

every remarketing effort since its adoption in 1995. One commenter said that it is not a question of whether, but how, the PMI applies to P-DP, adding that "not to treat Parker-Davis under these rules would be arbitrary and capricious and abusive discretion."

Several commenters opposed applying the PMI, instead favoring a complete reallocation of P-DP resources. Some supported extending small contractors' allocations at current levels while reallocating the remaining amount. However, extending some contracts and conducting a complete reallocation are mutually exclusive actions. Under a complete reallocation, no existing contractor would be guaranteed an allocation. The process would also slow the P-DP remarketing effort significantly, creating uncertainty for both existing and potential contractors. This would hamper contractors' ability to make long-term plans, which conflicts with several comments asking Western for a quick decision. Western does not believe that a total reallocation is necessary or desirable.

Some commenters stated that P-DP has been the "private preserve of some entities for over 40 years." Western believes application of the PMI balances the needs of the existing contractors with those of prospective contractors. While current contractors will continue to receive P-DP power under the PMI, the 17-MW summer resource pool, which is a 17-percent increase over the proposed 14.55-MW resource pool, will allow Western to provide the benefits of Federal hydropower beyond existing contractors. As this solution balances the needs of new and existing contractors and encourages widespread use of the resource, Western will apply the PMI to the P-DP remarketing effort.

Contract Term

Background: The PMI provides for extending a major portion of the marketable resource determined to be available at the time resource extensions begin in the future.

Comments and discussion: Western received a substantial number of comments which supported the PMI contract term adopted in the EPAMP final rule (10 CFR 905.31). No objecting comments were received.

Pool Size

Background: Western proposed to extend 94 percent of P-DP contractors' allocations to FES from P-DP. The remaining 6 percent of current allocations would form a resource pool of 14.55 MW of summer capacity and 11.13 MW of winter capacity.

Comments and discussion: Many comments supported a 6-percent reduction of each contractor's allocation to create a resource pool. Others asked Western to consider a smaller percentage, stating that the proposed reduction would disproportionately affect small customers, while some asked us to find additional resources to increase the pool size. Western reviewed the P-DP resources and identified additional capacity to market as FES. The additional capacity results in part from the recent generator rewinds at Davis Powerplant.

Therefore, existing contractors' FES allocations will be increased to reflect the additional capacity, and Western will then extend 93 percent of these allocations, beginning October 1, 2008. The remaining 7 percent will form the resource pool of 17 MW of P-DP power in summer and 13 MW in winter. Applying the increase in marketable capacity with a 7-percent reduction has the net effect of reducing contractors' unadjusted current CRODs by less than 1 percent. This action provides a larger pool for new customers while taking less from current contractors' allocations, benefiting both groups.

One commenter suggested that Western purchase power to increase the pool size. The core of this comment is a request to expand the resource pool, which Western did by marketing additional P-DP capacity. However, the comments accompanying the EPAMP regulations (60 FR 54151, 54162, October 20, 1995) state,

Western will not purchase resources for new but not yet identified customers, as the appropriate level of Western's marketable resources should be determined through a project-specific analysis of hydrology, project use load, losses, and reserves.

The resource pool expansion is consistent with this statement. Purchase power is a component of the existing marketing plan, as required to meet firm electric service contractual commitments. Western will not supplement the pool by purchasing additional capacity.

Another commenter said that Western had no analytical support for the pool size. The PMI states that Western must make a fair share of the resource available. In the comments accompanying the EPAMP regulations (60 FR 54151, 54162, October 20, 1995), Western stated,

* * * it is difficult to define precisely the demands of new customers prior to creation of the resource pool. That can only be done after a call for applications is published in the **Federal Register**, and applications are actually received. Western cannot precisely

define the needs of new customers at this time.

However, the increased capacity has created a larger resource pool for potential new contractors, allowing Western to allocate P-DP power to more customers.

Existing Marketing Plan Minimum Allocation

Background: Two P-DP contractors receive allocations of less than 1 MW. However, the current marketing plan criteria contains a 1-MW minimum for new customer allocations (52 FR 28333, 28335, July 29, 1987).

Comments and discussion: A commenter asked Western to round up allocations of less than 1 MW, making it consistent with the marketing plan criteria. The 1-MW minimum recognizes that operationally Western does not schedule power to entities in quantities of less than 1 megawatt. Western will round up allocations of less than 1 MW in both summer and winter, based on the 1-MW minimum allocation provision in the existing marketing plan.

Rounding Up To Mitigate Scheduling Risk

Background: Utilities must schedule energy in full megawatt increments. As a result, Western contractors at times must round up their Western allocations when scheduling. Western is at risk of exceeding the P-DP CROD in any one hour because each contractor has the discretion to decide when to round up when scheduling its P-DP power. This risk is highest in summer, when demand is greatest. Western has exceeded the P-DP CROD in the past, which exposes Western to the potential of purchasing capacity. Rounding up customers with allocations of less than 2 MW in summer reduces Western's risk of exceeding the P-DP CROD in any one hour.

Comments and discussion: We will round up contracts with allocations of less than 2 MW to an even 2 MW in summer. This action will reduce Western's risk of exceeding the P-DP CROD and exposure to purchasing capacity.

Exemption for Small Contractors

Background: Western's August 8, 2002, **Federal Register** notice (67 FR 51580–51581) did not propose to exempt small contractors from allocation reductions to form the P-DP resource pool.

Comments and discussion: Several commenters expressed concern about the impact of a 6-percent allocation reduction on small contractors, saying it