

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Parts 1724 and 1726

RIN 0572-AC20

Electric Engineering, Architectural Services, Design Policies and Construction Standards

AGENCY: Rural Utilities Service, USDA.

ACTION: Proposed rule.

SUMMARY: The Rural Utilities Service (RUS) proposes to amend the contract threshold amounts that require borrowers to use certain prescribed agency contract forms and to amend the contract dollar amounts that require RUS review of contracts prior to the contract being effective. Also, RUS proposes to raise the threshold amounts requiring RUS borrowers to use certain required procurement methods for materials, equipment and contract services that otherwise would require RUS prior approval. The changes in the threshold amounts would reduce the number of contracts reviewed by the RUS.

DATES: Written comments must be received by RUS or be postmarked no later than July 18, 2011.

ADDRESSES: Submit comments by either of the following methods:

Federal eRulemaking Portal: Go to <http://www.regulations.gov> and, in the lower "Search Regulations and Federal Actions" box, select "Rural Utilities Service" from the agency drop-down menu, then click on "Submit." In the Docket ID column, select RUS-10-Electric-0001 to submit or view public comments and to view supporting and related materials available electronically. Information on using Regulations.gov, including instructions for accessing documents, submitting comments, and viewing the docket after the close of the comment period, is available through the site's "User Tips" link.

Postal Mail/Commercial Delivery: Please send your comment addressed to Michele Brooks, Director, Program Development and Regulatory Analysis, USDA—Rural Utilities Service, 1400 Independence Avenue, STOP 1522, Room 5162, Washington, DC 20250-1522. Please state that your comment refers to Docket No. RUS-10-Electric-0001.

Other Information: Additional information about Rural Development and its programs is available on the Internet at <http://www.rurdev.usda.gov/index.html>.

FOR FURTHER INFORMATION CONTACT: Lou Riggs, USDA—Rural Utilities Service, 1400 Independence Avenue, SW., Stop 1569, Washington, DC 20250-1569. Telephone (202) 690-0551 or e-mail to lou.riggs@wdc.usda.gov.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

This proposed rule has been determined to be not significant for purposes of Executive Order 12866 and, therefore, has not been reviewed by the Office of Management and Budget.

Executive Order 12988

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. RUS has determined that this proposed rule meets the applicable standards in § 3 of the Executive Order. In addition, all state and local laws and regulations that conflict with this proposed rule will be preempted; no retroactive effect will be given to the proposed rule; and in accordance with § 212(e) of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6912(e)), administrative appeal procedures, if any, must be exhausted before litigation against the Department or its agencies may be initiated.

Regulatory Flexibility Act Certification

It has been determined that the Regulatory Flexibility Act is not applicable to this proposed rule since the Agency is not required by 5 U.S.C. 551 *et seq.*, or any other provision of law to publish a notice of proposed rulemaking with respect to the subject matter of this rule.

Information Collection and Recordkeeping Requirements

This proposed rule contains no additional reporting or recordkeeping

burdens under Office of Management and Budget (OMB) control numbers 0572-0107 and 0572-0118 that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

Executive Order 13132

This proposed rule will not have any substantial direct effect on states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. Under Executive Order 13132, this proposed rule does not have sufficient federalism implications requiring the preparation of a Federalism Assessment.

Catalog of Federal Domestic Assistance

The program described by this proposed rule is listed in the Catalog of Federal Domestic Assistance Programs under number 10.850, Rural Electrification Loans and Loan Guarantees. This catalog is available on the Internet and the General Services Administration's (GSA) free CFDA Web site at <http://www.cfda.gov>. The CFDA Web site also contains a PDF file version of the Catalog that, when printed, has the same layout as the printed document that the Government Printing Office (GPO) provides. GPO prints and sells the CFDA to interested buyers. For information about purchasing the Catalog of Federal Domestic Assistance from GPO, call the Superintendent of Documents at 202-512-1800 or toll free at 866-512-1800, or access GPO's online bookstore at <http://bookstore.gpo.gov>.

Executive Order 12372

This proposed rule is not subject to the provisions of Executive Order 12372, "Intergovernmental Review of Federal Programs," as implemented under USDA's regulations at 7 CFR Part 3015.

Unfunded Mandates

This proposed rule contains no Federal mandates (under the regulatory provisions of Title II of the Unfunded Mandates Reform Act of 1995) for State, local, and tribal governments for the private sector. Thus, this proposed rule is not subject to the requirements of §§ 202 and 205 of the Unfunded Mandates Reform Act of 1995.

National Environmental Policy Act Certification

This proposed rule has been examined under RUS environmental regulations at 7 CFR Part 1794. The Administrator has determined that this proposed rule is not a major Federal action significantly affecting the environment. Therefore, in accordance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*), an Environmental Impact Statement or Assessment is not required.

E-Government Act Compliance

RUS is committed to complying with the E-Government Act, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

Background

The Rural Electrification Act of 1936 (7 U.S.C. 901–950bb (REAct)), as amended, establishes the authority for RUS to provide loans and loan guarantees to eligible entities for furnishing electric service to rural areas. The standard loan agreement between RUS and its electric borrowers provides that, in accordance with applicable RUS regulations, the borrower shall use standard forms of contracts promulgated by RUS for construction, procurement, engineering services and architectural services for transactions above the established threshold dollar levels (“threshold levels”).

Electric borrowers are also expected to obtain RUS approvals for procuring materials, equipment and contracting services for use in the electric systems where the contract amount exceeds specified threshold levels.

Threshold levels that apply to contracts entered into by borrowers were initially established to capture significant transactions that could adversely affect RUS loan security. The threshold levels were most recently revised in 1995. Cost increases and inflation over time have greatly increased the need for more approvals than is consistent with the earlier threshold levels. The result has been increased delay to the borrowers in receiving RUS approvals and increased workloads at RUS. Inflation is not the only relevant variable in the RUS proposal to modify the threshold levels. In this proposed rule RUS has also considered the level of sophistication in borrowers’ operations, RUS staff constraints and competing priorities within RUS. The need to adjust the threshold levels is a result of these considerations.

In response to borrowers’ requests and mindful of the directives in Executive Order 13563 of January 18, 2011, to determine if any regulations should be modified to make agencies’ regulations less burdensome in achieving their objectives, RUS undertook an examination of certain thresholds used in determining when the use of prescribed forms and approvals would apply. RUS examined the number of contracts it reviewed over the last several years. RUS also reviewed the rate of inflation factors published in the Handy-Whitman Index of Public Utility Construction Costs in order to adjust for inflation occurring after the existing requirements were established.

As a result of this review, RUS determined that although it remains necessary and appropriate to continue these requirements as one means of oversight of its borrowers’ financial and operational activities, the existing threshold levels should be raised. Raising these threshold levels will reduce the volume of contracts that borrowers will be required to submit for RUS approvals. Doing so will reduce the paperwork burdens on borrowers and the administrative burdens on RUS.

RUS is proposing to revise these threshold levels an average of 300 percent. RUS estimates that the revision will reduce the volume of contracts it receives pursuant to these requirements by 50 percent.

List of Subjects

7 CFR Part 1724

Electric power, Loan programs—energy, Reporting and recordkeeping requirements, Rural areas.

7 CFR Part 1726

Electric power, Loan programs—energy, Reporting and recordkeeping requirements, Rural areas.

For reasons set forth in the preamble, RUS proposes to amend chapter XVII of title 7 of the Code of Federal Regulations as follows:

PART 1724—ELECTRIC ENGINEERING, ARCHITECTURAL SERVICES AND DESIGN POLICIES AND PROCEDURES

1. The authority citation for part 1724 continues to read as follows:

Authority: 7 U.S.C. 901 *et seq.*, 1921 *et seq.*, 6941 *et seq.*

Subpart E—Electric System Design

2. Section 1724.54 is amended by revising paragraph (e)(2) and paragraph (g)(2) to read as follows:

§ 1724.54 Requirements for RUS approval of plans and specifications.

* * * * *

(e) * * *

(2) The borrower shall obtain RUS approval, prior to issuing invitations to bid, of the terms and conditions for all generating plant equipment or construction contracts which will cost \$5,000,000 or more. Unless RUS approval is required by paragraph (a) of this section, plans and specifications for generating plant equipment and construction do not require RUS approval.

* * * * *

(g) * * *

(2) The borrower shall obtain RUS approval, prior to issuing invitations to bid, of the terms and conditions for communications and control facilities contracts which will cost \$1,500,000 or more. Unless RUS approval is required by paragraph (a) of this section, plans and specifications for communications and control facilities do not require RUS approval.

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PART 1726—ELECTRIC SYSTEM CONSTRUCTION POLICIES AND PROCEDURES

3. The authority citation for part 1726 continues to read as follows:

Authority: 7 U.S.C. 901 *et seq.*, 1921 *et seq.*, 6941 *et seq.*

Subpart A—General

4. Section 1726.14 is amended by revising the definition of “minor modification or improvement” to read as follows:

§ 1726.14 Definitions.

* * * * *

Minor modification or improvement means a project the cost of which is \$150,000 or less, exclusive of the cost of owner furnished materials.

* * * * *

Subpart B—Distribution Facilities

5. Section 1726.50 is amended by revising paragraph (a) to read as follows:

§ 1726.50 Distribution line materials and equipment.

(a) *Contract forms.* (1) The borrower shall use RUS Form 198, Equipment Contract, for purchases of equipment where the total cost of the contract is \$1,000,000 or more.

(2) The borrower may, in its discretion, use RUS Form 198, Equipment Contract, or a written purchase order equal to \$1,000,000 or

less for purchases of equipment, and for all materials.

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6. Section 1726.51 is amended by revising paragraphs (a)(1), (b)(1) and (b)(2) to read as follows:

§ 1726.51 Distribution line construction.

(a) * * *

(1) The borrower may use RUS Form 790, Electric System Construction Contract—Non-Site Specific Construction, under the following circumstances:

(i) For contracts for which the borrower supplies all materials and equipment; or

(ii) For non-site specific construction contracts accounted for under the work order procedure; or

(iii) If neither paragraph (a)(1)(i) or (a)(1)(ii) of this section are applicable, the borrower may use RUS Form 790 for contracts, up to a cumulative total of \$500,000 or one percent of net utility plant (NUP), whichever is greater, per calendar year of distribution line construction, exclusive of the cost of owner furnished materials and equipment.

* * * * *

(b) * * *

(1) It is the responsibility of each borrower to determine the procurement method that best meets its needs to award contracts in amounts of up to a cumulative total of \$750,000 or one percent of NUP, whichever is greater, per calendar year of distribution line construction (including minor modifications or improvements), exclusive of the cost of owner furnished materials and equipment.

(2) In addition to the cumulative total stipulated in paragraph (b)(1) of this section, a borrower may use Multiparty Unit Price Quotations to award contracts in amounts of up to a cumulative total of \$1,000,000 or 1.5 percent of NUP, whichever is greater, per calendar year of distribution line construction (including minor modifications or improvements), exclusive of the cost of owner furnished materials and equipment.

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Subpart C—Substation and Transmission Facilities

7. Section 1726.76 is amended by revising paragraph (a) to read as follows:

§ 1726.76 Substation and transmission line materials and equipment.

(a) *Contract forms.* (1) The borrower shall use RUS Form 198, Equipment Contract, for purchases of equipment where the total cost of the contract is \$1,000,000 or more.

(2) The borrower may, in its discretion, use RUS Form 198, Equipment Contract, or a written purchase order for purchases of equipment of less than \$1,000,000 and for all materials.

* * * * *

8. Section 1726.77 is amended by revising paragraphs (b)(1) and (c) to read as follows:

§ 1726.77 Substation and transmission line construction.

* * * * *

(b) * * *

(1) It is the responsibility of each borrower to determine the procurement method that best meets its needs to award contracts not requiring RUS approval in amounts of up to a cumulative total of \$750,000 or one percent of NUP (not to exceed \$5,000,000), whichever is greater, per calendar year of substation and transmission line construction (including minor modifications or improvements), exclusive of the cost of owner furnished materials and equipment.

* * * * *

(c) *Contract approval.* Individual contracts in the amount of \$750,000 or more or one percent of NUP (not to exceed \$1,500,000 for distribution borrowers or \$4,500,000 for power supply borrowers), whichever is greater, exclusive of the cost of owner furnished materials and equipment, are subject to RUS approval.

Subpart D—Generation Facilities

9. Section 1726.125 is amended by revising paragraphs (a), (b)(1), and (b)(2) to read as follows:

§ 1726.125 Generating plant facilities.

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(a) *Contract forms.* (1) The borrower shall use RUS Form 198, Equipment Contract, for the purchase of generating plant equipment in the amount of \$5,000,000 or more and for any generating plant equipment contract requiring RUS approval.

(2) The borrower shall use RUS Form 200, Construction Contract—Generating, for generating project construction contracts in the amount of \$5,000,000 or more and for any generating project construction contract requiring RUS approval.

(3) The borrower may, in its discretion, use other contract forms or written purchase order forms for those contracts in amounts of \$5,000,000 or less and that do not require RUS approval.

(b) *Procurement procedures.* (1) It is the responsibility of each borrower to

determine the procurement method that best meets its needs to award contracts in amounts of less than \$5,000,000 each.

(2) If the amount of the contract is \$5,000,000 or more or if the contract requires RUS approval, the borrower must use formal or informal competitive bidding to award the contract.

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Subpart E—Buildings

10. Section 1726.150 is amended by revising paragraph (b) to read as follows:

§ 1726.150 Headquarters buildings.

* * * * *

(b) *Procurement procedures.* A borrower may use Multiparty Lump Sum Quotations to award contracts in amounts of up to a cumulative total of \$750,000 or one percent of NUP (not to exceed \$5,000,000), whichever is greater, per calendar year of headquarters construction (including minor modifications or improvements.) The borrower shall use formal competitive bidding for all other headquarters contract construction.

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Subpart F—General Plant

11. Section 1726.176 is amended by revising paragraphs (b)(2)(i) and (b)(3) to read as follows:

§ 1726.176 Communications and control facilities.

* * * * *

(b) * * *

(2) *Procurement procedures.* (i) It is the responsibility of each borrower to determine the procurement method that best meets its needs to award contracts not requiring RUS approval in amounts of up to a cumulative total of \$750,000 or one percent of NUP (not to exceed \$5,000,000), whichever is greater, per calendar year of communications and control facilities construction (including minor modifications or improvements), exclusive of the cost of owner furnished materials and equipment.

* * * * *

(3) *Contract approval.* Individual contracts in amounts of \$750,000 or more or one percent of NUP (not to exceed \$1,500,000 for distribution borrowers or \$4,500,000 for power supply borrowers), whichever is greater, exclusive of the cost of owner furnished materials and equipment, are subject to RUS approval.

Dated: May 6, 2011.

Jonathan Adelstein,
Administrator, Rural Utilities Service.

[FR Doc. 2011–11910 Filed 5–16–11; 8:45 am]

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