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Director, Office of Coal & Electricity, Office of Fuels Programs, Fossil Energy.

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Western Area Power Administration

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

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of final principles.

SUMMARY: The Western Area Power Administration (Western) will use principles of integrated resource planning (IRP) in its acquisition of resources (supply-side and demand-side) and in its transmission planning. Western published proposed principles for public consideration in the *Federal Register* on December 6, 1994 (59 FR 62724). After considering public comment on that proposal, Western has adopted the final principles of IRP contained in this notice as the policy under which project-specific resource acquisition and transmission planning procedures will be developed. These project-specific procedures will be developed through separate public processes.

DATES: The final principles of IRP will be effective on July 10, 1995.

BACKGROUND: On August 9, 1994, Western provided notice of its proposed Energy Planning and Management Program (Program), 59 FR 40543, concerning requirements for Western's customers to undertake integrated resource planning consistent with the statutory requirements of the Energy Policy Act of 1992 (section 114 of the Energy Policy Act, codified at 42 U.S.C. §§ 7275-7276c). In that notice, Western committed to develop and use principles of IRP in its own resource acquisition and transmission planning. The separate public process to develop principles of IRP began with publication of draft principles of IRP in the *Federal Register* on December 6, 1994. A public information and comment forum was held in Denver, Colorado, on January 12, 1995, to explain the proposed principles and receive comments on the proposal. Written comments on the proposal were received through March 7, 1995.

The final Western principles of IRP outlined in this notice will be used by

Western in its resource acquisition and transmission planning and differ from those proposed in the Program for Western's customers. Western's resource acquisitions are primarily short-term purchases of supplemental resources to firm variable hydropower generation and are not acquisitions of resources to meet long-term load growth. The principles of IRP also have been adapted to Western's transmission planning process, which does not deal with new generation resources, only new or upgraded transmission facilities.

Western currently is involved in other public processes that can have an impact on future purchase power and transmission requirements. The final principles of IRP will be applied when acquiring resources or planning transmission related to the decisions from these other public processes. These principles will serve as the policy under which specific procedures are developed as each project identifies the need to acquire resources or increase Western's transmission capability.

RESPONSE TO COMMENTS: Western received 4 oral comments at the January 12, 1995, public meeting and 11 comment letters on the proposed principles of IRP published December 6, 1994. The comments received and Western's responses follow.

1. *Comment:* The scope of the principles of IRP should be broadened to possibly include examination of project-use loads.

Response: Western is responsible for marketing the power surplus to the needs of the Bureau of Reclamation (Reclamation) projects. Reclamation has jurisdiction for operation of the projects. However, we do agree that there may be opportunities for collaborating with Reclamation to expand the IRP process to include, where feasible, energy efficiency improvements at project-use facilities. Western and Reclamation completed a study in 1992 that indicated very limited opportunity for cost-effective improvements at Central Valley Project project-use facilities. However, Western may continue to evaluate such opportunities as part of project-specific resource acquisition evaluation criteria.

2. *Comment:* Western should increase cooperation with Reclamation on planning studies to extract the maximum possible benefit out of the projects to reduce the need for additional purchases.

Response: We agree with this comment. As part of the National Performance Review, Reclamation is reviewing its power functions and operations. Western is cooperating in this effort.

3. *Comment:* The evaluation of supply-side and demand-side alternatives requires some additional clarification of the interplay between the customer demand-side management (DSM) and the Western DSM programs.

Response: The evaluation of demand-side alternatives for customers is generally focused on use of DSM to impact the customer's total load to reduce or delay resource acquisitions. Since Western is a partial requirements supplier for most of its customers, the evaluation of Western DSM alternatives will focus upon whether DSM will impact that portion of a customer's load supplied by Western (Western's contract obligation) to reduce the customer's need for the Western resource, which may, in some cases, reduce Western's resource acquisitions. Western DSM alternatives also may include improvements that reduce losses or project use energy efficiency improvements, if such alternatives reduce the amount of energy that Western needs to acquire to meet its contract commitments. A customer DSM activity that reduces only the amount a customer self-generates or purchases from an auxiliary supplier has no impact on Western's obligation and, therefore, is not a Western DSM alternative under these principles.

4. *Comment:* Western's proposal to apply principles of IRP to resource acquisition and transmission planning was strongly supported by one commenter, and Western was commended for developing an internal IRP process by two commenters at the January 12, 1995, public meeting.

Response: Western appreciates the support of these commenters.

5. *Comment:* Several commenters expressed concerns that these principles of IRP should not interfere with or duplicate existing partnership efforts between our firm power customers and Area Offices for resource acquisition and transmission planning.

Response: Western fully supports the on-going processes between Area Offices and customers relating to cost containment, transmission planning and resource acquisition. However, one of the basic foundations of IRP is full public involvement in resource decisions. To the extent that on-going partnership processes, such as the Glen Canyon Replacement Power process, include involvement by all interested stakeholders, those processes can integrate these final principles of IRP within their decision making process without additional effort.

6. *Comment:* The Salt Lake City Area replacement power process for Glen Canyon resources provides for each

customer to decide if it wants its lost resource to be replaced by Western or by the customer. Principle number 1.2 would violate this by taking the decision away from the customer and letting it be made by interested stakeholders.

Response: Western has no intent to overturn any agreements in the Glen Canyon power replacement process. At the January 12, 1995, public meeting, Western recognized that " * * * the extent of Western's future resource acquisitions * * * will depend on the choices made by long-term firm power customers to arrange their own purchases of firming energy or to have Western acquire firming resources for them." Principle number 1.2 has been modified to avoid confusion by deleting the provision for public input into the necessity for resource acquisitions and only provide for public input in the development of criteria to be used in evaluating power resource alternatives. This allows customers to decide whether or not Western should acquire firming resources for them and allows all interested stakeholders input into the criteria for evaluating resource alternatives consistent with the intent of integrated resource planning.

7. *Comment:* Several commenters questioned the costs and benefits to Western and the power customers of yet another public process.

Response: It is not Western's intent to add the additional cost and burden of yet another process. It is, however, Western's intent to fully integrate the principles of IRP into ongoing Western-Customer partnership processes and to ensure that all stakeholders have an opportunity to provide input into Western's resource acquisition and transmission planning processes. Western believes that making informed, least-cost resource acquisition and transmission planning decisions with involvement by all interested stakeholders will be worth the effort.

8. *Comment:* Principles of IRP will become less useful as the industry becomes more competitive.

Response: Western believes that the principles of IRP contained in this notice will facilitate Western's competitiveness by helping it make informed decisions with input from all interested stakeholders. In addition, the principles of IRP can be used to identify uncertainties associated with the more competitive generation sector of the industry, thereby providing the mechanism to evaluate risks associated with resource acquisition and transmission planning decisions.

9. *Comment:* These principles could duplicate, delay, and complicate

Western's participation in transmission projects proposed through a regional transmission group, such as the Western Regional Transmission Association (WRTA) and the Southwest Regional Transmission Association (SWRTA).

Response: Western does not believe that these principles will impede its ability to participate in regional transmission groups. It is Western's intent to integrate the principles of IRP into Western's ongoing processes in order to ensure that transmission plans proposed by Western will have the benefit of input from all interested stakeholders. Western has joined WRTA and SWRTA. Both groups will promote coordinated planning and efficient use of transmission capacity and will provide another means for involvement by Western's customers. As appropriate, Western can invite other interested parties to attend SWRTA meetings as guests of Western. Additionally, both WRTA and SWRTA allow for State regulatory commissions' involvement as ex officio members. It is anticipated that some form of regional transmission group will be established in the Mid-Continent Area Power Pool. This will also facilitate public involvement in considering Western's future transmission needs.

10. *Comment:* Western needs to be creative about DSM when applying these principles to actual decisions.

Response: We agree. This issue will be addressed during Area Office development of resource evaluation criteria at the time that a resource acquisition appears to be necessary.

11. *Comment:* Customers and the broader public should have opportunity to comment before Western signs long-term purchase power contracts.

Response: These principles provide opportunity for all interested stakeholders to participate in the development of resource evaluation criteria by an Area Office for project-specific resource acquisitions. In addition, customers and the broader public will continue to have an opportunity to comment on power marketing plans which determine the need for long-term purchase power contracts. It is unnecessary and duplicative to have an additional comment opportunity on individual contracts implementing the evaluation criteria decisions.

12. *Comment:* The transmission planning evaluation criteria should include the following criteria that were discussed at the January 12, 1995, public meeting: (1) increased revenues from new transmission exceed costs; (2) customers benefit sufficiently that they

support the project; or (3) new facilities are funded directly by others.

Response: Western does not feel that it is appropriate to include these criteria in the final principles of IRP since they are part of Western's internal decision rules as currently adopted in its strategic planning process that may change from time to time based on customer feedback or Department of Energy or Congressional direction. However, Western is committed to our strategic planning process which currently includes these evaluation criteria. The intent of the principles of IRP as applied to transmission planning is to foster wide and early public involvement and a free exchange of ideas to develop alternatives that best meet regional needs.

13. *Comment:* Western should change the scope to specify purchases for 2 years or longer or recurring purchases of more than 250 gigawatthours per year.

Response: Western believes such a requirement in the scope would reduce the flexibility of the Area Offices and interested stakeholders to collaboratively determine the amount of recurring purchases that would justify use of these principles. At the January 12, 1995, meeting, Western described a "continuous" or "recurring" purchase to mean, " * * * a resource need, capacity and/or energy of a fixed quantity and seasonal pattern and over an extended period, usually longer than 5 years." Western believes that it is important to maintain flexibility within these principles.

14. *Comment:* The principles of IRP do not apply to transmission planning.

Response: Western believes that the principles of IRP do apply for public participation and consideration of alternatives to construction.

15. *Comment:* One commenter asked several questions concerning implementation of these principles: What are classified as renewables? Will decentralized, smaller resources, such as PV, be considered as renewables? Will public education and incentives for conservation be included in DSM programs? Will global climate change needs be included in considerations of environmental impact?

Response: Western believes that consideration of these important issues at this time is beyond the scope of these principles. However, these issues will be considered in Area Office development of evaluation criteria for specific resource acquisition or transmission planning activities. SCOPE: The principles of IRP will apply specifically to:

1. Resource acquisitions involving a commitment to purchase a resource

continuously or a commitment to make recurring purchases. Normally, formal principles will not be applied to unpredictable seasonal purchases, day-to-day economy energy purchases, and other short-term transactions.

2. New or upgraded transmission system construction with a 1995 total cost estimate in excess of \$5 million for an individual project. This 1995 cost level will be adjusted each year using the construction cost index. Normally, formal principles of IRP will not be applied to transmission facilities needed for reliability. Transmission facilities needed for reliability will be based on mitigating problems related to power system operations or replacing unsafe, aged, worn out, or inefficient equipment.

Where practicable, principles of IRP will also be applied informally to other Western transmission projects and/or resource acquisitions.

PROPOSED PRINCIPLES OF INTEGRATED RESOURCE PLANNING:

I. 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 proposed principles of IRP:

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

2. 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.

3. 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.

4. 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. 0204-108, 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 and section 9(c) of the Reclamation Project Act of 1939.

5. Resource acquisition planning will be consistent with power marketing

plans and associated contractual obligations.

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

II. 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. The principles of IRP that will apply to Western's transmission planning are as follows:

1. Western will conduct early and wide public involvement to confirm the purpose and need of a proposed transmission project. Western proposes that a public meeting be held early in the planning process once the need for system modifications has been identified and prior to start of the National Environmental Policy Act of 1969 (NEPA) process. To the extent appropriate, Western's use of principles of IRP for transmission planning will include existing forums and customer partnerships with regard to public involvement.

2. At the public meeting, Western will describe the need to be met and seek comments on alternative ways to address the need, including demand-side management, new construction, or upgrade of existing facilities.

3. Western will include opportunity for participation in the early and wide public involvement process by interested parties, including power customers, residents of the area, environmental groups, various resource suppliers, including renewable generation entities, and other transmission utilities in the area, as well as other participants in the proposed transmission project if it is a joint participation project.

4. Alternatives that are reasonable will be initially evaluated for cost, general environmental impacts, and system reliability concerns in coordination with interested parties. Data from this initial evaluation will be included in the subsequent NEPA analysis.

5. The results of this preliminary evaluation will be made available to Western's power customers and the public.

ENVIRONMENTAL EVALUATION: Methods, procedures, and criteria for implementing these principles of IRP and any related environmental effects will be project-specific. Western will conduct appropriate public processes under NEPA and its implementing regulations for these project-specific actions.

DETERMINATION UNDER EXECUTIVE ORDER 12866: DOE has determined this is not a significant regulatory action because it does not meet the criteria of Executive Order 12866, 58 FR 51735. 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.

Issued at Golden, Colorado, May 17, 1995.

J.M. Shafer,
Administrator.

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ENVIRONMENTAL PROTECTION AGENCY

[FRL-5219-3]

Ambient Air Monitoring Reference and Equivalent Methods; Receipt of Applications for Reference and Equivalent Method Determinations

Notice is hereby given that the Environmental Protection Agency has received three applications for reference or equivalent method determinations under 40 CFR part 53. On April 3, 1995, an application was received from Environnement S.A., 111 bd, Robespierre, 78300 Poissy, France, to determine if their Model O₃41M UV Absorption Ozone Analyzer should be designated by the Administrator of the EPA as an equivalent method. On April 4, 1995, an application was received from Horiba Instruments Incorporated, 17671 Armstrong Avenue, Irvine, California, to determine if their Model APMA-360 Ambient Carbon Monoxide Monitor should be designated as a reference method. And on April 24, 1995, an application was received from Environnement S.A., 111 bd, Robespierre, 78300 Poissy, France, to determine if their Model CO11M Gas Filter Correlation Carbon Monoxide Analyzer should be designated as a reference method. If, after appropriate technical study, the Administrator determines that these methods should be so designated, notice thereof will be given in a subsequent issue of the **Federal Register**. For additional information regarding receipt of any of these applications, please contact Frank F. McElroy (MD-77), Methods Research and Development Division, U.S. EPA, Research Triangle Park, NC, 27711 (919-541-2622).