

date and time. SNR will hold a Public Information Forum to describe the alternatives under consideration on July 9, 2003, Folsom, CA, beginning at 10 a.m. SNR will also hold a Public Comment Forum on July 30, 2003, Folsom, California, at 10 a.m.

ADDRESSES: The Public Information Forum and Public Comment Forum will be held at the Lake Natoma Inn, 702 Gold Lake Drive, Folsom, California. Written comments should be sent to Tom Carter, Power Operations Manager, Western Area Power Administration, Sierra Nevada Customer Service Region, 114 Parkshore Drive, Folsom, CA 95630-4710, or by electronic mail to TCarter@wapa.gov.

FOR FURTHER INFORMATION CONTACT: Tom Carter, Power Operations Manager, (916) 353-4427, or by electronic mail at TCarter@wapa.gov.

SUPPLEMENTARY INFORMATION:

Authorities

The Marketing Plan for marketing power by the SNR after 2004, published in the **Federal Register** (64 FR 34417) on June 25, 1999, was established pursuant to the Department of Energy Organization Act (42 U.S.C. 7101-7352); the Reclamation Act of June 17, 1902 (ch. 1093, 32 Stat. 388) as amended and supplemented by subsequent enactments, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts specifically applicable to the projects involved.

Background

Western is a Federal power marketing administration within DOE and published its 2004 Power Marketing Plan (Marketing Plan) for SNR in the **Federal Register** (64 FR 34417) on June 25, 1999. The Marketing Plan specifies the terms and conditions under which Western will market Federal power from the Central Valley Project (CVP), the Washoe Project, and any additional power purchased to supplement Federal hydropower generation beginning January 1, 2005. SNR has three long-term contracts (Contracts 14-06-200-2947A (2947A), 14-06-200-2948A (2948A), and 14-06-200-2949A (2949A)) with PG&E expiring on December 31, 2004. The Southern California Edison Company (SCE) and the San Diego Gas and Electric Company (SDG&E) are also parties to Contract 2947A. The three contracts provide for the integrated and interdependent operation of the Federal and PG&E transmission systems. PG&E provides transmission services to SNR's customers and Project Use loads on the

PG&E system, interconnects the section of the Pacific AC Intertie (PACI) line owned by Western with PG&E-owned facilities, and provides Western with 400 megawatts (MW) of transmission capacity rights to and from the Pacific Northwest.

Under legislation authorizing the construction of the Federal CVP, the Federal Government had originally planned to construct Federal generation and transmission facilities to serve specific Project Use facilities and Preference Power allottees. PG&E proposed an alternative solution, which integrated the transmission and generation resources of both organizations. PG&E stated that its approach would be more economic and would be less costly than if the Federal Government undertook construction. This synergistic approach became the basis of the relationship between Western and PG&E for more than 50 years. In 1967, Western and PG&E executed Contracts 2947A, 2948A, and 2949A. Contract 2947A provides Western up to 400 MW of priority transmission capacity on the PACI transmission system. Under Contract 2948A, PG&E integrates the hydro-generation resources of the CVP and Western's purchased energy with its resource portfolio to meet the combined PG&E and SNR loads. Under this arrangement, PG&E provides firming energy, as needed, to support the Project Use loads and SNR's power allocations. Contract 2949A interconnects PG&E's transmission system with Western's at PG&E's Round Mountain Substation.

As part of PG&E's overall operational responsibilities under Contract 2948A, PG&E provides control area services to support SNR's loads. When California restructured its electric utility industry in 1996 with the passage of Assembly Bill 1890, the California Independent System Operator (CAISO) was created and took over operational control of the transmission lines of the three investor-owned utilities (PG&E, SCE, and SDG&E). The CAISO also assumed control area operator responsibilities for the geographic service territory of the three investor-owned utilities. Under existing arrangements, PG&E secures control area services from the CAISO to meet PG&E's contractual obligations for Contract 2948A deliveries.

PG&E has indicated that after the contracts expire, it will no longer provide the services identified in these contracts under the same terms and conditions in support of SNR's power marketing program. When these three long-term contracts expire on December 31, 2004, PG&E has informed Western that SNR must either obtain or self-

provide many of the control area services currently provided by Contract 2948A for Project Use loads and its customers directly connected to the Federal transmission system. In addition, SNR will need to initiate new scheduling arrangements for Project Use loads, CVP generation, and customer allocations served through, or attached to, the CAISO controlled-grid. To ensure non-interrupted cost-effective deliveries of Federal power, Western is preparing to assume responsibility for providing many of these services.

Beginning January 1, 2005, SNR is assuming that it has the responsibility for providing many of the services currently provided by PG&E under existing contracts for the delivery of Federal power to Project Use loads on both the Federal and PG&E transmission systems. Nothing in this notice should be taken as a waiver of Western's rights or ability to take other actions to secure service.

To maintain operational flexibility for the CVP and the Washoe Project, as well as to implement the Marketing Plan in a cost-effective manner in the post-2004 environment, SNR is considering several alternative operating scenarios. One of the alternatives identified by SNR is the option of forming a new control area. Other alternatives include becoming a CAISO Participating Transmission Owner (TO) or operating within the CAISO control area as a sub-control area in a manner similar to a Metered Sub-System (MSS). The purpose of this notice is to advise interested stakeholders of SNR's potential activities and to solicit comments on the alternatives.

The Marketing Plan describes how SNR will market CVP, the Washoe Project, and purchased power resources during the period January 1, 2005, through December 31, 2024. CVP power facilities include 11 powerplants with a maximum operating capacity of about 2,044 MW and an estimated average annual generation of 4.6 million megawatt hours (MWh). The Washoe Project's Stampede Powerplant has a maximum operating capacity of 3.65 MW with an estimated annual generation of 10,000 MWh. The Sierra Pacific Power Company owns and operates the only transmission system available for access to the Stampede Powerplant.

Each of the alternatives under consideration will expose SNR and its customers to a different set of financial and operational risks and will require the development of different operating protocols and procedures.

Depending upon the alternative selected, Western may be required to