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DEPARTMENT OF ENERGY

10 CFR Part 905

Revision to the Final Principles of Integrated Resource Planning for Use in Resource Acquisition and Transmission Planning

AGENCY: Western Area Power Administration, DOE.

ACTION: Final rule.

SUMMARY: Western Area Power Administration (Western) published in the **Federal Register** two proposed changes to Western's Final Principles of Integrated Resource Planning (IRP) in the **Federal Register** on June 29, 2011. The Final Principles of IRP were last published in the **Federal Register** on June 9, 1995. First, Western proposed that its current practice of developing project-by-project evaluation criteria to determine the quantity, length, and source of a long-term energy purchase be replaced with uniform, Western-wide evaluation criteria. Western will make no changes to its current practice of developing project-by-project evaluation criteria to evaluate long-term energy-purchases. Second, Western proposed eliminating transmission planning principles that are unnecessary as a result of changes in the planning area made since 1995. Western will eliminate the transmission planning principles now accomplished by other means consistent with its proposal.

DATES: This final rule will become effective on October 22, 2014.

FOR FURTHER INFORMATION CONTACT: Dr. Anthony H. Montoya, Chief Operating Officer, Western Area Power Administration, P.O. Box 281213, Lakewood, CO 80228-8213, telephone (720) 962-7071.

SUPPLEMENTARY INFORMATION: The Final Principles of IRP were published in the **Federal Register** on June 9, 1995 (60 FR 30533). The Final Principles of IRP have

served as the policy under which Western develops principles for acquiring project-specific, long-term resources and for public participation in transmission planning for some Western projects to increase transmission capability.

Since completing the Final Principles of IRP for transmission planning in 1995, the transmission industry has undergone significant change. Several of the comments Western received during the 1995 public process to develop the Final Principles of IRP requested that Western avoid duplicating efforts related to transmission planning. At the time the Final Principles of IRP were adopted, Western did not believe the procedures for public participation in transmission planning were duplicative. In light of the current vigorous involvement of stakeholders in regional and sub-regional transmission planning entities and the detailed transmission planning process set forth in Western's Open Access Transmission Tariff (OATT), as described below, Western now believes that those comments have merit, and the transmission planning principles established under the Final Principles of IRP will now be eliminated.

Specifically, Western is actively involved in several transmission planning efforts throughout its various regions. For example, Western is currently participating in the Transmission Expansion Planning Policy Committee under the Western Electricity Coordinating Council, Southwest Area Subregional Planning Transmission Group, Colorado Coordinated Planning Group, California Transmission Planning Group, Sierra Subregional Planning Group, WestConnect, and Mid-Continent Area Power Pool. These groups either did not exist or were in their infancies when the transmission planning principles set forth in the Final Principles of IRP were completed. In the ensuing 19 years, these planning entities have emerged to provide stakeholders the opportunity to become involved in regional integrated transmission planning including projects that would increase Western's transmission capacity.

Moreover, as of December 2009, Western's OATT incorporated a detailed transmission planning process based upon three core objectives: (1) Maintaining reliable electric service; (2)

improving the efficiency of electric system operations, including the provision of open and non-discriminatory access to its transmission facilities; and (3) identifying and promoting new investments in transmission infrastructure in a coordinated, open, transparent, and participatory manner. The transmission planning process that is now a part of Western's OATT aids timely, coordinated, and transparent information sharing that fosters the development of electric infrastructure, maintains reliability, and meets network load growth. The process includes open planning meetings that allow anyone including, but not limited to, network and point-to-point transmission customers; interconnected utilities; sponsors of transmission, generation and demand-side management developers; and other stakeholders to participate in all stages of development of Western's transmission plans.

Lastly, Western engages in annual 10-year transmission planning activities and joint-planning activities with its customers. These efforts identify and prioritize long-term transmission system additions, betterments, and replacements to meet customers' needs and to ensure the reliability of the bulk electric system.

As a result of the changes discussed above, and in consideration of the comments set forth in the following section, Western has determined to finalize its proposal, published in the **Federal Register** on June 29, 2011 (76 FR 38146), to eliminate from Western's Final Principles of IRP duplicative transmission planning principles. For the reasons discussed in the **SUMMARY** section of this document, and in consideration of the comments set forth in the following section, Western has determined not to adopt its proposal of developing uniform, Western-wide evaluation criteria to determine the quantity, length and source of a long-term energy purchase. Instead, Western will continue to use its current practice of developing project-by-project evaluation criteria.

Response to Comments

Western held a public meeting on July 21, 2011, in Lakewood, Colorado, to solicit input about Western's revision to the Final Principles of IRP for Use in Resource Acquisition and Transmission

Planning. The meeting addressed the proposed evaluation criteria and procedures Western would use for long-term resource acquisition and the elimination of the transmission planning principles as set forth in the Final Principles of IRP. Western received oral comments at its July 21, 2011, public meeting and written comment letters. The comments received and Western's responses follow:

Transmission Planning

Comment: Numerous comments supported the removal of transmission planning from the IRP process, although the existing coordination between transmission and resource planning efforts and processes provides significant value and should be maintained to the extent possible. One comment urged Western to retain transmission planning as part of the IRP process and for Western to commit to a robust, open, and transparent planning process.

Response: Western appreciates the support for removing the transmission planning from its Final Principles of IRP. Western determined that a robust, open, and transparent transmission planning process is now provided by planning efforts of regional and sub-regional planning entities and Western's OATT. Western agrees there is a nexus between transmission planning and resource planning efforts. This will remain a consideration for Western. Given developments in these areas of transmission planning since the original IRP process was completed, Western determined that including transmission planning in the IRP Principles is redundant.

Comment: Generators are discouraged from locating in Western's service territories because Western does not participate in a regional transmission organization.

Response: This comment is outside the scope of this process.

Resource Acquisition

Comment: Several comments asked why a proposed change in Western's policy toward resource acquisitions is needed now since there is no legislative mandate or ongoing energy crisis and the current policy seemingly works well. Comments suggested Western delay its process until it can provide a more complete presentation of its proposal and engage in further discussions with its customers.

Response: Western's primary goal in proposing modifications to the existing Principles of IRP was to provide Western the ability to make long-term

purchases in a more expeditious and streamlined manner. Western determined, in consideration of the comments received on this issue, to leave the existing procedures in place. The existing Principles of IRP commit Western to performing a public process before each purchase of a long-term resource(s), which allows for a transparent process for long-term purchases and engagement of customers prior to making such purchases.

Comment: Is there a real need for purchases longer than 5-years given that short-term contracts provide flexibility and reduce the risk of financially overextending Western's power customers?

Response: Western will not change this acquisition principle. Although there could be several factors that may impact Western's decision to enter into a long-term purchase, such as a long-term generation reduction resulting from changes in hydrology, reservoir operations, or extended outages. Western has found that short-term contracts can effectively satisfy its firming needs, and the existing principles provide enough flexibility and allow Western's customers, on a region-specific basis, to consider long-term resource strategies.

Comment: Several comments state that changing to a Western-wide policy for long-term purchases would not take into account operational characteristics and contractual provisions of each region, which can be strikingly different, and should be developed on a regional basis instead.

Response: Each of Western's regional offices follows the same general criteria in evaluating whether or not to make a long-term purchase. Each region will continue to involve its region-specific customers in the decision-making process and take into account region-specific impacts.

Comment: Increasing the diversity of Western's portfolio should be included in the list of "occurrences" in Principle No. 1, in addition to the partial list provided that sets forth reasons for making such purchases, such as lost hydropower generation or drought.

Response: Western markets power in a manner to encourage the most widespread use at the lowest possible rates consistent with sound business principles. Acquiring a renewable resource solely for the purpose of portfolio diversity, regardless of price, runs counter to Western's mission. However, diversity is one of the existing principles that Western will continue to use to evaluate long-term resource acquisitions.

Planning and Coordination

Comment: Several comments note there are existing processes and regular planning meetings to discuss potential resource acquisitions developed by Western and customers that address drought, resource, and financial interests. These processes have been developed over a period of years following extensive collaboration between Western and its customers and should not be undermined by a new policy. Comments expressed concern about how Western's new proposal would work with the existing processes and if those current processes would be continued in the future.

Response: Western does not plan to change any ongoing processes or regular planning meetings with its customers. Western will continue to coordinate closely with its customers about long-term purchase requirements.

Comment: Fundamental principles should be developed in consultation with project-specific customers and all interested parties with respect to hydrology, capacity/energy purchased, and customer needs and willingness to pay for purchases and/or opt out of payment for such purchases. Notification and planning of such purchases should be made to the customers and other interested parties prior to any long-term transaction.

Response: Western does not plan to change any ongoing processes or regular planning meetings to discuss resource acquisitions with its customers. Western will continue to coordinate closely with its customers to develop criteria for long-term purchase requirements.

Implementation

Comment: If Western is considering requests for resource proposals (short or long-term), notices and invitations for bids should be posted on Western's Web site with sufficient notice to the public.

Response: Western is not changing its acquisition principles. Western does provide notice to potential suppliers and interested stakeholders when soliciting requests for power depending upon the term sought. Typically, short-term purchases do not require as involved a process as long-term purchases; however, both processes involve appropriate notification and involvement following the specific processes used by each of Western's regional offices.

Comment: Does Western plan to send out proposed revisions after the comment period is over?

Response: Western carefully considered the comments received and any potential revisions. Western

decided to retain the existing acquisition principles and remove only the transmission planning principles, which are now being performed under Western's OATT. Given the comments provided, the vast majority of which supported removal of the transmission planning principles, Western has determined that an additional comment period is not necessary.

Comment: The proposal in the June 29, 2011, **Federal Register** notice (76 FR 38146) has changes to sections 1, 4, 5, and 6 of Western's Final Principles of IRP. Will the 1995 Principles be superseded in their entirety?

Response: Western is maintaining its existing IRP policy and has eliminated only the duplicative Transmission Planning Principles. Therefore, the 1995 resource acquisition principles will remain in place.

Comment: Would it be possible to see all proposed revisions in one place to eliminate confusion? Also, why are comments due 8 days after the public meeting?

Response: Western posted a redline/strikeout version of the Proposed Revised Final Principles of IRP Related to Resource Acquisition on its Web site and also provided this information at the July 21, 2011, public meeting. Western also provided 30 days for the submission of comments. The **Federal Register** notice was published on June 29, 2011, and comments were due to Western on July 29, 2011. Due to logistics, Western's public meeting was scheduled late in that period. All parties had 30 days from initial publication to comment.

Comment: Western should include in its work plan and in the IRP Principles a proposal to aggregate demand from a number of smaller utilities and loads so these customers can benefit from the economies of scale of investing in a larger resource.

Response: Although small customers may benefit from pooled resource acquisition, coordinating such purchases is considered beyond the scope of the proposal.

Comment: Western should seek to coordinate its Request for Proposals (RFP) with those of other regional entities so all parties may capture any economic and environmental benefits of larger-scale resource acquisitions.

Response: Western would consider coordination of RFPs among its regional offices to achieve economies of scale, and the load diversity created by Western's extensive geographic service territory may make certain purchases more economically viable. Western could also consider a combined RFP with others for long-term resource

acquisitions. The feasibility of such a combined RFP would depend on the complexity of coordination and the various acquisition requirements.

Comment: Western should create a "standard offer," similar to one offered by the Tennessee Valley Authority (TVA), for small- to mid-sized renewables that would offer set prices and long-term contracts under simplified application and contracting processes.

Response: Western and TVA have very different authorities and authorizations. TVA has a much broader authority for providing resources for load growth within its region. Western's resources are limited to generation provided at certain facilities. Western's authorizing legislation requires it to deliver this power at the lowest cost possible consistent with sound business practices. To accomplish this goal, Western is committed to having an open process available for all resource providers under its existing procedures.

Comment: Western has a great opportunity to facilitate renewable resource development through the use of its hydro resources to provide firming and shaping products for variable resources like wind.

Response: Western already uses the long-term, load-following capability of the Federal hydroelectric facilities to support the obligations of its firm electric service contracts. Western will continue to consider resource diversity in evaluating long-term resource acquisitions.

Evaluation Criteria

Comment: Western's existing hydropower resources should be considered as a renewable resource under the IRP policy, and Western should ensure that any renewable purchases do not operationally affect hydropower generation. Conversely, another comment suggested that Western should not consider large-scale hydropower as a renewable resource.

Response: Western supports consideration of large-scale hydropower as a clean, renewable, power resource and will work with its customers, where appropriate, to promote hydropower as a recognized renewable resource. Western determined the existing evaluation principles, as a whole, provide ample opportunity to assess the potential impacts any resource may have on operation of hydropower resources.

Comment: The proposed evaluation criteria are not clear. Further, defining the process for using the evaluation criteria is needed before an assessment of the criteria's value can take place.

Response: Western has decided not to adopt the proposed evaluation criteria. Western's existing acquisition principles are sufficient and broad enough to give Western the needed flexibility to make future, long-term purchases. There are many aspects to long-term power purchases, and the existing guidelines are sufficient to provide guidance to Western in how resource acquisitions should be considered. Additional consideration of a resource will be provided by each of Western's regions at the time a long-term purchase is considered.

Comment: The diversity criterion is broad enough to contain an adequate consideration of renewable energy resources; therefore, a separate criterion for renewable resources is not needed.

Response: Under its existing acquisition principles, Western will continue to give consideration to the environmental attributes of different generation sources as part of any long-term purchase.

Comment: Western should remove references to demand-side management from Criterion 5 (e)—"Environmental Impact."

Response: Although Western is not adopting new principles, under its existing acquisition principles the criteria will continue to address environmental impacts, as well as other relevant considerations, when evaluating possible long-term resource options, which include demand-side management.

Comment: The proposed process language is silent about how the evaluation criteria would be used for any specific resource procurement need; each criterion could have different weightings with such weightings being contingent on the specifics of the procurement need. The comment proposes revising the Section 5 introductory statement to read: "5. When evaluating potential resource acquisitions under the Final Principles of Integrated Resource Plan, the following criteria will be considered, and given weightings based upon the specific resource acquisition being considered."

Response: Western is not changing its acquisition principles. Under Western's existing principles, there may be a need to weight the evaluation contingent upon the type of purchase that needs to be made, which can be accomplished as part of a specific resource purchase.

Comment: Why did Western include Criterion 5 (e)—"Environmental Impact?" What does Western intend by this criterion? Is Western required by law to have this criterion in resource evaluations? If not, it could be deleted

in favor of those identified in Criterion 5 (g)—“Renewable Energy Resource.”

Response: As part of a long-term resource acquisition, Western must perform a National Environmental Policy Act (NEPA) analysis. Although Western is not changing its acquisition principles, the level of NEPA analysis will continue to be decided as a part of the specific acquisition process.

Comment: Western would have greater flexibility if Criterion 5 (g)—“Renewable Energy Resource,” were instead titled “Environmental/Green Attributes (Including Renewables),” which would enable Western to make purchases, such as large-scale hydropower, that are sometimes not considered as renewable-energy resources under legislative mandates. This change would allow Western to address the question: “Does the replacement resource being procured have comparable environmental attributes to what is required?”

Response: Western agrees with the concept, and the existing principles already allow the consideration of renewable resource options. The language is broad enough to allow Western to consider both existing and emerging technologies providing potential environmental/green attributes.

Comment: Criterion 5 (i)—“Transmission Availability” might be more appropriately titled “Deliverability.” Deliverability encompasses transmission availability, but in addition covers any other delivery-related issues. This would give more flexibility to Western in long-term resource procurement decisions.

Response: The existing principles require that Western consider dependability and dispatchability to capture delivery-related concerns.

Comment: Agree with Criterion 5 (h)—“Risk.” Any risk analysis should include fuel price and energy-policy risks.

Response: Western appreciates the comment and will continue to consider all relevant factors when evaluating purchase decisions using its existing principles including, but not limited to, fuel price and energy-policy risks.

Comment: Contractual obligations should be adjusted based on generation facility type. “Dependability” should be redefined for renewables compared to traditional generation, and “Dispatchability” and “Transmission Availability” criteria should not be so rigid as to discriminate against variable-energy resources.

Response: Although Western is not changing its acquisition principles, dependable and dispatchable resources

continue to be required for Western’s operations. Having available transmission to receive and make deliveries of power is critical. Western is supportive of industry efforts to better integrate renewable resources and will consider the availability and dependability of all potential resources when evaluating a potential long-term purchase. Western will not automatically rule out renewable resources in considering energy purchases and will continue to take into account all of the existing principles when evaluating a potential long-term purchase.

Comment: Western, under Criterion 5 (g)—“Renewable Energy Resource,” should clearly state that it will give priority to renewable resources and that these types of resources will receive additional weighting when Western evaluates all proposed resources against its IRP criteria.

Response: When evaluating resources for a particular purchase, Western will evaluate all resource types following the guidelines in the existing Final Principles of IRP. Each resource acquisition will be evaluated on its own merits and not in a way that immediately excludes or promotes certain resource options.

Comment: Will Western provide more detail on the criteria used to define risk?

Response: Western’s existing principles contain risk as a criterion as understood as part of good utility practice. For example, creditworthiness of energy suppliers is a legitimate concern of all utilities; having a resource unavailable due to the financial insolvency of a supplier is not in Western’s interest. With regard to market uncertainties, Western will continue to evaluate carefully all potential power resources, including the consideration of externalities affecting the viability of a resource.

Comment: Western should consider long-term, life-cycle cost, including environmental costs, over a 20- to 25-year contract period, so the full value of renewable energy is demonstrated. Western should also take into account that solar resources are fueled for free and avoid the uncertainty of volatile fossil fuel commodity markets. Another comment suggested that some evaluation criteria may not reflect impending changes in energy markets. A comment suggested language stating that Western, when assessing whether to enter a long-term contract, consider near-future changes in a resource’s cost, dependability, dispatchability, risk, and transmission availability.

Response: Western’s existing principles are flexible and broad enough

to accommodate the inevitable nuances that exist among various potential, long-term, purchase power options. In conjunction with Western’s customers and in an open and transparent process, these principles will be used to examine and properly consider each potential resource on a case-by-case basis.

Comment: Western should compare the full cost of each proposal over the life of a contract and choose the proposal that will be the most cost effective. Another noted that the cost of coal will be increasing in the future, and this should be considered in Western’s long-term planning.

Response: In response to several comments urging additional criteria, Western determined the existing principles are flexible and broad enough to accommodate the different circumstances that exist among various potential long-term, purchase power options. In conjunction with Western’s customers and in an open and transparent process, these principles will be used to examine and properly consider each potential resource acquisition.

Comment: Western, as a government entity, needs to ensure that power purchases minimize adverse impacts to the environment and should ensure 25 percent of its energy purchase comes from renewable energy resource by 2025.

Response: Western intends to consider renewable resources for future, long-term, resource acquisitions; however, a pre-commitment to purchase power from any specific resource type, regardless of price, runs counter to Western’s authority. Western is required to conduct its business in accordance with applicable law. Specifically, Western markets Federal hydroelectric power in a manner to encourage the most widespread use at the lowest possible rates to consumers consistent with sound business principles.

Comment: Western should include evaluation of externalities such as health costs, costs of environmental damage, and climate change for its purchases.

Response: The evaluation of these types of items is included in Western’s existing principles.

Comment: When Western purchases power resources, it should take all reasonable steps to minimize adverse environmental impacts by purchasing clean, renewable energy such as solar.

Response: Western will continue to consider potential resources, including clean, renewable energy, for long-term purchases under its existing principles.

Comment: Concerning Criterion 5 (i)—“Transmission,” does Western

envision this was intended only to assess whether existing transmission would be available to deliver a resource or a broader assessment that would include the difficulty/cost of constructing new transmission to facilitate delivery of the resource in a timely manner?

Response: Transmission delivery capability is a necessary component of any energy purchase, and consideration of that aspect is critical. Western has always considered this aspect, which would include evaluating the potential of new transmission, when acquiring resources.

Comment: Improvements to Western's IRP Principles should apply not only to long-term purchases (5-years or more), but to short-term purchases as well.

Response: Western is not changing its acquisition principles for acquisition of resources for more than 5 years. Applying these same criteria to short-term purchases is not practical due to the quick turnaround necessary for daily and monthly purchases. The existing Final Principles of IRP require significant evaluation and analysis and are not conducive to a short-term resource acquisition process. In its June 9, 1995, **Federal Register** notice (60 FR 30533), Western responded to a similar comment and stated that "Western believes that it is important to maintain flexibility within these principles."

Comment: Western should insert the following language to Principle No. 1: "In determining the sources of power Western will deliver to its customers under all existing and new contracts [to make up for shortfalls in Federal hydropower generation][sic], Western will evaluate energy savings programs, customer demand response programs, and renewable energy generation alongside fossil resources, using consistent and transparent criteria that treat these resources objectively."

Response: Western is not changing its acquisition principles for acquisition of resources. The existing principles include renewable resource options, which will be considered in relation to the needs of each respective region.

Comment: Western should affirmatively commit to meet a significant part of its long-term, power-purchase needs from solar and other renewable resources within a year. Western should conduct a public process to identify the quantity and type of renewable power each Western regional project office should purchase through competitive processes. This effort should culminate with the execution of long-term, purchase-power contracts for both central station and distributed renewable power resources.

Western should, within a year, set a specific renewable target to meet (e.g., 25 percent by 2025).

Response: Western will evaluate the resource used to meet any long-term, power-purchase needs using the existing principles, including renewable power, within the respective region with a long-term resource need.

Comment: We support Western's proposed changes to its IRP Policy and with Western's definition of Criterion 5 (b)—"Dependability;" Criterion 5 (d)—"Diversity;" Criterion 5 (f)—"Indian Preference;" and Criterion 5 (i)—"Transmission Availability," and support minimized transmission losses.

Response: Western appreciates the comment, but has determined not to revise the existing principles.

Comment: Technological changes have made wind and photovoltaic energy more dependable and dispatchable. Renewables offer more long-term reliability in terms of risk and are a good replacement for fossil fuels. Long-term contracts promote the certainty needed for capital investments.

Response: Western appreciates the comment and understands the benefits of renewable energy.

Comment: Leaving the resource evaluation criteria more general will provide the maximum flexibility for any specific long-term resource procurement.

Response: Western determined the existing acquisition principles strike the appropriate balance between allowing regional flexibility and providing general guidance and has determined not to revise the acquisition principles.

Revised Principles of Integrated Resource Planning Related for Use in Resource Acquisition and Transmission Planning

Accordingly, the Western Area Power Administration amends its Final Principles of IRP by eliminating entirely the requirements in the section titled: "II. Transmission Planning Principles:" No changes will be made to the section titled: "I. Resource Acquisition Principles:"

Procedure Requirements

Environmental Evaluation

Western's notice to revise the Final Principles of IRP is an administrative action covered by an existing NEPA categorical exclusion. A categorical exclusion has been prepared and executed for this process. Once project-specific actions are identified under the Revised Final Principles of IRP and the project-specific evaluation developed

through the existing process, those actions would be individually subject to the appropriate level of NEPA review. Factors affecting the level of NEPA review include whether the project-specific action would integrate a new generation resource, precipitate changes to the transmission system, or change the normal operating limits of existing generation resources.

Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this document by the Office of Management and Budget is required.

List of Subjects in 10 CFR Part 905

Electric power, Electric utilities, Energy conservation, Reporting and recordkeeping requirements.

Dated: September 11, 2014.

Mark A. Gabriel,
Administrator.

For the reasons set forth in the preamble, the Department of Energy amends Part 905 of title 10 of the Code of Federal Regulations as set forth below.

PART 905—ENERGY PLANNING AND MANAGEMENT PROGRAM

- 1. The authority citation for part 905 continues to read as follows:

Authority: 42 U.S.C. 7152, 7191; 42 U.S.C. 7275–7276c.

- 2. Add subpart E to read as follows:

Subpart E—Final Principles of Integrated Resource Planning for Western Resource Acquisition

Sec.

905.50 Resource acquisition principles.

905.51 Transmission planning principles.

Subpart E—Final Principles of Integrated Resource Planning for Western Resource Acquisition

§ 905.50 Resource acquisition principles.

Western's resource acquisition activities will be determined by project-specific power marketing plans, hydropower production capability, and the application of the following principles of IRP:

(a) Western will consider a full range of resource options, both supply-side and demand-side, as well as renewable resource options.

(b) On a project-by-project basis, Western, through a public process involving interested stakeholders will develop criteria to be used in evaluating power resource alternatives.

(c) Evaluation criteria will address cost, environmental impact,

dependability, dispatchability, risk, diversity, and the ability to verify demand-side alternatives. Evaluation criteria will be reviewed as the need for resources changes or when long-term commitments to purchase power expire.

(d) Evaluation criteria will be consistent with Western's power marketing policy, which states that Federal power is to be marketed in such a manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles. The policy, found in Delegation Order No. 00-037.00A, is derived from statutes authorizing the sale of power from both Department of the Army and Department of the Interior hydroelectric projects. These statutes include section 5 of the Flood Control Act of 1944, 16 U.S.C. 825(s) and section 9(c) of the Reclamation Project Act of 1939.

(e) Resource acquisition planning will be consistent with power marketing plans and associated contractual obligations.

(f) Resource acquisition decisions will be documented and made available to Western's power customers and the public.

§ 905.51 Transmission planning principles.

Western's transmission planning is conducted to assess the capability of the Federal transmission system to provide adequate and reliable electric service to its customers and the interconnected power grid. These planning efforts occur as part of its participation in regional and sub-regional planning entities as well as Western's Open Access Transmission Tariff.

[FR Doc. 2014-22367 Filed 9-19-14; 8:45 am]

BILLING CODE 6450-01-P

FEDERAL RESERVE SYSTEM

12 CFR Part 213

[Docket No. R-1495]

RIN 7100-ZA-09

BUREAU OF CONSUMER FINANCIAL PROTECTION

12 CFR Part 1013

Consumer Leasing (Regulation M)

AGENCY: Board of Governors of the Federal Reserve System (Board); and Bureau of Consumer Financial Protection (Bureau).

ACTION: Final rule; official interpretations and commentary.

SUMMARY: The Board and the Bureau are publishing final rules amending the

official interpretations and commentary for the agencies' regulations that implement the Consumer Leasing Act (CLA). The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) amended the CLA by requiring that the dollar threshold for exempt consumer leases be adjusted annually by any annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Based on the annual percentage increase in the CPI-W as of June 1, 2014, the Board and the Bureau are adjusting the exemption threshold to \$54,600, effective January 1, 2015.

Because the Dodd-Frank Act also requires similar adjustments in the Truth in Lending Act's threshold for exempt consumer credit transactions, the Board and the Bureau are making similar amendments to each of their respective regulations implementing the Truth in Lending Act in a rule published elsewhere in the **Federal Register**.

DATES: This final rule is effective January 1, 2015.

FOR FURTHER INFORMATION CONTACT:

Board: Vivian W. Wong, Counsel, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667; for users of Telecommunications Device for the Deaf (TDD) only, contact (202) 263-4869.

Bureau: David Friend, Counsel, Office of Regulations, Bureau of Consumer Financial Protection, at (202) 435-7700.

SUPPLEMENTARY INFORMATION:

I. Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) increased the threshold in the Consumer Leasing Act (CLA) for exempt consumer leases from \$25,000 to \$50,000, effective July 21, 2011.¹ In addition, the Dodd-Frank Act requires that this threshold be adjusted annually for inflation by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), as published by the Bureau of Labor Statistics. In April 2011, the Board issued a final rule amending Regulation M (which implements the CLA) consistent with these provisions of the Dodd-Frank Act.²

Title X of the Dodd-Frank Act transferred rulemaking authority for a number of consumer financial protection laws from the Board to the

Bureau, effective July 21, 2011. In connection with this transfer of rulemaking authority, the Bureau issued its own Regulation M implementing the CLA in an interim final rule, 12 CFR part 1013 (Bureau Interim Final Rule).³ The Bureau Interim Final Rule substantially duplicated the Board's Regulation M, including the revisions to the threshold for exempt transactions made by the Board in April 2011. Although the Bureau has the authority to issue rules to implement the CLA for most entities, the Board retains authority to issue rules under the CLA for certain motor vehicle dealers covered by section 1029(a) of the Dodd-Frank Act, and the Board's Regulation M continues to apply to those entities.⁴

Section 213.2(e)(1) of the Board's Regulation M and § 1013.2(e)(1) of the Bureau's Regulation M, and their accompanying commentaries, provide that the exemption threshold will be adjusted annually effective January 1 of each year based on any annual percentage increase in the CPI-W that was in effect on the preceding June 1. Any increase in the threshold amount will be rounded to the nearest \$100 increment. For example, if the annual percentage increase in the CPI-W would result in a \$950 increase in the threshold amount, the threshold amount will be increased by \$1,000. However, if the annual percentage increase in the CPI-W would result in a \$949 increase in the threshold amount, the threshold amount will be increased by \$900.⁵

II. Adjustment and Commentary Revision

Effective January 1, 2015, the adjusted exemption threshold amount is \$54,600. This adjustment is based on the CPI-W index in effect on June 1, 2014, which was reported on May 15, 2014. The Bureau of Labor Statistics publishes consumer-based indices monthly, but does not report a CPI change on June 1; adjustments are reported in the middle of the month. The CPI-W is a subset of the CPI-U index (based on all urban consumers) and represents approximately 28 percent of the U.S. population. The adjustment reflects a 2 percent increase in the CPI-W from April 2013 to April 2014 and is rounded to the nearest \$100 increment. Accordingly, the Board and the Bureau are revising the commentaries to their respective regulations to add new comment 2(e)-9.vi stating that, from January 1, 2015 through December 31,

³ 76 FR 78500 (Dec. 19, 2011).

⁴ See also 12 U.S.C. 5519(b).

⁵ See comments 2(e)-9 in Supplements I of 12 CFR part 213 and 12 CFR part 1013.

¹ Public Law 111-203 section 1100E, 124 Stat. 1376 (2010).

² 76 FR 18349 (Apr. 4, 2011).