approximately $60 million in 1998 as compared to the test year.

Maine Yankee states that copies of its filing have been provided to its jurisdictional customers, secondary customers and to state regulatory commissions in Connecticut, New Hampshire, Massachusetts, Maine and Rhode Island and the Office of the Public Advocate, State of Maine.

Comment date: December 2, 1997, in accordance with Standard Paragraph E at the end of this notice.

26. Indiana Michigan Power Company

[Docket No. SC98–1–000]

Take notice that on October 31, 1997, American Electric Power Service Corporation, as agent for Indiana Michigan Power Company (I&M), an operating company of the American Electric Power System, tendered for filing an estimate of, and a proposal to charge, stranded costs to the City of Dowagiac, MI (Dowagiac), through the rates for wholesale transmission service to Dowagiac, or to another Transmission Customer which serves Dowagiac, upon the termination of I&M's Municipal Resale Service (MRS) Agreement with Dowagiac. I&M requests an effective date of March 1, 1998, the day following such termination.

Copies of the filing have been served upon Dowagiac and the Michigan Public Service Commission.

Comment date: December 3, 1997, in accordance with Standard Paragraph E at the end of this notice.

Standard Paragraph

E. Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 18 CFR 385.214). All such motions or protests should be filed on or before the comment date. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

Lois D. Cashell,

Secretary.

[FR Doc. 97–31068 Filed 11–25–97; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Western Area Power Administration

Parker-Davis Project Rate Adjustment; Notice of Rate Order No. WAPA–75

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of rate order.

SUMMARY: Notice is given of the confirmation and approval by the Deputy Secretary of the Department of Energy (DOE) of Rate Order No. WAPA–75 and Rate Schedules for Wholesale Firm Power Service (PD–F6) , Firm Transmission Service (PD–FT6), Firm Transmission Service of Salt Lake City Area Integrated Projects Power (PD–FCT6), and Nonfirm Transmission Service (PD–NFT6) placing into effect the rate methodology for determining rates for existing Parker-Davis Project (P–DP) contractors of the Western Area Power Administration (Western) on an interim basis. The rate methodology will remain in effect on an interim basis until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places it into effect on a final basis or until superseded.

DATES: Rate Schedules PD–F6, PD–FT6, PD–FCT6, and PD–NFT6 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after November 1, 1997, and will be in effect until FERC confirms, approves, and places the rate schedules into effect on a final basis for a 59-month period, or until the rate schedule is superseded.

FOR FURTHER INFORMATION CONTACT: J. Tyler Carlson, Regional Manager, Western Area Power Administration, Desert Southwest Regional Office, P.O. Box 6457, Phoenix, AZ 85005, (602) 352–2453, or Joel K. Bladow, Assistant Administrator for Power Marketing Liaison, Room 8G–027, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586–5581.

SUPPLEMENTARY INFORMATION: The proposed rate methodology is the result of Western, the Bureau of Reclamation, and existing P–DP customers working together to develop a methodology that would recover the project costs and accommodate advance funding for P–DP expenses. The changes made to the P–DP rate methodology are outlined as follows. The first change concerns the Cost Apportionment Study. The study, which demonstrates the distribution of costs between generation and transmission, has been changed as follows: (1) the Priority Use Power (PUP) contractors' delivery commitments are now included in the total amounts reflected in the generation and transmission delivery commitment figures; and (2) the amount of funds to be repaid through the collection of revenues through rates is now based on the single Fiscal Year (FY) projection, instead of a projected 5-year average calculation. These changes were required so the PUP contractors can demonstrate payment of their portion of generation and transmission costs, and to accommodate the yearly reconciliation of expenses under the advance funding agreements which have been executed with the PUP contractors and are currently being negotiated with the Firm Electric Service (FES) contractors.

The second change concerns the ratesetting methodology. The new rate methodology includes the PUP contractors' delivery commitments in the calculations of the rates. This was necessary so the PUP contractors can demonstrate payment of their portion of generation and transmission costs.

The third change concerns the billing for firm electric service. Due to the separation of the transmission component from the Capacity Rate, the FES contractors will be billed a Capacity Rate of dollars per kilowatt per month, an Energy Rate of mills per kilowatthour, and a Firm Transmission Rate of dollars per kilowatt per month.

The fourth change concerns the updating of the expense and other revenue estimates for FY 1997 and the cost evaluation period of FY 1998 through FY 2002 as a result of better data.

The final change concerns the significant decrease in the transmission contract rate of delivery (CROD) used to calculate the Firm Transmission Rate, Firm Transmission Rate of Salt Lake City Area Integrated Projects (SLCA/IP) Power, and Nonfirm Transmission Rate. The decrease in the CROD resulted primarily from changes in delivery commitments.

A comparison of the existing rates and rates for FY 1998 calculated in accordance with the proposed rate methodology are as follows:

COMPARISON OF EXISTING RATES AND PROPOSED RATE METHODOLOGY RATES

	Existing Rate (FY 1995)	Proposed Rate (FY 1998) [1]	Difference
Rate Schedule:	PD–F5	PD–F6	
Firm Capacity Rate ($/kW-month)	$1.92	$0.56	($1.36)
Firm Energy Rate (mills/kWh)	1.95	1.29	(0.67)
Composite Rate (mills/kWh)	6.33	2.57	(3.76)
Rate Schedule:	PD–FT5 & PD–FCT5	PD–FT6 & PD–FCT6	
Firm Transmission Rate ($/kW-month)	$0.96	$1.08	$0.12
Firm Transmission Rate for SLCA/IP ($/kW-month)	$0.96	$1.08	$0.12
Rate Schedule:	PD–NFT5	PD–NFT6	
Nonfirm Transmission Rate (mills/kWh)	2.19	2.47	0.28

[1] New rates will be calculated in accordance with the rate schedules each year by September 1. These rates represent FY 1998 only.

The decrease in the Firm Energy Rate and Firm Capacity Rate for FY 1998 can be attributed to a large revenue carryover balance from FY 1997, the removal of the transmission component from the Firm Capacity Rate which will be billed separately, and the inclusion of the contracted energy and capacity for the PUP contractors. The increase in the Firm Transmission Rate, Firm Transmission Rate of SLCA/IP Power, and Nonfirm Transmission Rate can be attributed to a significant decrease in the CROD used to calculate these rates even though there is a large revenue carryover balance from FY 1997.

Statement of Annual Revenue Requirement

The Annual Revenue Requirement Allocated to Generation and Transmission will be based upon the net amount between the estimated expenses and other revenue as presented in the Cost Apportionment Study. The Power Repayment Study (PRS) will document these expenses and other revenue. The difference between the estimated and the actual Annual Revenue Requirement Allocated to Generation and Transmission for the rate year will be used to adjust the next year's Annual Revenue Requirement.

By Amendment No. 3 to Delegation Order No. 0204–108, published November 10, 1993 (58 FR 59716), the Secretary of Energy (Secretary) delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary; 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) became effective on September 18, 1985 (50 FR 37835).

These power and transmission rates are established pursuant to Section 302(a) of the Department of Energy (DOE) Organization Act, 42 U.S.C. § 7152(a), through which the power marketing functions of the Secretary of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902, 43 U.S.C. § 371 *et seq.*, as amended and supplemented by subsequent enactments, particularly Section 9(c) of the Reclamation Project Act of 1939, 43 U.S.C. § 485h(c), and other acts specifically applicable to the project system involved, were transferred to and vested in the Secretary, acting by and through the Administrator of Western.

Rate Order No. WAPA–75, confirming, approving, and placing the proposed rate methodology for determining rates for existing contractors from the P–DP into effect on an interim basis, is issued, and the new Rate Schedules PD–F6, PD–FT6, PD–FCT6, and PD–NFT6 will be submitted promptly to FERC for confirmation and approval on a final basis. Western is developing open access tariffs consistent with FERC Order No. 888 and intends to publish short-term rates by November 1997, and to submit long-term rates to the FERC by April 1, 1998.

Dated: November 18, 1997.

Elizabeth A. Moler,

Deputy Secretary.

Department of Energy Deputy Secretary

Order Confirming, Approving, and Placing the Parker-Davis Project Firm Power Service Rate, Firm Transmission Service Rate, and Nonfirm Transmission Service Rate Into Effect on an Interim Basis

November 1, 1997.

The rate methodology is established pursuant to Section 302(a) of the Department of Energy (DOE) Organization Act, 42 U.S.C. § 7152(a), through which the power marketing functions of the Secretary of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902, 43 U.S.C. § 371 et seq., as amended and supplemented by subsequent enactments, particularly Section 9(c) of the Reclamation Project Act of 1939, 43 U.S.C. § 485h(c), and other acts specifically applicable to the project system involved were transferred to and vested in the Secretary of Energy (Secretary), acting by and through the Administrator of Western.

By Amendment No. 3 to Delegation Order No. 0204–108, published November 10, 1993 (58 FR 59716), the Secretary delegated (1) the authority to develop long-term power and transmission rates on a nonexclusive basis to the Administrator of the Western Area Power Administration (Western); (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to the Federal Energy Regulatory Commission. Existing DOE procedures for public participation in power rate adjustments (10 CFR Part 903) became effective on September 18, 1985 (50 FR 37835).

Acronyms and Definitions

As used in this rate order, the following acronyms and definitions apply:

$/kW-month: Monthly charge for capacity. $/kW-season and S/kW-year are converted to a monthly rate ($ per kilowatt per month) for billing purposes.

$/kW-season: Seasonal rate for capacity ($ per kilowatt per season). This is used with the Firm Transmission Rate of Salt Lake City Area Integrated Projects power.

$/kW-year: Yearly rate for capacity ($ per kilowatt per year). This is used with the Firm Transmission Rate and the Capacity Rate.

Annual Revenue Requirement: The revenue that Western needs to meet repayment criteria, which serves as the basis for allocation between generation and transmission.

Annual Revenue Requirement Allocated to Generation: The dollar amount that has been allocated to Generation. This amount is used to calculate the Energy Rate, Capacity Rate, and Composite Rate.

Annual Revenue Requirement Allocated to Transmission: The dollar amount that has been allocated to Transmission. This amount is used to calculate the Firm Transmission Rate, Firm Transmission Rate of Salt Lake City Area Integrated Projects, and Nonfirm Transmission Rate.

Annual Energy: The total annual energy entitlement for the PUP and/or FES contractors.

Capacity Rate: Expressed in $/kW-month and applied to each kW of the FES contractor's seasonal CROD and each kW over the FES contractor's seasonal CROD, as applicable.

Energy Rate: Expressed in mills per kilowatthour (mills/kWh) and applied each billing period to each kWh of the FES contractor's monthly energy entitlement, each kWh over the FES contractor's monthly energy entitlement, and to each kWh of excess energy sold, as applicable.

CIA: Compound Interest Amortization.

Cost Apportionment Study: A study which allocates P–DP's total costs and other revenue between generation and transmission.

CROD: Contract Rate of Delivery.

Customer Brochure: A document prepared for public distribution explaining the background of the rate proposal contained in this rate order.

DOE: Department of Energy.

DOE Order RA 6120.2: An order dealing with power marketing administration financial reporting.

FERC: Federal Energy Regulatory Commission.

FES: Firm Electric Service.

FY: Fiscal Year.

Interior: U.S. Department of the Interior.

kW: Kilowatt.

kW-month: Kilowatt-month.

kW-season: Kilowatt-season.

kW-year: Kilowatt-year.

kWh: Kilowatthour.

mills/kWh: Mills per kilowatthour—the unit of charge for energy.

NEPA: National Environmental Policy Act of 1969.

O&M: Operation and Maintenance.

P–DP: Parker-Davis Project.

Proposed Rate: A rate adjustment that the Administrator of Western recommends to the Deputy Secretary.

Provisional Rate: A rate which has been confirmed, approved, and placed into effect on an interim basis by the Deputy Secretary.

PRS: Power Repayment Study.

PUP: Priority Use Power.

Reclamation: Bureau of Reclamation, U.S. Department of the Interior.

Seasonal CROD: The CROD that FES contractors are entitled to during winter season and summer season. P–DP winter season is October through February and summer season is March through September. SLCA/IP winter season is October through March and summer season is April through October.

SLCA/IP: Salt Lake City Area Integrated Projects.

Western: Western Area Power Administration, U.S. Department of Energy.

Effective Date

The new rate methodology for determining the rates for existing P–DP contractors will become effective on an interim basis beginning November 1, 1997, and remain in effect pending FERC's approval on a final basis for a 59-month period, or until superseded.

Public Notice and Comment

The Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR Part 903, have been followed by Western in developing the method for determining the total Annual Revenue Requirement, Annual Revenue Requirement Allocated to Generation, Annual Revenue Requirement Allocated to Transmission, Energy Rate, Capacity Rate, Firm Transmission Rate, Firm Transmission Rate of SLCA/IP Power, and Nonfirm Transmission Rate.

The following summarizes the steps Western took to ensure involvement of interested parties in the rate process:

1. Review and discussion of the rate methodology and allocating factors were conducted at several meetings with the contractors and interested parties. These meetings were held October 24, 1996, November 18, 1996, January 16, 1997, April 21, 1997, and August 8, 1997.

2. Discussion of the changes to the proposed rate methodology and resulting rates were initiated at an informal P–DP contractor meeting held on May 7, 1997, in Phoenix, Arizona. At this informal meeting, Western explained the need for a change in the estimates and methodology used to calculate the charges and rates.

3. A **Federal Register** notice was published on May 23, 1997 (62 FR 28465), officially announcing the proposed firm power rate, firm transmission rate, and nonfirm transmission rate adjustment, initiating the public consultation and comment period, announcing the public information and public comment forums, and presenting procedures for public participation.

4. On June 3, 1997, a letter was mailed from Western to all P–DP firm power, firm transmission, and nonfirm transmission customers and other interested parties providing a copy of the P–DP Rate Brochure dated May 1997 which included a copy of the **Federal Register** notice of May 23, 1997.

5. At the public information forum held on June 10, 1997, Western and Reclamation representatives explained the proposed rate methodology, a change in the proposed billing procedures, and outlined the changes in the Annual Revenue Requirement for Rate Year 1998 in greater detail and answered questions.

6. The comment forum was held on July 14, 1997, to give the public an opportunity to comment for the record. Six persons representing customers and customer groups made oral comments.

7. On August 14, 1997, a letter was mailed from Western to all P–DP firm power, firm transmission, and nonfirm transmission customers and other interested parties providing a copy of the revised PRS and related tables. The letter stated the final proposed rates and reminder of the coming close of the comment period.

8. Six comment letters were received during the 90-day consultation and comment period. The consultation and comment period ended August 21, 1997. All formally submitted comments have been considered in the preparation of this rate order.

Project History

The Parker Dam Power Project was authorized by Section 2 of the Rivers and Harbors Act of August 30, 1935 (49 Stat. 1039), and the Davis Dam Project was authorized April 26, 1941, by the Acting Secretary of the Interior under provisions of the Reclamation Project Act of 1939 (43 U.S.C. 485, et seq.). The P–DP was formed by the consolidation of the two Projects under the terms of the Act of May 28, 1954 (68 Stat. 143).

Davis Dam, which creates Lake Mohave, provides regulation, both hourly and seasonally, of the water releases from Lake Mead (through Hoover Dam and Powerplant) to facilitate water delivery for downstream irrigation requirements and for water delivery beyond the boundary of the United States as required by the Mexican Water Treaty. Operation of the powerplant began in January 1951 with a generating capacity of 225,000 kW. During the period 1974–1978 the generator nameplate capacity was increased to 240,000 kW by rewinding the generator stators.

Construction of Parker Dam was authorized for the purposes of controlling floods, improving river navigation, regulating the flow of the Colorado River, providing for storage and for the delivery of the stored waters thereof, for the reclamation of public lands and Indian reservations, and for other beneficial uses, and for the generation of electric energy as a means of making the P–DP a self-supporting and financially solvent undertaking.

Parker Dam was constructed by the Bureau of Reclamation (Reclamation) with funds advanced by the Metropolitan Water District of Southern California (MWD). Lake Havasu, the reservoir created behind Parker Dam, serves as the forebay from which water is diverted into the MWD aqueduct. The aqueduct delivers a major portion of California's entitlement of Colorado River water to southern California and is the diversion point for delivering Central Arizona Project water to Arizona. The reservoir operation is limited to minor storage fluctuations. The dam provides a head of approximately 75 feet for the Parker Powerplant. Reclamation began operation of Parker Powerplant in December 1942. Although the total generator nameplate capacity is 120,000 kW, the powerplant capacity is essentially limited to 104,000 kW because of operating constraints of downstream physical structures, primarily Headgate Rock Dam. Under contract, MWD is entitled to one-half of the net energy generated by Parker Powerplant at any given time.

All facilities of the P–DP were operated and maintained by Reclamation until the formation of the Department of Energy pursuant to the Department of Energy Organization Act (DOE Act), 42 U.S.C. Sections 7101 et seq., enacted by Congress on August 4, 1977. Pursuant to Section 302 of the DOE Act (42 U.S.C. 7152), responsibility for the power marketing functions of Reclamation, including the construction, operation, and maintenance of substations, transmission lines and attendant facilities was transferred to the Department of Energy. The responsibility for operation and maintenance of the dams and powerplants remains with Reclamation.

Power Repayment Studies

A PRS is prepared each FY to determine if power revenues will be sufficient to repay, within the prescribed time periods, all costs assigned to the power function. Repayment criteria are based on law, policies, and authorizing legislation. DOE Order RA 6120.2, Section 12b, requires that:

In addition to the recovery of the above costs (operation and maintenance and interest expenses) on a year-by-year basis, the expected revenues are at least sufficient to recover (1) each dollar of power investment at Federal hydroelectric generating plants within 50 years after they become revenue producing, except as otherwise provided by law; plus, (2) each annual increment of Federal transmission investment within the average service life of such transmission facilities or within a maximum of 50 years, whichever is less; plus, (3) the cost of each replacement of a unit of property of a Federal power system within its expected service life up to a maximum of 50 years; plus, (4) each dollar of assisted irrigation investment within the period established for the irrigation water users to repay their share of construction costs; plus, (5) other costs such as payments to basin funds, participating projects, or States.

Existing and Provisional Rates

A comparison of the existing rates and rates for FY 1998 calculated in accordance with the provisional rate methodology are as follows:

COMPARISON OF EXISTING RATES AND PROPOSED RATE METHODOLOGY RATES

	Existing Rate (FY 1995)	Provisional Rate (FY 1998) [1]	Percent Change (%)
Firm Power Service Rate Schedule:	PD–F5	PD–F6	
Capacity Rate ($/kW/month)	$1.92	$0.56	−70.83
Energy Rate (mills/kWh)	1.95	1.29	−34.36
Composite Rate (mills/kWh)	6.33	2.57	−59.40
Firm Transmission Service Rate Schedule:	PD–FT5	PD–FT6	
Firm Transmission Charge ($/kW-month)	$0.96	$1.08	12.50
Firm Transmission Charge for SLCA/IP ($/kW-month)	$0.96	$1.08	12.50
Nonfirm Transmission Service Rate Schedule:	PD–NFT5	PD–NFT6	
Nonfirm Transmission Charge (mills/kWh)	2.19	2.47	12.79

[1] New rates will be calculated in accordance with the rate schedules each year by September 1. These rates represent FY 1998 only.

Certification of Rate

Western's Administrator has certified that the rate methodology for determining the P–DP firm power rate, firm transmission rate, transmission service SLCA/IP rate, and nonfirm transmission rate, placed into effect on an interim basis herein are the lowest possible consistent with sound business principles. The rate methodology has been developed in accordance with administrative policies and applicable laws.

Discussion

Western is requesting approval to place into effect a ratesetting methodology that will be used each year to calculate the total Annual Revenue Requirement, Annual Revenue Requirement Allocated to Generation, Annual Revenue Requirement Allocated to Transmission, Capacity Rate, Energy Rate, Firm Transmission Rate, Firm Transmission Rate of SLCA/IP Power, and Nonfirm Transmission Rate. For FY 1998, the ratesetting methodology produces a decrease in the firm power rates for capacity and energy, and a rate increase for firm and nonfirm transmission service for the P–DP on an interim basis. Five major changes to the rate methodology are affecting these rates for the P–DP.

The first change concerns the Cost Apportionment Study. The study, which demonstrates the distribution of costs between generation and transmission, has been changed as follows: (1) the PUP contractors' delivery commitments are now included in the total amounts reflected in the generation and transmission delivery commitment figures; and (2) the amount of funds to be repaid through the collection of revenues through rates is now based on the single FY projection, instead of a projected 5-year average calculation. These changes were required so the PUP contractors can demonstrate payment of their portion of generation and transmission costs, and to accommodate the yearly reconciliation of expenses under the advance funding agreements which have been executed with the PUP contractors and are currently being negotiated with the FES contractors.

The second change concerns the ratesetting methodology. The new rate methodology includes the PUP contractors' delivery commitments in the calculations of the rates. This was necessary so the PUP contractors can demonstrate payment of their portion of generation and transmission costs.

The third change concerns the billing for FES. Due to the separation of the transmission component from the Capacity Rate, the FES contractors will be billed a Capacity Rate of dollars per kilowatt per month, an Energy Rate of mills per kilowatthour, and a Firm Transmission Rate of dollars per kilowatt per month.

The fourth change concerns the updating of the expense and other revenue estimates for FY 1997 and the cost evaluation period of FY 1998 through FY 2002 as a result of better data.

The final change concerns the significant decrease in the transmission CROD used to calculate the Firm Transmission Rate, Firm Transmission Rate of Salt Lake City Area Integrated Projects Power, and Nonfirm Transmission Rate. The decrease in the CROD resulted primarily from changes in delivery commitments.

With these changes to the existing methodology, the proposed rate methodology will yield annual revenues sufficient to satisfy the cost-recovery criteria set forth in DOE Order RA 6120.2. The existing Annual Revenue Requirement and Annual Revenue Requirement for FY 1998 for the P-DP are as follows:

	Estimated Revenue (Rounded to Nearest $1,000)	
	Existing	FY 1998
Annual Revenue Requirement	$28,522	$25,036
Annual Revenue Requirement for Generation	4,495	3,459
Annual Revenue Requirement for Transmission	24,027	21,577

Statement of Revenue and Related Expenses

The Annual Revenue Requirement for Generation and the Annual Revenue Requirement for Transmission are based upon a ratebase PRS and a Cost Apportionment Study which estimates the annual costs less other revenues. The following table provides a summary of revenue and expense data through the 5-year period FY 1998–FY 2002 at the provisional rates, compared to the 5-year period FY 1996–FY 2000 at the current rates.

PARKER-DAVIS PROJECT COMPARISON OF 5-YEAR RATE PERIOD REVENUES AND EXPENSES

[$1,000]

	Current Rate PRS 1996–2000	Provisional Rate PRS 1998–2002	Difference
Total Revenues	$180,212	$189,728	$9,516
Revenue Distribution:			
O&M	114,874	123,447	8,573
Purchased Power	4,500	2,170	(2,330)
Other	1,017	769	(248)
nterest	56,452	58,342	1,890
Investment Repayment	3,014	3,496	482
Capitalized Expenses Repayment	355	$1,504	1,149
Total	180,212	189,728	9,516

Basis for Rate Development

The rates are calculated using the Annual Revenue Requirement for Generation and the Annual Revenue Requirement for Transmission as calculated in the Cost Apportionment Study. As a result of this study for FY 1998, 86.18 percent of the P-DP costs are to be recovered from the firm transmission service, while the remaining 13.82 percent of the costs are to be recovered from firm power and PUP service. The rate design consists of seven steps.

1. The data in the Cost Apportionment Study is updated yearly with the latest (1) approved budget plans for the next 5 years, (2) principal and interest payments derived from the PRS for the next 5 years, (3) estimate of other revenue, (4) number of electric service and transmission contractors for the next 5 years, (5) amount of energy commitments for the next 5 years, (6) amount of CROD for the next 5 years, (7) amount of in-service investments in the plant accounts since 1987, and (8) 5-year historical capitalized movable property expense data.

2. From the Cost Apportionment Study, the Annual Revenue Requirement Allocated to Generation and Transmission is derived on a yearly basis.

3. The firm transmission rate is developed by dividing the Annual Revenue Requirement Allocated to Transmission by the average monthly billing CROD, rounded to the penny, to determine the yearly rate. The monthly billing rate is equal to the yearly rate divided by 12, rounded to the penny. Transmission sales include the contracted transmission capacity with the firm transmission service customers, FES customers, and PUP customers.

4. The Capacity Rate, Energy Rate, and the Composite Rate are calculated. The Capacity Rate is calculated by taking 50 percent of the Annual Revenue Requirement Allocated to Generation divided by the sum of the Average Monthly Billing CROD for the PUP contractors and FES contractors, rounded to the penny, to determine the yearly rate. The monthly billing rate is equal to the yearly rate divided by 12, rounded to the penny.

The Energy Rate is calculated by taking 50 percent of the Annual Revenue Requirement Allocated to Generation divided by the sum of the Annual Energy obligation for the PUP contractors and the Annual Energy obligation for the FES contractors, rounded to two decimal places.

The composite rate is calculated by taking the Annual Revenue Requirement Allocated to Generation divided by the sum of the Annual Energy obligation for the PUP contractors and the Annual Energy obligation for the FES contractors, rounded to two decimal places.

5. The firm transmission rate for delivery of SLCA/IP power is determined by dividing the firm transmission service rate in half, rounded to the penny to determine the seasonal rate. The monthly billing rate

is equal to the seasonal rate divided by six, rounded to the penny.

6. The nonfirm transmission rate is calculated by taking the firm transmission rate yearly rate divided by the product of 8,760 multiplied by 60 percent with the result multiplied by 1,000, rounded to two decimal places.

7. The FES contractors are billed monthly an energy charge, a capacity charge, and a transmission charge. The contractor's monthly energy charge is equal to the contractor's monthly energy entitlement multiplied by the energy rate. The contractor's monthly capacity charge is equal to the contractor's seasonal billing CROD multiplied by the monthly capacity rate. The contractor's monthly transmission charge is equal to the contractor's seasonal billing CROD multiplied by the monthly firm transmission rate.

Comments

During the 90-day comment period, Western received six written comments either requesting information or commenting on the rate adjustment. In addition, six persons commented during the July 14, 1997, public comment forum. All comments were reviewed and considered in the preparation of this rate order.

Written comments were received from the following sources:

R. W. Beck, Arizona Public Service Company, Overton Power District No. 5 and Valley Electric Association, Irrigation & Electrical Districts Association of Arizona, K. R. Saline & Associates, and Citizens Utilities Company.

Representatives of the following organizations made oral comments:

Arizona Power Authority, Citizens Utilities Company and Arizona Public Service Company, Salt River Project, Irrigation & Electrical District Association of Arizona and the City of Needles, CA, Overton Power District No. 5, Valley Electric Association, and the Town of Fredonia, AZ, and K. R. Saline & Associates.

The comments received at the public meetings and in correspondence dealt with (1) the development of better allocators for apportioning the costs and other revenues between generation and transmission; (2) the finalization of budget estimates and what costs should go into those estimates; (3) the changes in contract relationships with contractors and their effect on the rates; and (4) the use of the PRS. The comments and responses, paraphrased for brevity, are discussed below. Direct quotes from comment letters are used for clarification where necessary.

Issue: A contractor commented that the ''customer allocator'' used in the Cost Apportionment Study does not sufficiently provide for a direct relationship between cost-causation and the recovery of expenses through rates. The customer requests serious consideration of this issue be addressed in the future.

Response: Western has given this issue serious consideration during this rate process and will continue to examine this issue during the next rate process. Additional information concerning the allocation factors is discussed below.

Issue: A customer commented that a reexamination of the cost allocation factors would not be cost beneficial and would result in only a minor change to the overall allocation percentages.

Response: At this time, Western cannot predict what the effect to the overall allocation percentages would be upon reexamination of the cost allocation factors. With the overall revenue requirement for the P–DP approaching $30 million, even a minor change to the overall allocation percentages may significantly affect some of Western's smaller customers.

Issue: A comment was made that the public comment period be continued for an additional 30 to 60 days in order to further review the cost allocation factors and to analyze the allocation of Western's operation expenses.

Response: At a meeting held with contractors and interested parties on January 16, 1997, it was agreed the cost allocation factors, as they currently exist, remain functional and that a better process does not exist. However, it was also agreed the allocation factors may be revisited during future rate processes. At another meeting with the contractors and interested parties held on August 8, 1997, it was once again agreed the current rate process move forward using the allocation factors that were documented and approved during the last rate process and reaffirmed during this current rate process. Once again it was agreed the cost allocation methods be reexamined during the next rate process.

Issue: A customer commented that Western review its current policies or develop new processes to mitigate the rate impacts to remaining customers when it enters new relationships with existing customers.

Response: Western will continue to seek to improve on existing procedures or develop new processes that will meet Western's legislated mandates in a fair and equitable manner. Furthermore, Western will continue to pursue sound business practices that produce the lowest possible rate to the extent possible.

Issue: A customer stated that staffing levels, below authorized levels, allowed a large portion of the projected current year carryover and suggested that Western perform a thorough review of its staffing requirements and provide supporting evidence to its customers of any increased staffing over current levels.

Response: Western is nearing completion of a transformation process that began in 1995 and is expected to be complete by June of 1998. The recommended staffing level was a result of a detailed and in-depth analysis that evaluated all of Western's processes and recommended the most effective and efficient staffing levels to meet Western's needs. Any variation from those levels would require another in-depth analysis. Western will continue to evaluate all processes for continuous improvement and will make adjustments to staffing levels as necessary to meet changing requirements.

Issue: A customer commented a review of the cost allocation of the Conservation and Renewable Energy Program costs be conducted and that these costs are not transmission related and should be allocated to generation.

Response: It is intended the allocation of the Conservation and Renewable Energy Program be reviewed during the next rate process.

Issue: A customer suggested that Western review the methodology used to allocate multiproject costs and general Western administration costs. Furthermore, another customer commented that FTE data should be based on actual staff levels, not authorized positions, and where possible, the use of direct allocations to responsible projects.

Response: The methodology for allocating multiproject costs was published in a report developed in cooperation with the DSW customers. A meeting was held with DSW customers in March 1997 to review the methodology for allocating multiproject costs. During that meeting, minor adjustments to the methodology were recommended and are in the process of being implemented. Western will continue to review the methodology to seek improvements. Any changes to the methodology will be done in a joint customer forum.

The method for distributing general Western administration costs is a Western-wide methodology that was implemented after a review of Western's operations by the firm of Deloitte and Touche. Any change to this methodology would require involvement of all offices throughout Western, and involvement of Western's auditors.

Issue: A customer commented on a recent disclosure by Western that certain pension costs may be included in future rate processes and is of the opinion that these costs not be included for repayment unless legislatively mandated.

Response: Western will record the costs for pension and health benefits in the 1997 financial statements. However, the inclusion of these costs in the PRS will depend upon the outcome of a final decision on Western's legal authority to include these costs in the rate base.

Issue: A customer commented about waiting for several years for Reclamation's commitment to develop a 10-year planning process for Parker-Davis.

Response: Reclamation has begun to develop and implement its 10-year planning process for the Parker-Davis Project and intends for it to be a useful and beneficial process for obtaining customer comments and feedback.

Issue: A customer commented on the need to review the program function of the PRS and on the possibility of developing a more efficient tool for implementing the PRS function.

Response: Western remains open to implementing more efficient and effective processes in the best interests of the customers. Continual improvement of the PRS program is a goal and customer feedback is always welcome. In the forthcoming fiscal year, Western will once again look for ways to implement changes to the PRS program that provides for more efficient output.

Issue: A customer commented on the potential for large rate swings from year to year now that the rates for the Parker-Davis Project are being calculated on an annual basis and no longer on a 5-year average.

Response: The calculation of the rate on an annual basis performs two very critical functions. It allows for a synchronization of the costs shown in the Cost Apportionment Study with those in the PRS and it enables Western to perform an annual cost reconciliation to the Cost Apportionment Study without causing a divergence to the data in the PRS. In order to mitigate potential surprises to the customers in the 5-year out period, Western will continue to project the rates for those years thereby allowing contractors to adequately budget for those future costs or to mitigate those costs by providing feedback through Western and Reclamation's 10-year planning process.

Environmental Evaluation

In compliance with the National Environmental Policy Act of 1969, 42 U.S.C. 4321 *et seq.*; Council on Environmental Quality Regulations (40 CFR Parts 1500–1508); and DOE NEPA Regulations (10 CFR Part 1021), Western has determined this action is categorically excluded from the preparation of an environmental assessment or an environmental impact statement.

Executive Order 12866

DOE has determined this is not a significant regulatory action because it does not meet the criteria of Executive Order 12866, 58 FR 51735. Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by OMB is required.

Availability of Information

Information regarding this rate adjustment, including PRSs, comments, letters, memorandums, and other supporting material made or kept by Western for the purpose of developing the power rates, is available for public review in the Desert Southwest Regional Office, Western Area Power Administration, Office of the Assistant Regional Manager for Power Marketing, 615 South 43rd Avenue, Phoenix, Arizona 85009; and Office of the Assistant Administrator for Power Marketing Liaison, Room 8G–027, 1000 Independence Avenue SW., Washington, DC 20585.

Submission to Federal Energy Regulatory Commission

The rate herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and approval on a final basis. Western is developing open access tariffs consistent with FERC Order No. 888 and intends to publish short-term rates by November 1997, and submit long-term rates to the FERC by April 1, 1998.

Order

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I confirm and approve on an interim basis, effective November 1, 1997, Rate Schedules PD–F6, PD–FT6, PD–FCT6, and PD–NFT6 for the Parker-Davis Project. The rate schedule shall remain in effect on an interim basis, pending Federal Energy Regulatory Commission confirmation and approval of it or a substitute rate on a final basis, through September 30, 2002.

Dated: November 18, 1997.

Elizabeth A. Moler,

Deputy Secretary.

[Rate Schedule PD–F6; (Supersedes Schedule PD–F5)]

Schedule of Rates for Wholesale Firm Power Service

Effective: The first day of the first full billing period beginning on or after November 1, 1997, and remaining in effect through September 30, 2002, or until superseded, whichever occurs first.

Available: In the marketing area serviced by the Parker-Davis Project (P–DP).

Applicable: To the existing wholesale power customers for firm power service supplied through one meter at one point of delivery, unless otherwise provided by contract.

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

Monthly Charge: Energy Charge. Each Contractor shall be billed monthly an energy charge. This charge is equal to the Contractor's monthly energy entitlement multiplied by the Energy Rate (rounded to the penny). The Energy Rate shall be equal to 50 percent of the Annual Revenue Requirement Allocated to Generation divided by the sum of the Annual Energy entitlement to the P–DP Priority Use Power Contractors and the Annual Energy entitlement to the P–DP Firm Electric Service Contractors, rounded to two decimal places.

Capacity Charge: Each Contractor shall be billed monthly a capacity charge. This charge is equal to the Contractor's Seasonal Billing Contract Rate of Delivery (CROD) multiplied by the Capacity Rate, rounded to the penny. The Capacity Rate shall be equal to 50 percent of the Annual Revenue Requirement Allocated to Generation divided by the sum of the Average Monthly Billing CROD for the P–DP Priority Use Power Contractors and P–DP Firm Electric Service Contractors that is then divided by 12, rounded to the penny.

Transmission Charge. Each Contractor shall be billed monthly a transmission charge equal to the Contractor's Seasonal Billing Contract Rate of Delivery (CROD) multiplied by the rate calculated in accordance with PD–FT6, rounded to the penny.

Billing of Excess Energy: For each billing period in which there is excess energy available, offered, and delivered to the Contractor, such excess energy purchases shall be billed at the Energy Rate.

Billing for Unauthorized Overruns: For each billing period in which there is a contract violation involving an unauthorized overrun of the CROD, energy, and/or transmission obligations, such overruns shall be billed at 10 times (1) the Energy Rate for energy overruns, (2) the Capacity Rate for CROD overruns, and (3) the P–DP Firm Transmission Rate, then in effect as it may be amended, for transmission overruns.

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: The customer will normally be required to maintain a power factor at all points of measurement between 95-percent lagging and 95-percent leading.

[Rate Schedule PD–FT6; (Supersedes Schedule PD–FT5)]

Schedule of Rate for Firm Transmission Service

Effective: The first day of the first full billing period beginning November 1, 1997, and remaining in effect through September 30, 2002, or until superseded, whichever occurs first.

Available: Within the marketing area served by the Parker-Davis Project (P–DP).

Applicable: To existing firm transmission service customers where capacity and energy are supplied to the P–DP system at points of interconnection with other systems and transmitted and delivered, less losses, to points of delivery on the P–DP system specified in the service contract.

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

Monthly Rate: Transmission Service Charge: Each Contractor shall be billed a dollar per kilowatt per year rate for each kilowatt at the point of delivery, established by contract, payable monthly at a dollar per kilowatt per month rate. The yearly rate is equal to the Annual Revenue Requirement Allocated to Transmission divided by the Average Monthly Billing Contract Rate of Delivery, rounded to the penny. The monthly billing rate is equal to the dollar per kilowatt per year rate divided by 12, rounded to the penny.

Adjustments: For Reactive Power. There shall be no entitlement to transfer of reactive kilovoltamperes at delivery points, except when such transfers may be mutually agreed upon by contractor and contracting officer or their authorized representatives.

For Losses. Capacity and energy losses incurred in connection with the transmission and delivery of power and energy under this rate schedule shall be supplied by the customer in accordance with the service contract.

Billing for Unauthorized Overruns. For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual firm transmission obligations, such overrun shall be billed at 10 times the above rates.

[Rate Schedule PD–FCT6; (Supersedes Schedule PD–FCT5)]

Schedule of Rate for Firm Transmission Service of Salt Lake City Area Integrated Projects Power

Effective: The first day of the first full billing period beginning on or after November 1, 1997, and remaining in effect through September 30, 2002, or until superseded, whichever occurs first.

Available: Within the marketing area served by the Parker-Davis Project (P–DP) transmission facilities.

Applicable: To existing Salt Lake City Area Integrated Projects (SLCA/IP) southern division customers where SLCA/IP capacity and energy are supplied to the P–DP system by the Colorado River Storage Project (CRSP) at points of interconnection with the CRSP system and for transmission and delivery on a unidirectional basis, less losses, to southern division customers at points of delivery on the P–DP system specified in the service contract.

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

Monthly Rate: Transmission Service Charge: Each Contractor shall be billed a dollar per kilowatt per seasonal rate for each kilowatt at the point of delivery, established by contract, payable monthly at a dollar per kilowatt per month rate. The seasonal rate is equal to the P–DP Firm Transmission Rate then in effect as it may be amended divided by 2, rounded to the penny. The monthly billing rate is equal to the dollar per kilowatt per season rate divided by six, rounded to the penny.

Adjustments: For Reactive Power. There shall be no entitlement to transfer of reactive kilovoltamperes at delivery points, except when such transfers may be mutually agreed upon by contractor and contracting officer or their authorized representatives.

For Losses. Capacity and energy losses incurred in connection with the transmission and delivery of power and energy under this rate schedule shall be supplied by the customer in accordance with the service contract.

Billing for Unauthorized Overruns. For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual firm transmission obligations, such overrun shall be billed at 10 times the above rates.

[Rate Schedule PD–NFT6; (Supersedes Schedule PD–NFT5)]

Schedule of Rate for Nonfirm Transmission Service

Effective: The first day of the first full billing period beginning on or after November 1, 1997, and remaining in effect through September 30, 2002, or until superseded, whichever occurs first.

Available: Within the marketing area serviced by the Parker-Davis Project (P–DP) transmission facilities.

Applicable: To existing nonfirm transmission service customers where capacity and energy are supplied to the P–DP system at points of interconnection with other systems, transmitted subject to the availability of the transmission capacity, and delivered on a unidirectional basis, less losses, to points of delivery on the P–DP system specified in the service contract.

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

Monthly Rate: Nonfirm Transmission Service Charge: Each Contractor shall be billed monthly a mills per kilowatthour rate of scheduled or delivered kilowatthours at point of delivery, established by contract, payable monthly. This rate is equal to P–DP Firm Transmission dollar per kilowatt-year rate then in effect as it may be amended divided by (8,760 multiplied by 0.60) multiplied by 1,000, rounded to two decimal places.

Adjustments: For Reactive Power. There shall be no entitlement to transfer of reactive kilovoltamperes at delivery points, except when such transfers may be mutually agreed upon by contractor and contracting officer or their authorized representatives.

For Losses. Capacity and energy losses incurred in connection with the transmission and delivery of power and energy under this rate schedule shall be supplied by the customer in accordance with the service contract.

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