the Colorado River Basin on the West Slope of the Rocky Mountains to the Arkansas River on the East Slope. The water diverted from the West Slope, together with regulated Arkansas River water, provides supplemental irrigation, M&I water supplies, and produces hydroelectric power. Flood control, fish and wildlife enhancement, and recreation are other important purposes of Fry-Ark. The only generating facility in Fry-Ark is the Mt. Elbert Pumped-Storage powerplant on the East Slope.

Power Repayment Studies—Firm Electric Service Rate

Western prepares a PRS each FY to determine if revenues will be sufficient to repay, within the required time, all costs assigned to the LAP revenues. Repayment criteria are based on law, policies, including DOE Order RA 6120.2, and authorizing legislation. To meet cost recovery criteria outlined in DOE Order RA 6120.2, revised studies and rate adjustments have been developed to demonstrate that sufficient revenues will be collected to meet future obligations.

Under this adjustment, payments toward irrigation assistance and capital debt are necessary before deficits are completely repaid. Traditionally, prepayment of irrigation assistance or capital is only done in the absence of deficits. However, if all revenue were applied toward deficits prior to making any payments for irrigation and other capital requirements, an extraordinarily large rate increase to meet single-year repayment obligations would be required. Once these single-year repayment obligations were satisfied, another rate adjustment would be necessary to decrease the rates. While repayment of capital debt and irrigation assistance prior to complete repayment of deficits is not typical, the approach approved within this Rate Order is well within the bounds of the discretion allowed under DOE Order RA 6120.2.

Under this adjustment, Rate Schedule L–F7, Western will repay deficits and also make previously planned payments for irrigation assistance and other investments that are due within the required repayment period. Prepaying irrigation and capital investments has been part of the P-SMBP repayment plans and approved rate adjustments for the past 20 years. Prepayment is an integral part of the long-term plan for the project and has provided rate stability for consumers while meeting Federal repayment obligations. Modest irrigation and investment payments for a brief period of 2 to 3 years will reduce the single-year revenue requirement for irrigation assistance and hold increases to the ''lowest possible rates to consumers consistent with sound business principles,'' as outlined in section 5 of the Flood Control Act of 1944.

Existing and Provisional Rates

A comparison of the existing and provisional rates for LAP firm electric service follows:

COMPARISON OF EXISTING AND PROVISIONAL RATES LAP FIRM ELECTRIC SERVICE

Firm electric service	Existing rate (January 1, 2007) L–F6	Provisional rate (January 1, 2008) L–F7	Percent change
LAP revenue requirement	$55.8 million	$66.1 million	18.5
LAP composite rate	27.36 mills/kWh	32.42 mills/kWh	18.5
Firm energy	13.68 mills/kWh	16.21 mills/kWh	18.5
Firm capacity	$3.59/kWmonth	$4.25/kWmonth	18.4

The adjustment to the P–SMBP revenue requirement is a separate formal rate process which is documented in Rate Order No. WAPA–135. Rate Order No. WAPA–135 is also scheduled to go into effect on the first day of the first full billing period beginning on or after January 1, 2008.

Certification of Rates

Western's Administrator certified that the provisional rates for LAP firm electric service under Rate Schedule L–F7 are the lowest possible rates consistent with sound business principles. The provisional rates were developed following administrative policies and applicable laws.

LAP Firm Electric Service Rate Discussion

According to Reclamation Law, Western must establish power rates sufficient to recover operation, maintenance, purchase power and interest expenses, and repay power investment and irrigation aid.

The Criteria, published in the **Federal Register** on January 31, 1986 (51 FR 4012), operationally and contractually integrated the resources of the P–SMBP—WD and Fry-Ark (thereafter referred to as LAP). A blended rate was established for the sale of LAP power. The P–SMBP—WD portion of the revenue requirement for the LAP firm electric service rates was developed from the revenue requirement calculated in the P–SMBP Ratesetting PRS. The P–SMBP—WD revenue requirement increased approximately 23 percent from the previous revenue requirement due to the economic impact of the drought, increased O&M and other annual expenses, increased investments, and increased interest expenses associated with the deficits. The revenue requirements for P–SMBP—WD are as follows:

SUMMARY OF P–SMBP—WD REVENUE REQUIREMENTS ($000)

Present Revenue Requirement (Jan 07) (21.09 mills/kWh × 1,988,000,000 kWh)	$41,927
Provisional Increase (Jan 08) (4.95 mills/kWh × 1,988,000,000 kWh)	9,840
Provisional Revenue Requirement (21.09 + 4.95 = 26.04 mills/kWh × 1,988,000,000 kWh)	51,767

The Fry-Ark piece of the revenue requirement for the LAP firm electric service rates was developed from the revenue requirement calculated in the Fry-Ark Ratesetting PRS, which has been updated to reflect the most current information. The Fry-Ark revenue requirement increased approximately 3 percent due to increased O&M expenses and the economic impact of the drought. The revenue requirements for Fry-Ark are as follows:

SUMMARY OF FRY-ARK REVENUE REQUIREMENTS ($000)

Present Revenue Requirement (Jan 07)	$13,901
Provisional Increase (Jan 08)	$464
Provisional Revenue Requirement	$14,365

This table compares the LAP existing revenue requirements to the proposed revenue requirements:

SUMMARY OF LAP REVENUE REQUIREMENTS ($000)

	Existing (January 2007)	Provisional (January 2008)
P–SMBP—WD	$41,927	$51,767
Fry-Ark	$13,901	$14,365
Total LAP	$55,828	$66,132

Western will identify its firm electric service revenue requirement using Base and Drought Adder components. The Base is a revenue requirement for each Project that includes annual O&M expenses, investment repayment and associated interest, normal timing power purchases, and transmission costs. Normal timing power purchases are purchases due to operational constraints (e.g., management of endangered species habitat, water quality, navigation, control area purposes, etc.) and are not associated with the current drought in the Regions. The Base revenue requirement may not be adjusted without Western going through a public process to do so.

The Drought Adder revenue requirement for each Project is a formula-based revenue requirement that includes costs attributable to the present drought conditions within the Regions. The Drought Adder includes costs associated with future non-timing purchases of additional power to firm obligations not covered with available system generation due to the drought, previously incurred deficits due to purchased power debt that resulted from non-timing power purchases made during this drought, and the interest associated with the previously incurred and future drought debt. The Drought Adder is designed to repay the drought debt within 10 years from the time the debt was incurred. Adjustments to the Drought Adder of less than or equal to the equivalent of 2 mills/kWh to the LAP composite rate will be made by customer notification of a revised rate schedule with a January implementation date.

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

Below is a table identifying the rates for the revenue requirement components:

SUMMARY OF LAP COMPONENTS

	Firm energy	Firm capacity
Base	11.92 mills/kWh	$3.13/kWmonth.
Drought Adder	4.29 mills/kWh	1.12/kWmonth.
Total LAP	16.21 mills/kWh	4.25/kWmonth.

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

Western will review the Drought Adder each September to determine if drought costs differ from those projected in the PRS and whether an adjustment to the Drought Adder is necessary. Western will use recent Corps of Engineers and Bureau of Reclamation hydrological estimates and historical data to determine the estimated amounts for future purchase power costs. For any adjustments attributed to drought costs of less than or equal to the equivalent of 2 mills/kWh to the LAP composite rate, Western will notify customers by letter in October of the planned adjustment and implement the adjustment in the following January billing cycle. For the portion of any planned incremental adjustment greater than the equivalent of 2 mills/kWh to the LAP composite rate, Western will engage in a public process pursuant to 10 CFR part 903 prior to implementing that portion of the adjustment. Although decremental adjustments to the Drought Adder will occur, the adjustment cannot result in the Drought Adder being a negative number. Western will conduct a preliminary review of the Drought Adder in early summer and advise customers by letter of any estimated change to the Drought Adder for the following January. Customers will also be notified by letter in October of the final Drought Adder adjustment to be effective with the following January billing period.

Statement of Revenue and Related Expenses

The following table provides a summary of projected revenue and expense data for the Fry-Ark firm electric service revenue requirement through the 5-year provisional rate approval period:

FRY-ARK COMPARISON OF 5-YEAR RATE APPROVAL PERIOD (FY 2008–2012)

[Total Revenue and Expense ($000)]

	Existing rate	Provisional rate	Difference
Total Revenues	$74,638	$78,683	$4,045
Revenue Distribution:.			
Expenses:.			
O&M	23,190	25,236	2,046
Purchase Power and Transmission	20,435	21,260	825
Interest	23,926	22,287	−1,639
Total Expenses	67,551	68,783	1,232
Principal Payments:.			
Capitalized Expenses	$0	$0	$0
Original Project and Additions	940	578	−362
Replacements	6,147	9,322	3,175
Total Principal Payments	7,087	9,900	2,813
Total Revenue Distribution	74,638	78,683	4,045

The summary of P–SMBP—WD revenues and expenses for the 5-year provisional rate approval period is included in the P–SMBP Statement of Revenue and Related Expenses that is part of Rate Order No. WAPA–135.

Basis for Rate Development

The existing rates for LAP firm electric service in Rate Schedule L–F6, which expire on December 31, 2010, no longer provide sufficient revenues to pay all annual costs, including interest expense, and repay power investment and irrigation aid within the allowable period. The adjusted rates reflect increases primarily due to the economic impact of the drought, increased O&M and other annual expenses, increased investments, and increased interest expenses associated with deficits. The provisional rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay power investment and irrigation aid within the allowable periods. The provisional rates will take effect on January 1, 2008, to correspond with the start of the calendar year, and will remain in effect on an interim basis, pending FERC's confirmation and approval of them or substitute rates on a final basis, through December 31, 2012.

The provisional LAP firm electric service rates are designed to recover 50 percent of the revenue requirement from the capacity charge and 50 percent from the energy charge. The capacity charge is calculated by dividing 50 percent of the total annual revenue requirement by the number of billing units (kWmonth) in a year. The energy charge is calculated by dividing 50 percent of the total annual revenue requirement by the annual energy sales under contract.

Comments

The comments and responses applicable to the LAP firm electric service rates, paraphrased for brevity when not affecting the meaning of the statement(s), are discussed below. Comments that apply to P–SMBP or to P–SMBP—Eastern Division only are being answered in Rate Order No. WAPA–135.

A. *Comment*: Western received numerous comments that strongly supported Western's rate adjustment proposal. These comments support the establishment of a Drought Adder and Base component as it will ensure timely repayment of obligations to the Treasury while insulating the Base from inflation by drought related costs.

Response: Western appreciates the customer support it has received for the rate adjustment proposal, including separation of the annual revenue requirement into a Base component and a Drought Adder component.

B. *Comment*: Western received several comments encouraging Western to keep preference customers informed throughout the year on the progress made in paying down the drought deficits and provide early and timely information to customers on any changes to the Drought Adder so customers can plan accordingly.

Response: Western intends to inform customers annually of the status of the drought costs and the repayment of those costs. It is Western's intention to include the most current hydrological and operations cost data into projections in the PRS as soon as they are available and will notify customers as soon as practical of any changes to the Drought Adder.

C. *Comment*: Western received comments encouraging Western to include identification of the portion of the total rate which will be attributed to the Drought Adder and that such amount be identified in terms of both the energy and capacity rates.

Response: Western agrees with this request to identify the portion of the rate attributable to the Drought Adder and have shown both the Base component and Drought Adder component in energy and capacity rates in the rate schedule.

D. *Comment*: Customers would like to work with Western on how the Drought Adder would be administered in future droughts.

Response: Western is committed to working with its customers, now and in the future, to determine ways to control costs and repay the projects.

Availability of Information

Information about this rate adjustment, including PRSs, comments, letters, memorandums, and other supporting material made or kept by Western that was used to develop the provisional rates, is available for public review in the Rocky Mountain Customer Service Regional Office, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, Colorado.

Ratemaking Procedure Requirements:

Environmental Compliance

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, *et seq.*); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500–1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021, Subpart D, APP. B4.3), Western has determined that this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

Determination Under Executive Order 12866

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

Submission to the Federal Energy Regulatory Commission

The provisional rates herein confirmed, approved, and placed into effect, together with supporting documents, will be submitted to FERC for confirmation and final approval.

Order

In view of the foregoing and under the authority delegated to me, I confirm and approve on an interim basis, effective January 1, 2008, Rate Schedule L–F7 for the Loveland Area Projects of the Western Area Power Administration. The rate schedule shall remain in effect on an interim basis, pending FERC's confirmation and approval of them or substitute rates on a final basis through December 31, 2012.

Dated: November 1, 2007.

Clay Sell,

Deputy Secretary of Energy.

United States Department of Energy; Western Area Power Administration

Loveland Area Projects: Colorado, Kansas, Nebraska, Wyoming

Schedule of Rates for Firm Electric Service: (Approved Under Rate Order No. WAPA–134)

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

Available: Within the marketing area served by the Loveland Area Projects.

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

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

Monthly Rates:

Capacity Charge: $4.25 per kilowattmonth of billing capacity.

Energy Charge: 16.21 mills per kilowatthour (kWh) of use.

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

Charge Components: Base: A fixed revenue requirement that includes operation and maintenance expense, investments and replacements, interest on investments and replacements, normal timing purchase power costs (purchases due to operational constraints, not associated with drought), and transmission costs. The Base revenue requirement is $48.6 million.

$$\text{Base Capacity} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Firm Billing Capacity}} = \$3.13/\text{kWmonth}$$

$$\text{Base Energy} = \frac{50\% \times \text{Base Revenue Requirement}}{\text{Annual Energy}} = 11.92 \text{ mills/kWh}$$

Drought Adder: A formula-based revenue requirement that includes future purchase power expenses excluding timing purchases, previous purchase power drought deficits, and interest on the purchase power drought deficits. For this period, effective January 2008, the Drought Adder revenue requirement is $17.5 million.

$$\text{Drought Adder Capacity} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Firm Billing Capacity}} = \$1.12/\text{kWmonth}$$

$$\text{Drought Adder Energy} = \frac{50\% \times \text{Drought Adder Revenue Requirement}}{\text{Annual Energy}} = 4.29 \text{ mills/kWh}$$

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

The Drought Adder may be adjusted annually using the above formula for any costs attributed to drought of less than or equal to the equivalent of 2 mills/kWh to the LAP composite rate. Any planned incremental adjustment to the Drought Adder component greater than the equivalent of 2 mills/kWh to the LAP composite rate will require a public process.

Adjustments:

For Drought Adder: Adjustments pursuant to the Drought Adder component will be documented in a revision to this rate schedule.

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

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

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DEPARTMENT OF ENERGY

Western Area Power Administration

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

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Order Concerning Power Rates.

SUMMARY: The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA–135 and Rate Schedules P–SED–F9 and P–SED–FP9, placing firm power and firm peaking power rates from the Pick-Sloan Missouri Basin Program—Eastern Division (P–SMBP—ED) of the Western Area Power Administration (Western) into effect on an interim basis. The provisional rates will be in effect until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places them into effect on a final basis or until they are replaced by other rates. The provisional rates will provide sufficient revenue to pay all annual costs, including interest expense, and repay power investment and irrigation aid within the allowable periods.

DATES: Rate Schedules P–SED–F9 and P–SED–FP9 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after January 1, 2008, and will be in effect until FERC confirms, approves, and places the rate schedules in effect on a final basis ending December 31, 2012, or until the rate schedules are superseded.

FOR FURTHER INFORMATION CONTACT: Mr. Robert J. Harris, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101–1266, telephone (406) 247–7405, e-mail *rharris@wapa.gov*, or Mr. Jon R. Horst, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101–1266, telephone (406) 247–7444, e-mail *horst@wapa.gov.*

SUPPLEMENTARY INFORMATION: The Deputy Secretary of Energy approved existing Rate Schedules P–SED–F8 and P–SED–FP8 for firm and firm peaking electric service on an interim basis on November 9, 2005.[1] The existing rate schedules are effective from January 1, 2006, through December 31, 2010.

The P–SMBP—ED firm power and firm peaking power rates must be increased due to the economic impact of the drought, increased operation and maintenance and other annual expenses, increased investments, and increased interest expense associated with drought induced deficits. Additionally, under Rate Schedules P–SED–F9 and P–SED–FP9, Western will identify its firm electric and firm peaking service revenue requirements using a Base component (Base) and a Drought Adder component (Drought Adder). Under Rate Schedule P–SED–F9, Western will also eliminate the tiered rate in P–SMBP—ED.

The existing firm electric service Rate Schedules P–SED–F8 and P–SED–FP8 are being superseded by Rate Schedules P–SED–F9 and P–SED–FP9. Under current Rate Schedules P–SED–F8 and P–SED–FP8, a two-step method was approved. The composite rate for the second step of Rate Schedules P–SED–F8 and P–SED–FP8, effective on January 1, 2007, is 19.54 mills per kilowatt hour (mills/kWh), the firm energy rate is 11.29 mills/kWh, the firm capacity rate is $4.45 per kilowatt month (kWmonth) and the firm peaking capacity rate is $4.45 per kWmonth. Under Rate Schedule P–SED–F9, the provisional rates for firm electric services will result in a combined composite rate of 24.49 mills/kWh. The energy rate will be 13.99 mills/kWh (a Base component of 8.93 mills/kWh and a Drought Adder component of 5.06 mills/kWh) and the capacity rate will be $5.65 kWmonth (a Base component of $3.65/kWmonth and a Drought Adder component of $2.00/kWmonth). This will result in an increase of 25.3 percent when compared with the existing firm power rate under Rate Schedule P–SED–F8. Under Rate Schedule P–SED–FP9 the provisional

[1] Rate Order No. WAPA–125, November 9, 2005 (70 FR 71280). It was confirmed and approved by FERC on a final basis on June 14, 2006, in Docket No. EF06–5181–000 (115 FERC ¶ 62276).