

DEPARTMENT OF ENERGY

Federal Energy Regulatory
Commission

[Docket No. AD07-7-000]

Conference on Competition in
Wholesale Power Markets;
Supplemental Notice of Conference

April 19, 2007.

As announced in the Notice of Conference issued on March 23, 2007,¹ the Federal Energy Regulatory Commission will hold a conference on Tuesday, May 8, 2007, to examine specific topics relating to the state of wholesale power markets. The conference will be held in the Commission Meeting Room at the Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC, from 9 a.m. to 5 p.m. Eastern time. The conference will be open for the public to attend and advance registration is not required. Members of the Commission may attend the conference.

The agenda for this conference is attached, and contains questions the panelists will be asked to address. If any changes to the agenda occur, a revised agenda will be posted on the calendar page for this event on the Commission's Web site, <http://www.ferc.gov>, prior to the event.

Transcripts of the conference will be immediately available from Ace Reporting Company (202-347-3700 or 1-800-336-6646) for a fee. They will be available for the public on the Commission's eLibrary system seven calendar days after FERC receives the transcript.

A free webcast of this event will be available through www.ferc.gov. Anyone with Internet access who desires to view this event can do so by navigating to www.ferc.gov's Calendar of Events and locating this event in the Calendar. The event will contain a link to its Web cast. The Capitol Connection provides technical support for the Web casts. It also offers access to this event via television in the Washington, DC area and via phone bridge for a fee. Visit <http://www.CapitolConnection.org> or contact Danelle Perkowski or David Reininger at the Capitol Connection 703-993-3100 for information about this service.

Commission conferences are accessible under section 508 of the Rehabilitation Act of 1973. For accessibility accommodations please send an e-mail to accessibility@ferc.gov or call toll free 866-208-3372 (voice) or 202-208-1659 (TTY), or send a FAX to

202-208-2106 with the required accommodations.

For further information on the technical conference, please contact: Robert Hellrich-Dawson (Technical Information), Office of Markets, Tariffs and Rates, Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426, (202) 502-6360, robert.hellrich-dawson@ferc.gov.

Kimberly D. Bose,

Secretary.

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DEPARTMENT OF ENERGY

Western Area Power Administration

Notice of Proposed Final Resource
Adequacy Plan for Transactions in the
California Independent System
Operator Corporation's Balancing
Authority Area

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed final resource adequacy plan.

SUMMARY: The Western Area Power Administration (Western) is conducting a public process to propose a Final Resource Adequacy (RA) Plan for transactions in the California Independent System Operator Corporation's (CAISO) Balancing Authority Area. Pending the development of this Final RA Plan, Western has established interim RA Plans to facilitate its transactions in the CAISO Balancing Authority Area. Western is developing this proposed Final RA Plan as a Local Regulatory Authority (LRA). The Final RA Plan implemented by Western will be submitted to the CAISO and will be utilized by Western when Western is acting as a Load Serving Entity (LSE) in the CAISO Balancing Authority Area.

Western's Current RA Plan became effective on September 30, 2006, and will remain in effect until superseded by the Final RA Plan developed in this process.

DATES: The consultation and comment period will begin on the date of publication of this **Federal Register** notice and will end on May 25, 2007. Western will present a detailed explanation of the proposed Final RA Plan at a public information forum on May 2, 2007, 1:30 p.m. PDT, Rancho Cordova, CA. Western will hold a public comment forum on May 9, 2007, 1:30 p.m. PDT, Rancho Cordova, CA. At the public comment forum, the public may provide oral and written comments. In

addition, the public may submit written comments to Western at any time during the comment period. Western must receive all comments by the close of the comment period to ensure they are considered. After the Administrator approves the Final RA Plan, it is anticipated that it will go into effect on July 17, 2007.

ADDRESSES: Western will hold the public information and comment forums at the Marriott, 11211 Point East Drive, Rancho Cordova, CA. Written comments can be mailed, faxed, or e-mailed to Ms. Sonja A. Anderson, Acting Power Marketing Manager, Sierra Nevada Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630-4710, fax (916) 985-1931, e-mail sanderso@wapa.gov. Oral comments must be presented at the public comment forum which will be held on May 9, 2007.

FOR FURTHER INFORMATION CONTACT: Ms. Jeanne Haas, Contracts and Energy Services Manager, Sierra Nevada Customer Service Region, Western Area Power Administration, 114 Parkshore Drive, Folsom, CA 95630-4710, telephone (916) 353-4438, e-mail haas@wapa.gov.

SUPPLEMENTARY INFORMATION:

Authorities

Western is developing this proposed Final RA Plan in accordance with its power marketing authorities, which includes the Act of June 17, 1902 (32 Stat. 388), the Act of August 26, 1937 (50 Stat. 844), the Act of August 4, 1939 (53 Stat. 1187), and the Department of Energy Organization Act of August 4, 1977 (91 Stat. 565), including all acts amendatory and/or supplementary to the above listed.

Background

On February 9, 2006, the CAISO filed its comprehensive Market Redesign Technology Upgrade (MRTU) Tariff with the Federal Energy Regulatory Commission (Commission).¹ Under the MRTU Tariff, the CAISO proposed to end the current "must offer" structure and transition to a capacity-based system. In this capacity-based system, the California Public Utilities Commission (CPUC) and other LRAs establish procurement requirements for all LSEs within their jurisdiction to obtain sufficient resources to meet their load with an adequate reserve margin and to ensure appropriate resources will be made available to the CAISO in the Day-Ahead Market, the Hour-Ahead

¹ 72 Fed. Reg. 14,801 (March 29, 2007).

¹ FERC Docket ER06-615 (2006).

Scheduling Process, and Real-Time Market.²

On March 13, 2006, the CAISO filed its Interim Reliability Requirements Program (IRRP). On May 12, 2006, the Commission issued an order accepting certain modifications under the IRRP in Docket No. ER06-723-000.³ The modifications established under the IRRP are intended to implement RA programs developed by the CPUC and other LRAs for LSEs under their respective jurisdictions. Section 40 of the IRRP and the MRTU Tariff provide the guidelines for RA. The IRRP adjusts the CAISO's existing operations to incorporate RA programs implemented by the CPUC and other LRAs for the period between June 2006 and the implementation of MRTU.⁴

In the Commission's September 21, 2006, decision in Docket No. ER-06-615-000, which in large part accepted and affirmed the CAISO's proposed MRTU Tariff, the Commission summarized the CAISO's RA program as follows:

Resource adequacy is the availability of an adequate supply of generation or demand responsive resources to support safe and reliable operation of the transmission grid. Until June 2006, the CAISO market did not require load serving entities to procure sufficient generation capacity to serve their customers. The lack of this requirement jeopardized reliability and made it difficult to ensure that wholesale prices would remain just and reasonable. Under MRTU, load serving entities under the authority of the California Public Utilities Commission will be required to obey its requirement to maintain a level of capacity above load-serving entities' forecasted customer needs (currently 15–17 percent). They will also have to demonstrate a year in advance that they have procured resources to cover 90 percent of their summer (May through September) peak period needs. Other load serving entities that are CAISO members and serve customers in the CAISO control are required to comply with the planning reserve margin for capacity that is set by their Local Regulatory Authority. If the Local Regulatory Authority does not establish such a margin, the default margin will be 15 percent. These resource adequacy requirements will help ensure sufficient supply, enhance reliability, protect against price volatility, and reduce the opportunities to game the market that exist when electricity supplies are insufficient to meet customers' needs.⁵

In Paragraph 1116 of the same decision, the Commission concluded that meeting the MRTU RA requirements is a reasonable condition of participation in the CAISO markets and required that

each LSE serving load within the CAISO-controlled grid maintain adequate resources and not "lean on" others to the detriment of its customers and grid reliability as a whole. Under the current schedule, the MRTU is not expected to be implemented before February 2008.

Under both the IRRP and MRTU Tariffs, Western is an LRA. To ensure non-discriminatory treatment for transactions in the CAISO Balancing Authority Area, Western, as an LRA, established an interim RA Plan comprised of an Initial RA Plan and its Current RA Plan. Western's Current RA Plan can be found at <http://www.wapa.gov/sn/marketing/racapacity.asp>. However, due to the short time frame between the acceptance of the CAISO's IRRP and its effective date, Western was unable to conduct a public process before implementing its interim RA Plans.⁶

Under this notice, Western is initiating a public process to develop its Final RA Plan. As part of this process, Western is soliciting input from its customers and interested parties. The schedule for this process is outlined above. The Final RA Plan will be applicable under both the IRRP and MRTU Tariff.

Acronyms and Definitions

As used throughout the remainder of this notice, the following acronyms and definitions when used with initial capitalization, whether singular or plural, will have the following meanings:

Administrator: The Administrator of the Western Area Power Administration.

Applicable Reliability Criteria: As defined by the CAISO Tariff: The reliability standards established by NERC, WECC, and Local Reliability Criteria as amended from time to time, including any requirements of the NRC.

Balancing Authority: As defined by NERC: 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.

Balancing Authority Area: The collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

CAISO/ISO: The California Independent System Operator Corporation.

Capacity: The electrical capability of a generator, transformer, transmission circuit, or other equipment.

Commission: The Federal Energy Regulatory Commission.

Current RA Plan: That plan submitted by Western, acting as its own LRA, to the CAISO in September 2006.

CVP: The Central Valley Project—The multipurpose Federal water and power project extending from the Cascade Range in northern California to the plains along the Kern River south of the city of Bakersfield, California.

Demand Forecast: An estimate of Capacity required to meet a load over a designated period of time.

DOE: United States Department of Energy.

Energy: Measured in terms of the work it is capable of doing over a period of time; electric energy is usually measured in kilowatthours or megawatthours.

Final RA Plan: The plan that Western, acting as its own LRA, will submit to the CAISO after this process.

First Preference Customer: A customer wholly located in Trinity, Calaveras, or Tuolumne counties, California, as specified under the Trinity River Division Act (69 Stat. 719) and the New Melones provisions of the Flood Control Act of 1962 (76 Stat. 1173, 1191–1192).

Full Load Service Customers: The subset of Western's Preference customers that has contracted with Western to provide Portfolio Management services and meet their total projected loads.

Initial RA Plan: That plan submitted by Western, acting as its own LRA, to the CAISO on May 19, 2006.

LD Contract: Liquidated Damages Contract—Firm liquidated damages contracts are those transactions utilizing or consistent with Service Schedule C of the Western Systems Power Pool Agreement or the Firm Liquidated Damages product of the Edison Electric Institute pro forma agreement, or any other similar firm Energy contract that does not require the seller to source the Energy from a particular unit and specifies a delivery point internal to the CAISO Balancing Authority Area.

Local Capacity Area: As defined by the CAISO Tariff: Transmission constrained area as defined in the study referenced in Section 40.3.1.

Local Capacity Area Resources: As defined by the CAISO Tariff: RA Capacity from a Generating Unit listed in the technical study or Participating Load that is located within a Local Capacity Area capable of contributing toward the amount of capacity required in a particular Local Capacity Area.

² See Article V, Section 40 of the CAISO's Tariff.

³ 115 FERC ¶ 61,172 (2006).

⁴ Id. at paragraph 6.

⁵ 116 FERC ¶ 61,274 (2006) at paragraph 10.

⁶ The Commission accepted the filing on May 12, 2006, with an effective date of May 12, 2006.

LRA: Local Regulatory Authority—The Federal, state or local governmental authority responsible for the regulation or oversight of a utility.

LSE: Load-Serving Entity—As defined by the CAISO Tariff: Any entity (or the duly designated agent of such an entity, including; e.g., a Scheduling Coordinator), including a load aggregator or power marketer; (i) Serving End Users within the ISO Control Area and (ii) that has been granted authority or has an obligation pursuant to California State or local law, regulation, or franchise to sell electric energy to End Users located within the ISO Control Area, or (iii) is a Federal Power Marketing Authority that serves retail Load.

Planning Reserve Margin: As defined by the CAISO Tariff: A Planning Reserve Margin shall be that quantity or percentage of capacity in megawatts (MW) that exceeds the Demand Forecast as set forth in Section 40.3 as provided for in Section 40.4 of this ISO Tariff.

Power: Capacity and energy.

Preference: The requirements of Reclamation Law which provide that preference in the sale of Federal power be given to certain entities, such as municipalities and other public corporations or agencies and also to cooperatives and other nonprofit organizations financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936 (Reclamation Project Act of 1939, Section 9(c), 43 U.S.C. 485h(c)).

Project Use: The power used to operate CVP or Washoe Project facilities in accordance with authorized purposes and pursuant to Reclamation Law.

Qualifying Capacity: As defined by the CAISO Tariff: The maximum capacity of an RA Resource. The criteria for calculating Qualifying Capacity from RA Resources may be established by the CPUC or other applicable Local Regulatory Authority and provided to the CAISO, or default provisions in Section 40.13 of this ISO Tariff.

RA: Resource Adequacy—As defined by the CAISO Tariff: The program that ensures that adequate physical generating capacity dedicated to serving all load requirements is available to meet peak demand and planning and operating reserves, at or deliverable to locations and at times as may be necessary to ensure local area reliability and system reliability.

RA Capacity: Resource Adequacy Capacity—As defined by the CAISO Tariff: The generation capacity of an RA Resource listed on an RA Plan and a Supply Plan.

RA Plan: Resource Adequacy Plan—As defined by the CAISO Tariff: A

submission by a Scheduling Coordinator for a Load-Serving Entity serving Load in the ISO Control Area in order to satisfy the requirements of Section 40 of this ISO Tariff.

RA Resource: As defined by the CAISO Tariff: A resource that is required to offer RA Capacity. The criteria for determining the types of resources that are eligible to provide Qualifying Capacity may be established by the CPUC, other applicable Local Regulatory Authority and provided to the CAISO, or the default provision in Section 40.13 of this ISO Tariff.

Reclamation: United States Department of Interior, the Bureau of Reclamation.

SC: Scheduling Coordinator—As defined by the CAISO Tariff: An entity certified by the ISO for the purposes of undertaking the functions specified in Section 4.5.3 of the ISO Tariff.

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

Development of RA Plans

As described above, the CAISO has established guidelines for RA and RA Capacity, which LSEs must meet for transactions in the CAISO Balancing Authority Area. Both the IRRP and MRTU Tariff acknowledge that Western, as an LRA, may establish its own RA Plan.⁷

Western understands that the California State Legislature enacted Assembly Bill (AB) 380 to require the CPUC, in consultation with the CAISO, to establish RA requirements for all LSEs under the CPUC's jurisdiction.⁸ AB 380 requires LSEs subject to the CPUC's jurisdiction to procure adequate resources to meet their peak demands, planning, and operating reserves.⁹ The State requires LSEs subject to the CPUC's jurisdiction to demonstrate that they have acquired sufficient capacity to serve their forecasted retail customer load and a 15–17 percent margin. As a Federal agency, Western is not subject to the State's jurisdiction.

Western has reviewed these guidelines, the Commission's decisions, and considered Federal and industry standards and guidelines related to reliable operations of power systems. Western prepared both an Initial RA Plan and a Current RA Plan based on the guidelines and direction provided by the Commission, the IRRP, and the MRTU Tariff, which conform to Western's practices from an operational,

contractual, and statutory framework. There are several distinct factors related specifically to the way that Western conducts its business that influenced Western's preparation of its RA Plans. Both the Initial RA Plan and the Current RA Plan contain detailed information on the factors that went into Western's development of those RA Plans. As stated in the **SUMMARY** section of this **Federal Register** notice, the Current RA Plan will remain in effect until superseded by the Final RA Plan developed in this process. Western provides as part of this **Federal Register** notice, the pertinent factors that influenced Western's preparation of its Initial RA Plan and its Current RA Plan.

The United States CVP hydro facilities are operated by Reclamation. The CVP Act, as amended, integrates the various CVP facilities. The CVP is operated primarily to meet authorized project purposes that have a higher priority than power generation, such as irrigation and flood control. These purposes are determined by Federal law. Western's flexibility to modify generation schedules and ancillary service availability is limited by these and other related constraints. Congress authorized the Pacific Northwest-Southwest Alternating Current Intertie (PACI) to firm the CVP and authorized the California-Oregon Transmission Project (COTP) to support the DOE Laboratories and other Federal uses in the State of California.¹⁰ Western imports power into its sub Balancing Authority Area over the PACI, COTP, and other Federal transmission facilities. In northern California, Western markets power from a dozen Federal dams including those in the Federal CVP under its 2004 Power Marketing Plan (Marketing Plan). Under the Marketing Plan, Western executed the majority of its power sales contracts with its statutory preference and First Preference Customers in late 1999 and early 2000. In northern California, Western has established a contract-based sub Balancing Authority Area within the Sacramento Municipal Utility District (SMUD) Balancing Authority Area. Unlike many LSEs Western serves a diverse group of customers in northern California, including large municipal utilities such as SMUD, the City of Redding, and the City of Santa Clara, as well as smaller irrigation districts, Native American Indian Tribes, and Federal and State agencies. These customers are located within the CAISO Balancing Authority

⁷ See, e.g., Section 40.4 of MRTU Tariff, Section 40.5 of IRRP Tariff.

⁸ 115 FERC ¶ 61,172 at paragraph 4.

⁹ Id.

¹⁰ Pub. L. No. 88–552, 78 Stat. 756 (1964), as amended; Pub. L. No. 98–360, 98 Stat. 403 (1984), as amended, 50 Stat. 844 (1937), as amended.

Area, the Turlock Irrigation District Balancing Authority Area, the SMUD Balancing Authority Area, and Western's own sub Balancing Authority Area. Many of Western's customers are wholesale customers who are LSEs for their own customers. Other Western customers receive power from both Western and another utility, such as the Pacific Gas and Electric Company (PG&E). Under Western's Marketing Plan, and from a contractual standpoint, Western serves its loads in the CAISO Balancing Authority Area from its sub Balancing Authority Area. The statutes and Marketing Plan referenced above are not within the scope of this public process, and reference to the statutes and Marketing Plan are only being included as a background for the development of Western's RA Plans. Within this framework, Western developed its RA Plans. Western refers interested parties to the Current RA Plan for a more thorough analysis of the background for the development of Western's Current RA Plan.

Although not specifically stated in Western's Current RA Plan, Western has procured its RA Capacity under both the Initial RA Plan and the Current RA Plan from qualifying resources either inside or outside of the CAISO Balancing Authority Area. These RA Capacity purchases meet CAISO Tariff, Section 40, requirements. Western will include in its Final RA Plan a statement that Western may continue to procure its RA Capacity using qualifying resources either inside or outside the CAISO Balancing Authority Area that meet CAISO Tariff, Section 40, requirements. For imports, Western will reserve firm transmission to the tie point on Western's transmission system to assure delivery compliance. Western believes this proposed addition to the Current RA Plan is consistent with the CAISO's proposed guidelines for meeting RA Capacity requirements.

In addition, Western proposes to use LD Contracts to meet its RA Capacity requirements. By allowing LD Contracts to be used, this gives Western a second option to meet its RA Capacity requirements. Western is unable to use the CVP hydroelectric facilities in the SMUD Balancing Authority Area to meet RA Capacity requirements because, in contrast to other utilities and non-jurisdictional LSEs in California, Western must follow Federal directives in its marketing and operations. The CVP hydroelectric facilities are owned by Reclamation and operated primarily to meet authorized project purposes that have a higher priority than power generation. Western's flexibility to modify

generation schedules and ancillary service availability is limited by these and other related constraints.

The customers that are located in the CAISO Balancing Authority Area for which the RA Capacity will be procured include Western's Full Load Service Customers, Western's four First Preference Customers, the National Aeronautics and Space Administration Ames (NASA Ames) Research Center, and a subset of Reclamation's Project Use Customers. Collectively, these loads are projected to have a monthly peak demand of between 280 MW and 350 MW during the October 2006 through December 2007 period. The RA Capacity procured meets the collective requirements of this pool of customers. The table below shows the monthly amounts of RA Capacity that have been procured for the period October 2006 through December 2007.

TABLE 1.—RA CAPACITY PROCURED AND SUPPLIERS FOR OCTOBER 2006 THROUGH DECEMBER 2007

Month	RA capacity (MW)	Supplier
2006		
October	15	PG&E.
November	15	PG&E.
December	15	PG&E.
2007		
January	16	PG&E.
February	16	PG&E.
March	16	PG&E.
April	16	PG&E.
May	16	Coral Power (Coral).
June	36	Coral.
July	36	Coral.
August	36	Coral.
September ...	36	Coral.
October	16	PG&E.
November	16	PG&E.
December	16	PG&E.

If, as a result of this process, Western's procurement of RA Capacity is modified, such modification will be reflected in the Final RA Plan that Western will supply to the CAISO.

Western's RA Plans

Initial RA Plan

The CAISO, under Section 40 of both the IRRP and the MRTU Tariff, established the guidelines for RA for LSEs for transactions in the CAISO Balancing Authority Area. The Commission's May 12, 2006, IRRP Order accepted the CAISO proposal to utilize the CPUC's default criteria of 15–17 percent RA Capacity for entities subject to the CPUC's jurisdiction. In that same

Order, the Commission acknowledged that other LRAs may develop their own RA Plans.¹¹ The CAISO required a filing by May 22, 2006, for the June 2006 RA Capacity.

Western reviewed these guidelines, the Commission's decisions, and considered Federal and industry standards and guidelines related to reliable operations of power systems. Based on these criteria, Western, as a CPUC non-jurisdictional LRA, prepared an Initial RA Plan for Western's transactions in the CAISO Balancing Authority Area and submitted it to the CAISO on May 19, 2006. The RA Capacity standards in the Initial RA Plan were as follows:

For purposes of this LRA Plan, Western will phase in its Planning Reserve Margin requirements, as defined in the CAISO Tariff, as follows:

Operative date	Planning reserve margin (percent)
October 1, 2006	5
February 1, 2007	10
June 1, 2007	15

For its month-ahead showing, Western will demonstrate that it is prepared to meet 100 percent of its forecasted monthly coincident peak load.

Consistent with its Initial RA Plan, Western issued a Request for Proposal (RFP) for RA Capacity and procured sufficient capacity on August 29, 2006, to meet its 5-percent requirement for October through December 2006.

Current RA Plan

In its September 21, 2006, decision, the Commission stated:

Other Load serving entities that are CAISO members and serve customers in the CAISO control area are required to comply with the planning reserve margin for capacity that is set by their LRA. If the LRA does not establish such a margin, the default margin will be 15 percent.¹²

After reviewing the Commission's September 21, 2006, decision, Western revised its Initial RA Plan in September 2006 to modify its Planning Reserve Margin. In its Current RA Plan, Western opted to provide 10-percent RA Capacity June through September and 5-percent RA Capacity in all other months.

The Current RA Plan provides as follows:

¹¹ 115 FERC ¶ 61,172 at paragraph 53.

¹² 116 FERC ¶ 61,274 at para. 10.

Consistent with the CAISO Tariff, Western will make a year-ahead showing that it has a minimum of 90 percent of the capacity required to meet its forecasted monthly coincident peak load in the CAISO Control Area, as determined by Western, plus its Planning Reserve Margin. Under the CAISO IRRP approach, the Planning Reserve Margin is a percentage of firm capacity over the demand forecast available to the CAISO to meet reserve requirements. Western has determined that for the purposes of this LRA Plan, it will provide capacity to the CAISO consistent with the CAISO's planning reserve criteria as follows:

Operative months	Planning reserve capacity (percent)
June–September	10
January–May & October–December	5

For its month-ahead showing, Western will demonstrate that it is prepared to meet 100 percent of its forecasted monthly coincident peak load.

Western has further determined that it will conduct a public process to provide its customers and other interested parties the opportunity to provide input to Western with regard to the amount and character of RA Capacity it will provide in the future.

Consistent with the Current RA Plan, Western issued an RFP for RA Capacity and procured sufficient capacity on September 28, 2006, to meet the above requirement for calendar year (CY) 2007.

Other notable provisions of Western's Current RA Plan are:

1. Western has designated CVP hydroelectric facilities in the SMUD Balancing Authority Area as a system resource, with 100 percent of forecasted capacity considered to be Qualifying Capacity. The amount of Qualifying Capacity for each month is determined utilizing Western's rolling 12-month forecast at a 50-percent probability of exceedance for the appropriate month. Imports of CVP generation into the CAISO Balancing Authority Area are firm, backed by operating reserves as required by the Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Council (NERC) standards. Western will not make CVP capacity available to the CAISO for scheduling in the Day-Ahead or Real-Time markets for RA purposes due to specific Federal statutes, regulations, and policies which Western must follow in its marketing and operations processes.

2. Western has designated 100 percent of its contract deliveries (existing and future LD Contracts) as Qualifying Capacity.

Proposed Final RA Plan

Western proposes that beginning in 2008 and beyond, Western will continue to follow the procedures and standards identified in the Current RA Plan. However, Western proposes the following two modifications to the Current RA Plan:

1. Western will procure RA Capacity from qualifying resources either inside or outside of the CAISO Balancing Authority Area. In order to qualify, a resource must meet CAISO Tariff, Section 40, requirements, and for imports, Western will reserve firm transmission to the tie point on Western's transmission system to assure delivery compliance.

2. Western is proposing that it may opt to designate some of its contract deliveries (existing and future LD Contracts) as RA Capacity. These contracts are backed by reserves in the originating Balancing Authority Area and are, therefore, considered firm. Western has existing firm transmission rights on the PACI and COTP for contracts originating in the Northwest, and the remaining contracts have delivery points in North Path 15 (NP15), which are firmed by the CAISO or self provided by the supplier under CAISO Tariff guidelines.

Western, as an LRA, will file its Final RA Plan with the CAISO. When Western acts as an LSE for transactions in the CAISO Balancing Authority Area, Western will comply with its Final RA Plan.

Request for Comments

The Final RA Plan adopts Western's Current RA Plan with the addition of the two items described above. Western seeks input from interested stakeholders on the Current RA Plan as it will be incorporated into the Final RA Plan. Western's Current RA Plan can be found at: <http://www.wapa.gov/sn/marketing/racapacity.asp>. You may also request a copy of the Current RA Plan by (1) Mailing a request to Ms. Jeanne Haas at 114 Parkshore Drive, Folsom, CA 95630; (2) e-mailing a request to haas@wapa.gov; or (3) telephoning a request to Ms. Jeanne Haas at (916) 353-4438.

As part of this proceeding, Western requests comments on its proposed Final RA Plan. The comments must be within the scope of this proceeding. Western is asking for specific comments on the following:

Types of Resources for RA Capacity

An LRA has discretion on the type of resource to use to provide RA Capacity. Section 40 of the CAISO Tariff allows an

LRA to provide its own criteria for determining qualifying resource types and the Qualifying Capacity from such resources.

In addition, Section 40 of the MRTU Tariff has an additional requirement not prescribed in the IRRP Tariff. Under the MRTU Tariff, LRAs must also consider Local Capacity Area Resources requirements (Local RAR) to be made available to the CAISO. The CAISO has stated in Section 40.3.1 of the MRTU Tariff that the CAISO will collaborate with the CPUC, LRAs within the CAISO Balancing Authority Area, and other market participants to establish the parameters, assumptions, and other criteria to be used and described in the technical study that permit compliance with Applicable Reliability Criteria.

For Local RAR requirements, Western has completed an analysis of its loads and concluded that a minimal amount of Western CAISO loads may be subject to additional charges associated with this requirement. Given the size of these loads and the limited exposure to costs, Western is not anticipating the need to procure local RA Capacity associated with this requirement. Western will continue to monitor the Local RAR process as new information becomes available to determine if this approach needs to be revisited.

In its May 12, 2006, Order in Docket No. ER06-723-000, the Commission stated "WAPA, as an LRA, can determine the extent to which liquidated damages contracts count toward its RA requirements."¹³ Western, as an LRA, has submitted both an Initial RA Plan and its Current RA Plan with its own standards for meeting its Qualifying Capacity requirements including its RA Capacity standards, which have been provided to the CAISO.

Congress authorized the construction of both the PACI and the COTP so Western could import power from the Pacific Northwest. Currently, Western imports this power into its sub Balancing Authority Area. Included in the power Western imports are LD Contracts. Western further notes that LD contracts are backed by reserves in the originating Balancing Authority Area and are, therefore, considered firm. Western has existing transmission rights on the PACI and the COTP for the contracts originating in the Northwest, and the remaining contracts have delivery points in NP15, which are firmed by the CAISO or self provided by the supplier under CAISO Tariff guidelines.

¹³ 115 FERC ¶ 61,172 at para. 98.

Western proposes to include the following as RA Capacity resources:

1. LD Contracts with firm transmission to a tie point if it is an import.

2. RA Capacity procured from qualifying resources either inside or outside the CAISO Balancing Authority Area. In order to qualify, a resource must meet CAISO Tariff, Section 40, requirements, and for imports, Western will reserve firm transmission to the tie point on Western's system to assure delivery compliance.

Western requests comments on the inclusion of these resources, if other resources should be included, or whether certain resources listed above should be excluded. After considering the comments received during this process, Western will establish a final list of types of resources which, as an LRA, Western will include as part of its Final RA Plan.

As part of this proceeding, Western requests comments on the types of RA Capacity, including Local RAR that Western should be procuring on behalf of its loads in the CAISO Balancing Authority Area.

Amount of RA Capacity To Be Procured

Section 40 of both the IRRP and the MRTU Tariff allow an LRA to establish its own criteria for the establishment of its Planning Reserve Margins. Western is committed to meeting operating reserve requirements consistent with WECC and NERC standards. Within Western's sub Balancing Authority Area, Western has sufficient resources to reliably operate and balance the loads and resources consistent with prudent utility practice. Western's loads on the CAISO's transmission grid, for which Western is the LSE, are less than 1 percent (peak demand estimate of 350 MW) of the overall demand of the CAISO transmission grid (CAISO's 2007 Summer Assessment estimated at 47,000 MW). Western has procured RA Capacity consistent with the standards identified in the Current RA Plan through 2007, which is 10 percent June through September and 5 percent in all other months, based on projected monthly peak customer loads.

Western proposes that beginning in 2008 and beyond, Western will continue to procure RA Capacity in the same manner as is identified in the Current RA Plan (10 percent June through September and 5 percent in all other months). This proceeding will determine Western's standards for meeting the CAISO's RA Capacity requirements in Section 40 of the IRRP and MRTU Tariff in the future. Once this process has concluded, Western

will review its Current RA Plan and, based on the comments received, may make modifications before submitting a Final RA Plan to address future procurement of RA Capacity.

As part of this proceeding, Western requests comments on the amount (monthly percentage) of RA Capacity it should procure in the future.

Allocation of Costs for RA Capacity

Under Western's current methodology, Western is allocating the monthly costs associated with its procurements of RA Capacity on a load ratio share basis to the loads in the CAISO Balancing Authority Area for which the RA Capacity was procured. These customers include Western's Full Load Service Customers, Western's four First Preference Customers, the NASA Ames Research Center, and a subset of Reclamation's Project Use Customers. Under the current allocation methodology, all of these loads are allocated a respective share of RA Capacity costs based on their projected load levels in the months that are covered by the current procurements. Western believes it is appropriate to allocate these costs to these customers since Western, as the LSE, incurs these charges to schedule with the CAISO on behalf of these customers.

Western proposes that beginning in 2008 and beyond, Western will continue to allocate the monthly costs associated with its procurements of RA Capacity on a load ratio share basis to the loads that are receiving the benefits of those procurements.

As part of this proceeding, Western requests comments on whether to maintain the existing methodology for allocating costs among customers for RA Capacity costs or to implement a new methodology. Western requests that comments to change the methodology contain reasons for the change.

Western will address all comments within the scope of these proceedings in its **Federal Register** notice implementing a Final RA Plan. The **Federal Register** notice will be published prior to the effective date of the Final RA Plan.

Normally, the final plan would be effective 30 days after Administrator approval. In this instance, after the Administrator approves the Final RA Plan, Western anticipates the effective date of the Final RA Plan will be July 17, 2007. Western's Final RA Plan must be in place by this date to align Western's procurement process with the CAISO's required annual showing for CY 2008 by September 30, 2007. This allows Western to be competitive in the RA Capacity market.

On the effective date, the Final RA Plan will replace the Current RA Plan. As discussed in the body of this notice, the Final RA Plan may differ from the CPUC's or other LRA's RA Plan. Western's Final RA Plan is being developed by Western as an LRA and is intended to only apply to Western, acting as an LSE in the CAISO Balancing Authority Area. It is not meant to apply to other LSEs in the CAISO Balancing Authority Area. Those LSEs are subject to the authority of the CPUC or other LRAs and, as such, are outside of Western's jurisdiction.

Availability of Information

All studies, comments, letters, memorandums, or other documents made or kept by Western for developing the final plan, will be made available for inspection and copying at Western's Sierra Nevada Region Office, located at 114 Parkshore Drive, Folsom, CA 95630-4710.

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321, *et seq.*); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500 through 1508); and the Integrated DOE NEPA Implementing Procedures (10 CFR part 1021), Western has determined that this action is categorically excluded from the 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.

Dated: April 18, 2007.

Timothy J. Meeks,

Administrator.

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