

DEPARTMENT OF ENERGY**Western Area Power Administration****Loveland Area Projects—Western Area Colorado Missouri Balancing Authority-Rate Order No. WAPA-118**

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of rate order.

SUMMARY: The Deputy Secretary of Energy confirmed and approved Rate Order No. WAPA-118 and Rate Schedule L-AS3, placing the rate for Regulation and Frequency Response Service (Regulation Service) for the Loveland Area Projects (LAP)—Western Area Colorado Missouri Balancing Authority (Balancing Authority) of the Western Area Power Administration (Western) into effect on an interim basis. This provisional rate will be in effect until the Federal Energy Regulatory Commission (Commission) confirms, approves, and places it into effect on a final basis or until it is replaced by another rate. The provisional rate will provide sufficient revenue to pay all annual costs, including interest expense, and repay power investment, within the allowable periods.

DATES: Rate Schedule L-AS3 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after June 1, 2006, and will be in effect until the Commission confirms, approves, and places the rate schedule in effect on a final basis through May 31, 2011, or until the rate schedule is superseded.

FOR FURTHER INFORMATION CONTACT: Mr. Edward F. Hulls, Operations Manager, Rocky Mountain Customer Service Region, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539-3003, (970) 461-7566, e-mail hulls@wapa.gov, or Mr. Daniel Payton, Rates Manager, Rocky Mountain Customer Service Region, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539-3003, (970) 461-7442, e-mail dpayton@wapa.gov.

SUPPLEMENTARY INFORMATION: The Deputy Secretary of Energy approved existing Rate Schedule L-AS3 for Regulation Service, as part of Rate Order No. WAPA-106 (69 FR 1723) on December 30, 2003, placing those formula rates into effect on an interim basis effective March 1, 2004. The Commission confirmed and approved the rate schedules on January 31, 2005, under FERC Docket No. EF04-5182-000 (110 FERC 62,084) for service through February 28, 2009.

This provisional rate is to supersede the current Rate Schedule L-AS3 only. Under the existing Rate Schedule L-AS3, the cost for Regulation Service is only applied against entities' auxiliary loads.

The revised rate remains unchanged for the most part; however, provisions have been made for the application of the load-based rate to all intermittent resources within the Balancing Authority. Intermittent generators serving load outside the Balancing Authority will also pay a pass-through cost for Regulating Reserves. Additionally, Western has further defined the measurement for self-provision of Regulation Service. Although self-provision was permitted under the previously approved rate schedule, the terms and conditions have now been specifically defined.

Since June 2003 Western representatives have attended and participated in various technical conferences and workshops with parties interested in the development of this revised rate for Regulation Service, including the Utility Wind Interest Group, Oak Ridge National Laboratory, the National Wind Coordinating Committee, the National Renewable Energy Laboratory, Public Service Company of New Mexico, the Rocky Mountain Electrical League, and the Commission.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to Western's Administrator, (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy, and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Commission. Existing 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 00-001.00B, and pursuant to 10 CFR part 903 and 18 CFR part 300, I hereby confirm, approve, and place Rate Order No. WAPA-118, the proposed Regulation and Frequency Response Service rate, into effect on an interim basis. The new Rate Schedule L-AS3 will be promptly submitted to the Commission for confirmation and approval on a final basis.

Dated: May 9, 2006.

Clay Sell,

Deputy Secretary.

Deputy Secretary; Order Confirming, Approving, and Placing the Loveland Area Projects—Western Area Colorado Missouri Balancing Authority Regulation and Frequency Response Service Rate Into Effect on an Interim Basis

This rate was 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 other Acts that specifically apply to the project involved.

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Acronyms and Definitions

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

ACE: Area Control Error. The instantaneous difference between a Balancing Authority's net actual and scheduled interchange, taking into account the effects of Frequency Bias and correction for meter error and automatic time-error correction.

AGC: Automatic Generator Control. Equipment that automatically adjusts generation in a Balancing Authority from a central location, to maintain the Balancing Authority's interchange schedule plus Frequency Bias. AGC may also accommodate automatic inadvertent payback and time-error correction.

Auxiliary Load: An entity's metered load, less its Federal allocation.

Balancing Authority: The responsible entity that integrates resource plans

ahead of time, maintains load-interchange-generation balance within a Balancing Authority area, and supports interconnection frequency in real time.

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

Capacity Rate: The rate which sets forth the charges for capacity. It is expressed in dollars per kilowatt-month.

Commission: Federal Energy Regulatory Commission.

CPS2: NERC's Control Performance Standard 2 which requires that the average ACE for at least 90 percent of clock 10-minute periods (6 non-overlapping periods per hour) during a calendar month must be within a specific limit, referred to as L_{10} or "L sub 10".

CRSP: Colorado River Storage Project.

FERC: The Commission (to be used when referencing Federal Energy Regulatory Commission Orders).

FERC Order No. 888: FERC's order promoting open access transmission.

Frequency Bias: A value, usually expressed in megawatts per 0.1 Hertz (MW/0.1 Hz) associated with a Balancing Authority that approximates the Balancing Authority's response to interconnection frequency error.

Fry-Ark: Fryingpan-Arkansas Project.

Intermittent Resource: For purposes of this rate order, an electric generator that is not dispatchable and cannot store its fuel source and therefore, cannot respond to changes in system demand or respond to transmission security constraints.

kW: Kilowatt; a unit of power equal to 1,000 watts.

LAP: Loveland Area Projects.

MW: Megawatt; a unit of power equal to 1,000 kilowatts.

NERC: North American Electric Reliability Council.

P-SMBP: Pick-Sloan Missouri Basin Program.

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

Reclamation Law: A series of Federal laws. Viewed as a whole, these laws create the originating framework under which Western markets power.

Regulating Reserve: An amount of reserve responsive to automatic generation control, which is sufficient to provide normal regulating margin.

Regulating Reserve Charge: Component of the provisional rate that would charge for the consumption of Regulating Reserves.

Regulation Service: Regulation and Frequency Response Service—An ancillary service necessary to provide

for the continuous balancing of resources, generation, and interchange, with load to maintain scheduled interconnection frequency at 60 cycles per second (60 Hz). Regulation Service is accomplished by committing on-line generation through the use of automatic generating control equipment to follow moment-by-moment changes in load.

SBA: Sub-Balancing Authority—An entity serving load inside the Balancing Authority, with sufficient metering and AGC to accommodate minute-to-minute changes between its metered load and generation.

Tariff: Western's Open Access Transmission Tariff.

WACM: Western Area Colorado Missouri Balancing Authority, formerly known as the Western Area Colorado Missouri Control Area.

WALC: Western Area Lower Colorado Balancing Authority.

WECC: Western Electricity Coordinating Council.

Western: United States Department of Energy, Western Area Power Administration.

Effective Date

The provisional rate will take effect on the first day of the first full billing period beginning on or after June 1, 2006, and will remain in effect until May 31, 2011, pending approval by the Commission 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. Western involved interested parties in the rate process in the following manner:

1. Western proposed a rate adjustment for Regulation Service under Rate Order No. WAPA-106, dated June 13, 2003, and subsequently withdrew it on January 12, 2004, to allow more time for public input on intermittent resources and the self-provision of Regulation Service.

2. On March 18, 2004, Western hosted a Technical Information Meeting on Regulation Service in Denver, Colorado. At this meeting, Western presented its findings regarding the withdrawal of the proposed rate. Interested parties gave detailed presentations from their respective viewpoints about Regulation Service.

3. Between May 2004 and May 2005, Western representatives met with officials from Platte River Power Authority, the National Renewable Energy Laboratory, Oak Ridge National Laboratory, and the Center for Resource Solutions to solicit input on and discuss

the impacts of the proposed Regulation Service rate.

4. On September 27, 2004, Western held a second Technical Information Meeting on Regulation Service in Denver, Colorado, to discuss the results of the technical work completed since the March 18, 2004, Technical Information Meeting.

5. On June 20, 2005, Western published a Notice of Proposed Rate for Regulation Service in the **Federal Register** (70 FR 35424). Publication of this notice began the formal public process.

6. On July 27, 2005, Western held public information and public comment forums for the proposed Regulation Service rate adjustment in Denver, Colorado.

7. The Consultation and Comment Period for the public process closed on September 19, 2005.

8. Western received two comment letters during the Consultation and Comment Period which were considered in preparing this rate order. One comment letter received on September 27, 2005, while not specifically addressed in this rate order, reiterated the comments of the other two commenters, and therefore, was addressed.

Comments

Written comments were received from the following: Oak Ridge National Laboratory, Oak Ridge, Tennessee, and the National Renewable Energy Laboratory, Golden, Colorado (submitted jointly) Colorado Springs Utilities, Colorado Springs, Colorado.

Representatives of the following organizations made oral comments: Oak Ridge National Laboratory, Oak Ridge, Tennessee Colorado Springs Utilities, Colorado Springs, Colorado Platte River Power Authority, Fort Collins, Colorado.

Project Description

A. Federal Projects Providing Regulation Service

LAP is comprised of two power projects that provide Regulation Service for the WACM Balancing Authority, the Pick-Sloan Missouri Basin Program—Western Division (P-SMBP-WD) and the Fryingpan-Arkansas Project (Fry-Ark). The two projects were operationally and financially integrated for marketing purposes in 1989.

WACM also receives supplemental Regulation Service through a dynamic signal from CRSP generating resources located within the WALC Balancing Authority.

Within WACM, LAP provides service to customers in a three-state area

(Colorado, Wyoming, and Nebraska) over a transmission system of approximately 3,356 miles (5,401 circuit kilometers), and CRSP provides service to customers over a transmission system of approximately 1,422 miles (2,288 circuit kilometers).

Loveland Area Projects

Pick-Sloan Missouri Basin Program—Western Division

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

The Colorado-Big Thompson (C-BT), Kendrick, 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 consist of 19 powerplants: 6 in the C-BT, 6 in the P-SMBP-WD, 2 in the Kendrick Project, 4 in the Shoshone Project, and 1 in the North Platte Project.

Fryingpan-Arkansas Project

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

wildlife enhancement, and recreation are other important purposes of Fry-Ark.

Fry-Ark features five dams and reservoirs, one located on the West Slope of the Rocky Mountains, and four located on the East Slope of the Rocky Mountains.

Fry-Ark's electrical features consist of the Mount Elbert 206-MW Pumped-Storage Power Plant, the Mount Elbert Switchyard, and the Mount Elbert-Malta 230-kV Transmission Line.

Colorado River Storage Project

CRSP was authorized by the Act of April 11, 1956. It consists of four major storage units: Glen Canyon on the Colorado River in Arizona near the Utah border, Flaming Gorge on the Green River in Utah near the Wyoming border, Navajo on the San Juan River in northwestern New Mexico near the Colorado border, and the Wayne N. Aspinall unit (formerly known as Curecanti) on the Gunnison River in west-central Colorado.

Six Federal powerplants with 16 units are associated with the project. The operating capacity of CRSP's 16 generating units was approximately 1,727,000 kW in fiscal year (FY) 2005. CRSP operates its transmission system within two balancing authorities, WACM and WALC.

B. Balancing Authority Characteristics

WACM is operated by Western and has Federal hydroelectric resources from the P-SMBP-WD and Fry-Ark Project. Large non-Federal thermal generators also operate within WACM, but are not under the direct control of Western; e.g., Laramie River Station operated by Basin Electric Power Cooperative, Inc., and Craig Power Plant operated by Tri-State Generation and Transmission Association, Inc.

The thermal generation within WACM represents the larger portion of the Balancing Authority's resource portfolio. However, thermal resources are much slower to respond to Regulation Service requirements, are generally operated near or at maximum generating capacity, and are typically not part of the AGC configuration. Generally, the thermal generation within WACM, as configured, is not considered capable of providing significant Regulation Service.

In FY 2005, the peak load within WACM was measured at about 3,300 MW with approximately 5,300 MW of generation installed. Federal generation capacity is 830 MW or about 15 percent of the total available resource.

Balancing Authority Regulating Constraints

The only units within WACM capable of providing Regulation Service are those with the ability to adjust their output on a moment-to-moment basis. These units are located at Yellowtail, Seminoe, Kortes, Fremont Canyon, Alcova, Estes, Flatiron, and Mount Elbert powerplants. The amount of Regulating Reserve available from LAP powerplants is limited by how many units are available and the prescheduled loading of the units at a given time. Factors influencing unit regulating availability include water schedules, individual generator rough zone constraints, and various environmental constraints. These limitations exist at most LAP powerplants including Yellowtail and Mount Elbert, the two primary powerplants providing Regulation Service.

The relatively small size of some forebays and afterbays also limits the amount of Regulating Reserve available to the system. Additionally, water delivery has priority over generation needs, further restricting the amount of water that can be moved through the generators to provide Regulation Service.

C. Regulation Service Rate Discussion

In April 1998 Western implemented a load-based rate for Regulation Service. This rate has been applied to auxiliary loads within the Balancing Authority since that time. The existing formula rate for Regulation Service is based on an analysis that shows WACM requires 75 MW of Regulating Reserve. As LAP has limited hydroelectric generation available for Regulation Service, it must rely on purchases from others to supplement its own resources. This is important as the Balancing Authority could be the default provider of Regulation Service for 653.5 MW of intermittent resources currently in its interconnection queue. Recognizing its resource limitations, in this rate adjustment Western has included rates designed to properly allocate costs to all users of Regulation Service, including intermittent resources.

The rate for Regulation Service is derived by dividing the revenue requirement by the load plus the installed intermittent generation, if any, within the WACM Balancing Authority requiring Regulation Service. The revenue requirement for Regulation Service consists of: (1) The annualized cost of LAP powerplants providing Regulation Service within the WACM Balancing Authority, (2) the revenue requirement for CRSP powerplants

providing supplemental Regulation Service to the WACM Balancing Authority, and (3) the cost of purchases to support Regulation Service. The load taking Regulation Service within WACM is derived by measurement of the load coincident with the LAP transmission system peak on a rolling 12-month average, plus the nameplate capacity of the intermittent resources located within the Balancing Authority.

The provisional Regulation Service rate was developed based on the analysis of data relevant to the WACM Balancing Authority, and an extensive record was compiled during the process. Each Balancing Authority has unique operating characteristics and constraints when providing ancillary services. This rate is specifically designed for WACM's unique operating characteristics.

Basis for Rate Development

The existing rate for Regulation Service in Rate Schedule L-AS3 expires on February 28, 2009.

The provisional rate will provide sufficient revenue to pay all annual costs, including interest expense and repayment of power investment, and will ensure that revenues are collected from the appropriate entities. The provisional rate will take effect on June 1, 2006, and will remain in effect through May 31, 2011.

D. Rate Adjustment Background/Rates History

Background

Western published a Notice of Proposed Rate for Regulation Service in the **Federal Register** on June 13, 2003 (68 FR 35398). One component of that proposed rate specifically addressed Regulation Service needs for intermittent resources. However, that component was withdrawn from the Final Notice of Rate Order published in the **Federal Register** on January 12, 2004 (69 FR 1723), to allow further study and input from interested parties. This provisional rate for Regulation Service is the culmination of that continued study and input from various interested parties.

Existing, Proposed, and Provisional Rates

Western received comments during the Consultation and Comment Period that ended September 19, 2005. Based on comments received and further

analysis, Western has revised its June 20, 2005, proposed rate to reflect the final provisional rate outlined in this rate order.

Description of Existing Rate

Western's existing rate for Regulation Service is a load-based rate which is applied to entities' auxiliary loads within WACM. The existing rate provides for entities to be credited when providing WACM with Regulation Service, and waives charges if the load/resource is dynamically metered out of WACM. Western's existing rate contains no provision for application of pass-through costs. Following is a description of the changes made from the proposed rate to the provisional rate:

Load-Based Assessment Changes

The June 2005 proposed rate maintained the existing rate's load-based rate for application to auxiliary loads, but limited the application of that load-based rate for intermittent resources equal to or less than 10 percent of an entity's auxiliary load. The proposed rate also provided for an assessment to any load or resource deemed to be non-conforming.

The provisional rate eliminates the 10-percent limit, and applies the load-based rate to both the auxiliary loads and the total installed intermittent resources within the Balancing Authority.

Changes in the Pass-Through Assessment

The June 2005 proposed rate included provisions for periodic evaluations of all generators' performance within the Balancing Authority, and for those identified as non-conforming, provided for a pass-through cost. In the proposed rate, pass-through costs would also be applied to entities' intermittent resources exceeding 10 percent of their auxiliary load.

The provisional rate eliminates the generator performance evaluation, as well as the 10-percent measurement and the non-conforming load/resource analysis. In the provisional rate, only intermittent resources that are exported are charged a pass-through cost for Regulating Reserves.

Changes in Self-Provision or Cost Waiver Assessment

The June 2005 proposed rate maintained the cost waiver if a load or

resource was dynamically metered out of the Balancing Authority. If an entity claimed to be self-providing Regulation Service, the proposed rate gave the option of fully or partially self-providing (no different than the existing rate). The measurement of partial self-provision would be accomplished by measuring the first derivative of the average 1-minute change in the entity's ACE. An entity claiming to fully self-provide Regulation Service would have a choice of responding to WACM's dynamic ACE proportional to the entity's load, allowing WACM direct access to pulse the entity's regulating units, or some other mutually agreed-to process.

The provisional rate no longer provides the option for an entity to respond to a proportional share of WACM's ACE. The provisional rate retains the option for an entity to allow WACM to directly pulse the entity's regulating units. It has also been adjusted slightly to measure partial self-provision by offering the customer the option of measuring either the entity's first derivative of the average 1-minute change in its ACE, or its averaged 1-minute ACE.

Summary of the Provisional Rate Effective June 1, 2006

The provisional rate maintains the load-based assessment for auxiliary loads and the allowance for self-provision of the service, but allows the following choices for measuring that self-provision: (1) The first derivative of the averaged 1-minute change in the entity's ACE, or (2) the entity's average 1-minute ACE.

The provisional rate eliminates the 10-percent limitation for intermittent resources to receive the load-based rate and instead applies the load-based rate to the total installed capacity of the intermittent resource.

The provisional rate also eliminates the conforming versus non-conforming load/resource analysis. However, any intermittent resource exporting from WACM via a schedule would still be charged a pass-through cost based on the average hourly mismatch between forecast and actual generation.

Existing and Provisional Rates

A comparison of the existing, proposed, and provisional rates is as follows:

Existing Rate Schedule L-AS3 Effective March 1, 2004	Proposed Rate Schedule L-AS3 Proposed June 20, 2005	Provisional Rate Schedule L-AS3 Effective June 1, 2006
Load-Based Rate	Load-Based Rate	Load-Based Rate
Applied to:	Applied to:	Applied to:

Existing Rate Schedule L-AS3 Effective March 1, 2004	Proposed Rate Schedule L-AS3 Proposed June 20, 2005	Provisional Rate Schedule L-AS3 Effective June 1, 2006
Load-Based Rate	Load-Based Rate	Load-Based Rate
(1) Entity's auxiliary loads	(1) Entity's auxiliary loads; (2) Entities' intermittent resources $\leq$ 10% of their auxiliary load within WACM, after 180 MW limit for intermittent resource installation reached; and (3) Non-conforming type load (charged an adjusted load-based rate).	(1) Entity's auxiliary loads; and (2) Entities' total installed intermittent resources' capacity within WACM, with no installation limit. (3) Eliminated.
Pass-Through Cost: Market-Based	Pass-Through Cost: Market-Based	Pass-Through Cost: Market-Based
N/A	Applied to: (1) all generators without designated load in WACM; and. (2) entities with installed intermittent generation 10% of their auxiliary load within WACM, after 180 MW limit for intermittent resource installation reached, will be charged as follows: (a) Regulation Charge for minute-to-minute fluctuations. (b) Regulating Reserve Charge for hourly mismatch of capacity.	Applies to: (1) See No. (2), in Cost Waiver section below. (2) No limit on installed intermittent generation, which will be charged as outlined in a. and b., below: (a) Regulation Charge (load-based) will be charged to total installed intermittent resources (see Load-Based Rate, No. (2)). (b) intermittent resources exporting from WACM via schedule will be charged for a Regulating Reserve Charge based on the hourly mismatch of forecast versus actual generation.
Cost Waiver:	Cost Waiver:	Cost Waiver:
Cost for service partially or fully waived if: (1) generator or load dynamically metered out of WACM; or (2) an entity provides its own service (partially or fully) and claim is accepted by WACM	Cost for service partially or fully waived if: (1) generator or load dynamically metered out of WACM; or. (2) entities with manual AGC that are partially self-providing (charged load-based rate), will be measured by the first derivative of the averaged 1-minute change in the entity's error signal; or (3) entities with automatic AGC, that want to fully provide service (no charge) must: (a) be willing/able to respond to WACM's dynamic signal, proportional to entity's load; (b) allow WACM direct access to pulse entity's regulating units; (c) mutually agree to any other proven methodology or process; or (d) if entity does not comply with (a), (b), or (c), it will be subject to measurement outlined in manual AGC description in No. (2), in this section.	Cost for service partially or fully waived if: (1) generator or load dynamically metered out of WACM; or (2) entities partially self-providing (charged the load-based rate) will be measured by either: (a) first derivative of the averaged 1-minute change in the entity's ACE; or (b) the entity's average 1-minute ACE; or (3) entities wishing to fully provide service must: (a) no longer applicable; (b) allow WACM direct access to pulse entity's regulating units; (c) mutually agree to any other proven methodology or process; or (d) if entity does not comply with b. or c., it will be subject to measurement outlined in this section, Nos. (2)(a) or (2)(b).

Customer Accommodation

As referenced in Western's existing rate schedule for Regulation Service, entities requiring service " * * * must either purchase this service from WACM or make alternative comparable arrangements to satisfy their Regulation obligations." (69 FR 1734) Western expects that entities requiring Regulation Service will take service from the WACM Balancing Authority.

However, for entities unwilling to take Regulation Service from the WACM Balancing Authority, self-provide it, or acquire it from a third party, Western has an established record of assisting

and will continue to assist entities in the dynamic metering of their loads or resources out of the Balancing Authority. Until such time as meter reconfiguration is accomplished, an entity will be responsible for Regulation Service charges assessed by the WACM Balancing Authority under the rate then in effect.

Certification of Rates

Western's Administrator certified that the provisional rate for Regulation Service is the lowest possible rate consistent with sound business principles. The provisional rate was

developed following administrative policies and applicable laws.

Comments

The comments and responses regarding the Regulation Service rate, paraphrased for brevity when not affecting the meaning of the statement(s), are discussed below. Direct quotes from comment letters are used for clarification where necessary.

The issues discussed have been organized into three sections: (1) Rate Design, (2) Implementation, and (3) Miscellaneous.

1. Rate Design

A. Comment: Several comments expressed concern about the difference between Western's interpretation and their own regarding the true nature of Regulation Service. The commenters stated that Western's methodology for Regulation Service increases the cost of the service as expensive regulating units also support load-following and ramping.

Response: The Commission requires balancing authorities to offer transmission customers Regulation and Frequency Response Service. However, there is no standard definition for load-following in any Commission document, NERC's glossary of terms, or WECC's reliability criteria. Within WACM, there is no distinction between Regulation Service and load-following during the hour on a real-time basis.

WACM's Regulation Service, ramping, and load-following are performed simultaneously by the same units. As typical loads require all three services, it serves no purpose to operationally separate the functions.

Out of the 16 customers taking Regulation Service from Western, the 7 balancing authorities adjacent to Western, or the 34 balancing authorities within the Western Interconnection, none have made requests or submitted comments to Western regarding the separation of these services.

B. Comment: A comment suggested Western develop a mechanism to tap into the ramping capability of non-Federal thermal generation within WACM, so that the cost of Regulation Service and load-following could be reduced for all customers.

Response: This comment is out of the scope of this rate action. However, the ramping capability identified in the comment is not owned by Western. Such resources are fully committed or used for the respective owners' deliveries to load. Any use of available ramping capability would have to be purchased from the thermal generation's owner and replaced to accommodate previous operational commitments.

C. Comment: A comment states that the proposed rate methodology adds unneeded complexity to the rate.

Response: Western believes that the methodology adopted in the provisional rate reflects a more accurate assignment of costs and is a reasonable modification of the existing approved rate for Regulation Service. The methodology is no more complex than necessary to assign costs fairly and provide adequate customer choice.

D. Comment: The rate adjustment fails to assess the actual physical Regulation

Service burden placed on the system by each separate customer and improperly recovers costs from each customer in proportion only to the Regulation Service burden placed on the system by each customer group.

Response: This methodology is unchanged from the previous Commission-approved rate and is consistent with regional and Western Interconnection practices. A separate rate or system burden is not identified for each customer, and proportional, cost-based assessments will continue to be made for each customer's load share of the system's Regulation Service requirements.

E. Comment: A commenter believes that the Regulation Service rate should be based on the Regulation Service allocation method described in the January 2000 report, "Customer-Specific Metrics for the Regulation and Load Following Ancillary Services," authored by Brendan Kirby and Eric Hirst of Oak Ridge National Laboratory.

Response: Based upon Western's research, the methodology outlined in the January 2000 report referenced by the comment has not been adopted and put into practice by any entity or Balancing Authority in the electric utility industry.

Western's load-based rate is approved by the Commission and has been in effect for approximately 8 years. Western believes that minor adjustments to the approved rate, based on operating experience and Balancing Authority needs, are a reasonable modification.

The provisional rate methodology, specifically tailored for WACM's unique mix of resources, results in the lowest cost consistent with sound business principles and therefore, is most appropriate for determining Regulation Service. A complete change in methodology is unnecessary.

F. Comment: Western received several comments related to the analysis of wind resources, their operating characteristics, and impacts on Balancing Authority performance. Specifically, comments addressed Western's simulation studies to determine wind impacts on the Balancing Authority, the true amount of wind capacity that could be absorbed by WACM, and the cost of service for intermittent resources.

Response: In its simulation studies on Balancing Authority performance, Western projected or scaled the output of existing WACM wind resources to study the impacts of additional wind resources.

While linear scaling of a large magnitude in the range of 10 to 20 times

might render questionable results, Western has demonstrated that linear scaling of 2 to 3 times is accurate for the purpose of this analysis.

As a benchmark of reasonability, Western worked with a neighboring Balancing Authority with similar characteristics and a 204-MW wind farm. Analyses revealed that this wind farm had significant intra-hour fluctuations, often up to the installed capacity of the units. During these times, the neighboring Balancing Authority saw a significant degradation in its operating performance.

Despite the fluctuations in output from wind or other intermittent resources, Western has determined by reviewing additional information and public comments that at present, there is no need to establish a limit for the amount of wind that may be installed for use by loads residing within the Balancing Authority.

For resources exported out of the Balancing Authority, Western will charge the load-based rate against the nameplate of the resource plus a Regulating Reserve Charge, measured by the average hourly mismatch of the forecast versus the actual generation, and using pass-through pricing.

G. Comment: Western has effectively double-charged customers for energy associated with Regulation Service, by charging them once in their Energy Imbalance Service rate schedule and by charging them again within the Regulation Service rate as a Regulating Reserve Charge.

Response: In the interest of clarification, Western notes that its Energy Imbalance Service credits customers who over-deliver their resources and charges customers who under-deliver their resources.

Western will not double-charge by charging for both Energy Imbalance Service and Regulating Reserve charges. The proposed Regulating Reserve Charge is a separate and distinct charge and can be viewed in the same light as a "unit commitment" charge; *i.e.*, what Western needs to keep on-line when an intermittent resource's actual output differs from its scheduled output.

Western notes that the Regulating Reserve Charge would only apply to entities exporting their intermittent generation out of WACM.

H. Comment: A comment states that Western's metric does not work above the 10-percent penetration rate (as defined by Western). For wind capacity in excess of this limit, there is no indication of what metric will be used to calculate the impact of wind on the system regulation requirements.

Response: Western has eliminated the limit for intermittent generation of 180 MW or 10 percent of the Balancing Authority's auxiliary load, primarily due to the dynamic circumstances surrounding the impacts of additional intermittent resource installation. It is highly likely that WACM would experience degradation in its CPS2 should a single 200-MW intermittent resource be added to the Balancing Authority's resource mix. Historically, however, WACM has seen a very gradual addition of wind generators and has been able to adapt its system to operate around the volatility of these generators. Therefore, Western has eliminated the limit in the provisional rate.

2. Rate Implementation

A. Comment: Western has incorrectly identified non-conforming loads and did not adequately define how they would be measured.

Response: Western's proposed metric for identifying conforming versus non-conforming load was accurate, and properly distinguished between these two types of loads. However, the WACM Balancing Authority does not presently have any non-conforming load within its boundaries, and is not anticipating such load in the foreseeable future. This led to a decision to eliminate the non-conforming load assessment from the provisional rate.

B. Comment: An SBA with AGC must respond to an error signal from WACM "proportional to the SBA's load within the Balancing Authority," which would be inequitable, as allocation of regulating burden cannot be assessed on load. Regulating Service charges are more properly based on the volatility of the load, not on average demand.

Response: The option of responding to a proportional share of WACM's dynamic signal was one of several options available to customers. However, this option was eliminated from the provisional rate. Other remaining alternatives include paying the same load-based Regulation Service rate as others or being treated as an SBA without AGC, both of which would resolve the comment's concern that it only respond to the "volatility" of its own load (see Response to Comment 2.C. below).

Regarding the comment that a proportional response of a customer's AGC to an error signal from the Balancing Authority is inequitable, Western believes that this arrangement is equitable and necessary to prevent WACM from being the first to respond to a dynamic signal when an SBA cannot. It ensures that the SBA absorbs,

on a proportional basis, responsibility for Regulation Service within the Balancing Authority.

C. Comment: Under the self-provision assessment methodology, the limits of 0.5 percent and 1.5 percent to determine whether there are full, partial or no charges for a period are completely arbitrary.

Response: The bandwidths of 0.5 percent and 1.5 percent are not arbitrary and follow calculations used by NERC for computing allowable excursions for each Balancing Authority. This calculation is based on the proportional share of generation response within a Balancing Authority's boundaries, contrasted to total generation response in the Interconnection.

D. Comment: A commenter maintains that it is providing its own Regulation Service, and, therefore, is not subject to WACM's ancillary service rate for Regulation Service.

Response: Western's position is that all entities operating within the Balancing Authority that are not NERC-recognized balancing authorities must take Regulation Service from the host Balancing Authority, unless they can demonstrate that they are actually providing their own service or are not using the resources of the host Balancing Authority.

An entity's claim of full self-provision of Regulation Service must be demonstrated through joint study between the entity and the Balancing Authority, and approved by WACM. Until such time as full self-provision is demonstrated and approved, the entity will be charged for Regulation Service based on the entity's choice of: (1) The first derivative of the averaged 1-minute change in the entity's ACE; (2) the entity's average 1-minute ACE, as outlined in Rate Schedule L-AS3, Section 3.1; or (3) the load-based rate applied against the entity's load.

E. Comment: The rate methodology does not credit the SBA for providing frequency response service which could motivate the SBA to set its Frequency Bias to zero, resulting in governor response being withdrawn by the AGC system during a system disturbance.

Response: For those entities operating generation in a tie-line bias mode, Western will offset the calculated Regulation Service requirement by mutual agreement with the SBA.

Western will not provide credit for the governor response, as it is an involuntary action by the generating units across the Western Interconnection to arrest frequency from further degradation in the aftermath of a large contingency.

3. Miscellaneous

A. Comment: Several comments applauded Western for its efforts to develop a rate for Regulation Service that recognizes the costs associated with providing the service and attempts to allocate those costs to the transmission customers responsible for incurring those costs.

Response: Western notes the comments.

B. Comment: A comment recommends WACM abandon the present proposal and develop a Regulation Service rate that uses technically defensible metrics to measure consumption of the service.

Response: Western acknowledges the recommendation, but believes that its methodology is technically defensible, and it would not be reasonable to abandon efforts to manage and accurately account for the cost of providing Regulation Service. Western provided appropriate time and opportunity for consultation and comment on the proposed action in accordance with the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, set out in 10 CFR part 903.

C. Comment: A comment renewed an offer to help Western develop an appropriate

Regulation Service tariff and help analyze the impact of wind generation.

Response: Western appreciates the offers of assistance it received during the course of this rate process, however, Western cannot give favored status to any group or groups in the design and implementation of proposed actions.

Western did accept information and input from all concerned parties, both formally and informally, worked closely with technical staff from other agencies, and hosted panel discussions regarding the proposed rate at many wind-related conferences and meetings.

Western also believes that it is in the best position to design its Regulation Service rate, based on the unique characteristics of WACM, the regional Federal hydroelectric powerplants, and Western's mission.

Availability of Information

Information about this rate adjustment, including comments, letters, memorandums and other supporting materials Western used to develop the provisional rates, is available for public review in the Rocky Mountain Customer Service Region, Western Area Power Administration, 5555 East Crossroads Boulevard, Loveland, Colorado.

Regulatory Procedure Requirements*Regulatory Flexibility Analysis*

The Regulatory Flexibility Act of 1980 (5 U.S.C. 601, *et seq.*) requires Federal agencies to perform a regulatory flexibility analysis if a final rule is likely to have a significant economic impact on a substantial number of small entities and there is a legal requirement to issue a general notice of proposed rulemaking. Western has determined that this action does not require a regulatory flexibility analysis since it is a rulemaking of particular applicability involving rates or services applicable to public property.

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) 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 that this action is categorically excluded from preparation of 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.

Small Business Regulatory Enforcement Fairness Act

Western has determined that this rule is exempt from congressional notification requirements under 5 U.S.C. 801 because the action is a rulemaking of particular applicability relating to rates or services and involves matters of procedure.

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 the Commission 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 June 1, 2006, Rate Schedule L–AS3 for the Loveland Area Projects and the Western Area Colorado Missouri Balancing Authority of the Western Area Power Administration. The rate schedule shall remain in effect on an interim basis, pending the

Commission's confirmation and approval of it or a substitute rate on a final basis through May 31, 2011.

Dated: May 9, 2006.

Clay Sell,

Deputy Secretary.

Rate Schedule L–AS3, Schedule 3 to Tariff, June 1, 2006

Rocky Mountain Region; Regulation And Frequency Response Service*Effective*

The first day of the first full billing period beginning on or after June 1, 2006, through May 31, 2011.

Applicable

Regulation and Frequency Response Service (Regulation Service) is necessary to provide for the continuous balancing of resources, generation and interchange with load, and for maintaining scheduled interconnection frequency at sixty cycles per second (60 Hz). Regulation Service is accomplished by committing online generation whose output is raised or lowered, predominantly through the use of automatic generating control equipment, as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Western Area Colorado Missouri (WACM) Balancing Authority operator. The Customers (Loveland Area Projects (LAP) Transmission Customers and customers on others' transmission systems within WACM) must purchase this service from WACM or make alternative comparable arrangements to satisfy their Regulation Service obligations. The charges for Regulation Service are outlined below.

LAP charges for Regulation Service may be modified upon written notice to Customers. Any change to the Regulation Service charges will be listed in a revision to this rate schedule issued under applicable Federal laws, regulations, and policies and made part of the applicable service agreement. Western will charge Customers under the rate then in effect.

Types

There will be three different applications of this rate, none of which are exclusive of the other, and all three may be applied to the same entity where appropriate. The three applications are:

1. *Load-based Assessment:* The Rate is reflected in the Formula Rate section and will be applied to entities who serve load within the WACM Balancing Authority. This load-based rate will be assessed on an entity's auxiliary load

(total metered load less Federal entitlements) and will also be applied to the installed nameplate capacity of all intermittent generators within WACM.

2. *Exporting Intermittent Resource Assessment:* This application will apply to entities that export the output from intermittent resource(s). The entity will continue to pay the load-based charge on the nameplate capacity, as described in No. 1 above, but will also pay an additional Regulating Reserve charge for mismatched capacity; i.e., the hourly average mismatch of the resource's forecast versus actual generation, using the regional market rate for capacity/reserves as pricing.

3 *Self-Provision Assessment:* Western will allow entities with automatic or manual generation control to self-provide for all or a portion of their loads. Typically, entities with generation control are known as Sub-Balancing Authorities (SBA) and should meet all of the following criteria:

a. Have a well-defined boundary, with WACM-approved revenue-quality metering, accurate as defined by NERC, to include MW flow data availability at 6-second or smaller intervals.

b. Have AGC capability.

c. Demonstrate Regulation Service capability.

d. Execute a contract with the WACM Balancing Authority to:

i. Provide all requested data to the WACM Balancing Authority.

ii. Meet SBA Error Criteria as described under section 3.1 below.

3.1. Self-provision will be measured by use of the entity's 1-minute average ACE or the entity's 1-minute first derivative of ACE (at the customer's choice), to determine the amount of self-provision. The assessment will be calculated every hour and the value of ACE or its derivative will be used to calculate the Regulation Service charges as follows:

a. If the entity's 1-minute average ACE or entity's 1-minute first derivative of ACE is $\leq$ than 0.5 percent of the entity's hourly average load, no Regulation Service charges will be assessed by WACM.

b. If the entity's 1-minute average ACE or the entity's 1-minute first derivative of ACE is $\geq$ 1.5 percent of the entity's hourly average load, WACM will assess Regulation Service charges to the entity's entire load, using the load-based rate.

c. If the entity's 1-minute average ACE or the entity's 1-minute first derivative of ACE is $>$ 0.5 percent of the entity's hourly average load, but $<$ 1.5 percent of the entity's hourly average load, WACM will assess Regulation Service

charges based on linear interpolation of zero charge and full charge.

Customer Accommodation

For entities unwilling to take Regulation Service, self-provide it as described above, or acquire the service from a third party, Western will assist

the entity in dynamically metering its loads/resources to another Balancing Authority. Until such time as that meter configuration is accomplished, the entity will be responsible for charges assessed by WACM under the rate in effect.

Formula Rate

Load-Based Rate, applicable to No. 1 and No. 3 as described above and outlined in the "Types" section of this rate schedule:

$$\text{WACM Regulation Rate} = \frac{\text{Total Annual Revenue Requirement for Regulation}}{\text{Load in the Balancing Authority Requiring Regulation Plus the Nameplate of Intermittent Resources}}$$

Pass-Through Costs (Market), will be applicable only to No. 2 as described above and outlined in the "Types" section of this rate schedule.

Rates

Load-Based Rate

The rate to be in effect June 1, 2006, through September 30, 2006, for Nos. 1, 2, and 3, as described above and outlined in the "Types" section of this rate schedule is:

Monthly: \$0.219/kW-month

Weekly: \$0.051/kW-week

Daily: \$0.007/kW-day

Hourly: \$0.000292/kWh

This rate is based on the above formula and on fiscal year 2004 financial and load data, and will be adjusted annually as new data become available.

Pass-Through Rate

The rate to be in effect June 1, 2006, through September 30, 2006, for No. 2 as described above and outlined in the "Types" section of this rate schedule will be the regional market-based cost for capacity/reserves.

[FR Doc. E6-7494 Filed 5-16-06; 8:45 am]

BILLING CODE 6450-01-P

ENVIRONMENTAL PROTECTION AGENCY

[EPA-HQ-OPPT-2002-0001; FRL-8068-7]

National Pollution Prevention and Toxics Advisory Committee (NPPTAC); Notice of Public Meeting

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice.

SUMMARY: Under the Federal Advisory Committee Act (FACA), 5 U.S. App.2 (Public Law 92-463), EPA gives notice of a 2-day meeting of the National Pollution Prevention and Toxics Advisory Committee (NPPTAC). The purpose of the meeting is to provide

advice and recommendations to EPA regarding the overall policy and operations of the programs of the Office of Pollution Prevention and Toxics (OPPT).

DATES: The meeting will be held on June 14, 2006 from 9 a.m. to 5:30 p.m., and June 15, 2006 from 10:45 a.m. to 1 p.m.

Registration to attend the meeting identified by docket identification (ID) number EPA-HQ-OPPT-2002-0001, must be received on or before June 9, 2006. Registration will also be accepted at the meeting.

Request to provide oral and/or written comments at the meeting, identified as (NPPTAC) June 2006 meeting, must be received in writing on or before May 30, 2006.

Request to participate in the meeting, identified by docket ID number EPA-HQ-OPPT-2002-0001, must be received on or before May 30, 2006.

For information on access or services for individuals with disabilities, please contact John Alter at (202) 564-9891 or npptac.oppt@epa.gov. To request accommodation of a disability, please contact John Alter, preferably at least 10 days prior to the meeting, to give EPA as much time as possible to process your request.

Meetings of the Committee Work Groups will take place as follows. The Globally Harmonized System (GHS) of Classification and Labeling of Chemicals Interim Work Group will meet on June 13, 2006 from 8 a.m. to 12 p.m., to discuss activities related to EPA's Program. The Government Accountability Office (GAO) Reports Interim Work Group will also meet on June 13, 2006 from 8 a.m. to 12 p.m. The Pollution Prevention (P2) Work Group will meet on June 13, 2006 from 1:30 p.m. to 5:30 p.m., to discuss activities related to EPA's Pollution Prevention Programs. The Information Integration and Data Use Work Group will also meet on June 13, 2006 from 1:30 p.m. to 5:30 p.m.

ADDRESSES: The meeting will be held at the Crowne Plaza National Airport

Hotel, located at 1480 Crystal Drive, Arlington, VA.

Requests to participate in the meeting may be submitted to the technical person listed under **FOR FURTHER INFORMATION CONTACT**.

FOR FURTHER INFORMATION CONTACT: For general information contact: Colby Lintner, Regulatory Coordinator, Environmental Assistance Division (7408M), Office of Pollution Prevention and Toxics, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460-0001; telephone number: (202) 554-1404; e-mail address: TSCA-Hotline@epa.gov.

For technical information contact: John Alter, (7408M), Office of Pollution Prevention and Toxics, Environmental Protection Agency, 1200 Pennsylvania Ave., NW., Washington, DC 20460-0001; telephone number: (202) 564-9891; e-mail address: npptac.oppt@epa.gov.

SUPPLEMENTARY INFORMATION:

I. General Information

A. Does this Action Apply to Me?

This action is directed to the public in general, and may be of particular interest to those persons who have an interest in or may be required to manage pollution prevention and toxic chemical programs, individual groups concerned with environmental justice, children's health, or animal welfare, as they relate to OPPT's programs under the Toxic Substances Control Act (TSCA) and the Pollution Prevention Act (PPA). Since other entities may also be interested, the Agency has not attempted to describe all the specific entities that may be interested in the activities of the NPPTAC. If you have any questions regarding the applicability of this action to a particular entity, consult the person listed under **FOR FURTHER INFORMATION CONTACT**.