[Docket Nos.: FEMA-REP-10-OR-2; FEMA-REP-10-WA-2]

Discontinuation of Offsite Radiological Emergency Planning and Preparedness for the Trojan Nuclear Plant

AGENCY: Federal Emergency Management Agency (FEMA).

ACTION: Notice.

SUMMARY: The Federal Emergency Management Agency gives notice that it has discontinued offsite radiological emergency planning and preparedness activities for the Trojan Nuclear Plant in Columbia County, Oregon, effective immediately. The Portland General Electric Company has ceased power operations at the Trojan Nuclear Plant, the Nuclear Regulatory Commission has granted exemptions from offsite radiological emergency response planning for the plant, and FEMA is no longer required to monitor, review, or report on offsite radiological emergency planning and preparedness activities at the plant.

EFFECTIVE DATE: October 15, 1993.

ADDRESSES: Comments on this notice are invited and should be addressed to the Rules Docket Clerk, Office of the General Counsel, Federal Emergency Management Agency, 500 C Street SW., room 840, Washington, DC 20472, (fax) (202) 646-4536.

FOR FURTHER INFORMATION CONTACT: Richard W. Donovan, Regional Assistance Committee (RAC) Chairman, FEMA Region X, Federal Regional Center, 130 228th Street, SW., Bothell, Washington 98021-9796, (206) 487-4693. Please refer to Docket File Numbers FEMA-REP-10-OR-2 and FEMA-REP-10-WA-2.

SUPPLEMENTARY INFORMATION: On July 6, 1982, the Federal Emergency Management Agency (FEMA) formally approved the State and local offsite radiological emergency response plans and preparedness under FEMA Rule, 44 CFR, part 350, for the Trojan Nuclear Plant (TNP), located in Columbia County, Oregon. FEMA determined that the plans and preparedness of the State of Oregon, the State of Washington, Columbia County (Oregon), and Cowlitz County (Washington) were adequate to protect the health and safety of the public living in the vicinity of the site.

Portland General Electric Company (PGE) notified the U.S. Nuclear Regulatory Commission (NRC) on January 27, 1993, that it had decided to cease power operations permanently at the Trojan Nuclear Plant. On February 2, 1993, the PGE notified the NRC that it had ceased power operations and moved all fuel from the reactor to the spent fuel pool. The NRC amended PGE's operating license on May 5, 1993, to a possession-only license.

On September 30, 1993, the NRC officially notified FEMA that PGE had been granted an exemption from certain provisions of the NRC rule related to offsite radiological emergency response planning for TNP, 10 CFR 50.54(q). In light of the exemptions granted to PGE, the NRC no longer requires FEMA to monitor, review, or report on offsite radiological emergency planning and preparedness activities at TNP.

On October 15, 1993, FEMA officially notified the Governors of the States of Oregon and Washington that, as a result of this exemption and the defueled condition of the plant, offsite radiological emergency plans and preparedness will no longer be required for the Trojan Nuclear Plant. Effective immediately, FEMA is discontinuing its offsite radiological emergency planning and preparedness activities for the site. Furthermore, FEMA has advised the States of Oregon and Washington that formal approval of State and local offsite radiological emergency response plans for TNP, granted July 6, 1982 under 44 CFR part 350, is no longer applicable.

Dated: November 2, 1993.

Richard W. Krimm,

Acting Associate Director.

[FR Doc. 93-27500 Filed 11-8-93; 8:45 am]

BILLING CODE 6718-20-P

FEDERAL HOUSING FINANCE BOARD

[No. 93-80]

Pricing of Services

AGENCY: Federal Housing Finance Board.

ACTION: Notice of methodology and request for comments.

SUMMARY: The Federal Housing Finance Board ("Finance Board") is revising the methodology to be used in determining Federal Home Loan Bank ("FHLBank") compliance with the Private Sector Adjustment Factor ("PSAF") pricing requirements for item processing services.

DATES: Comment date: Comments must be received by December 9, 1993. Effective date: January 10, 1993.

FOR FURTHER INFORMATION CONTACT: Edwin J. Avila, Financial Analyst, (202) 408-2871; or Thomas D. Sheehan, Assistant Director, (202) 408-2870, District Banks Directorate; Federal Housing Finance Board, 1777 F Street NW., Washington, DC 20006.

SUPPLEMENTARY INFORMATION:

I. Introduction

The purpose of this announcement is to invite public comment on the methodology used by the Finance Board in determining FHLBank compliance with the PSAF pricing requirements for item processing services. The methodology published today will go into effect 60 days from the date of publication unless the Finance Board believes, based on the comments received, that any changes should be made in the methodology. In that event, the Finance Board will publish the final version of the methodology as changed based on the comments.

II. Statement of Methodology

A. Statutory Foundations of PSAF

The Depository Institutions Deregulation and Monetary Control Act of 1980 ("DIDMCA") amended Section 11(e) of the Federal Home Loan Bank Act (12 USC 1431(e)), authorizing the FHLBanks to, for the first time, provide Negotiable Order of Withdrawal ("NOW") account and other item processing services, in addition to Demand Deposit Account ("DDA") services. It also required the FHLBanks to charge for these services consistent with the statutory pricing principles established for the Federal Reserve Banks ("FRBs").

The statutory pricing principles provide that: (1) Services must be priced explicitly; (2) services must be available to member and nonmember depository institutions on an equal basis; (3) fees must cover direct and indirect costs and must also cover an imputed cost that includes taxes paid and the return on capital that would have been provided if the services had been furnished by a private firm; and (4) interest on float must be charged at the fed funds rate.

B. Methodology

1. Modeled After the Federal Reserve System's PSAF Methodology

The Finance Board's methodology for evaluating each FHLBank's compliance with the PSAF pricing principles is modeled after the methodology used by the Federal Reserve Board of Governors ("Fed") to evaluate the Federal Reserve System's compliance with the PSAF pricing principles. The Fed's methodology is the standard. It has been subjected to extensive review and comment during the periodic revisions it has undergone over the years.

2. Bank Holding Company ("BHC") Sample Used as Private Sector Model

The statutory pricing principles require the FHLBanks to impute costs that are incurred by private sector firms offering the same services. The FHLBanks impute debt, income taxes and a required return on capital which are based on the average rates from a bank holding company sample developed by the Fed for use in its PSAF calculation. Currently, the BHC sample consists of the consolidated financial data from the nation's 50 largest BHCs (in asset size).

3. Competitive Return Test

The PSAF methodology is actually a competitive return test. Compliance with the pricing principles is assumed if a FHLBank is able to demonstrate a return on equity from its item processing services that is at least equal to the average return on equity attained by the BHC sample group.

4. Individual FHLBank Compliance

While the Fed monitors FRB compliance on a System-wide basis, the Finance Board determines compliance on an individual FHLBank basis. However, the same nationwide set of BHC data that the Fed uses in its compliance testing is used by the Finance Board to impute certain costs to all the FHLBanks. It should be noted that the PSAF methodology is used only to test compliance with the competitive pricing principles and is not used to set prices on an item-by-item basis.

5. Documentation Reviewed—The Balance Sheet and Income Statement

Each FHLBank that provides item processing services submits an annual pro forma balance sheet and income statement for its item processing services to the Finance Board. The balance sheet consists of those assets the FHLBank has identified as having been employed in providing item processing services and the liabilities and capital used to finance these assets. The monthly average of collected deposits which results from NOW/DDA activity are assumed to be invested in short-term assets. All other assets are considered to be financed by a corresponding amount of debt and capital imputed to item processing services. Short-term assets (cash, receivables and prepaid expenses) are assumed to be financed by short-term debt. Long-term assets (plant and equipment) are assumed to be financed by a combination of long-term debt and capital in a ratio equal to that of the BHC sample. The financing costs of debt and capital are based on the average interest rates for the BHC sample.

The statutory pricing principles require the FHLBanks' item processing operations to generate an imputed return on capital that would have been provided if the services had been furnished by a private firm. The PSAF methodology imputes the amount of equity needed to fund item processing services as a function of the long-term assets (plant and equipment) required to support these operations.

The income statement consists of fee income and interest income on balances attributed to NOW/DDA services, less direct and indirect expenses, along with imputed costs that would have been incurred if the services had been performed by a private firm. Interest income on balances is based on a short-term earnings rate which reflects a minimum amount of interest rate risk. Direct and indirect expenses are derived from each FHLBank's internal cost accounting system and functional cost allocation methodology. Direct operating expenses consist of salaries, benefits, cost of facilities and equipment, supplies, contractual services, and other items. Indirect expenses consist of overhead items such as salaries, benefits, etc. for the administrative departments of the FHLBanks, such as directors, administration, personnel, accounting, legal, data processing, etc.

6. Imputed Expenses

Sales tax and float expense (if applicable) are imputed. Interest expense is charged on the debt that is imputed to finance item processing related assets. The interest rates are based on the BHC sample. The FHLBanks are exempt from taxes, but the resulting net income before taxes is subjected to the average effective income tax rate of the BHC sample for PSAF purposes.

Insurance assessments on deposits are a cost borne by the benchmark private sector competitor group, BHCs, but not by the FHLBanks which also use deposits as a funding vehicle for assets supporting their check processing activities. Each FHLBank, therefore, imputes an assessment for deposit insurance on its uncollected DDA balances, which represent the item processing deposits which would be subject to deposit insurance if the FHLBank were a commercial correspondent. This adjusted deposit base is used only to calculate the imputed deposit insurance assessment. Total deposit balances continue to be used to calculate corresponding investment balances and their associated interest income, expense and net spread.

7. Supplemental Capital Adequacy Test

The PSAF methodology treats equity as a financing source only, relating it to the funding of long-term assets. FHLBanks that lease a significant amount of their facilities or equipment or have heavily depreciated equipment, impute less capital in support of these operations than FHLBanks which own relatively new facilities and equipment. Consequently, the Finance Board deems it prudent to require a supplemental test to ensure the adequacy of capital imputed under the PSAF methodology.

Commercial bank providers of item processing services are required by their regulators to hold capital against certain assets under the risk-based capital guidelines. These standards apply to all assets employed by a bank, including those allocable to the item processing services area.

However, for the following reasons, the Finance Board believes that a risk-based capital test would not be the most appropriate for determining capital adequacy under the PSAF methodology.

(1) Investment risk relates more to a FHLBank's investment or treasury desk than to its item processing business.

(2) The risks inherent in item processing relate primarily to the volatility of cash flows, rather than investment risk.

(3) The capital structures of non-bank data processing firms, which are fast becoming the FHLBanks' primary item processing competition, reflect potential business risk, not the risk associated with assets funded by deposit balances. These competitors are not subject to risk-based capital requirements.

Thus, while it appears that some form of supplemental capital adequacy test is needed, the Finance Board believes that one based upon the risk associated with the item processing business itself appears more appropriate than one based on the risk-weight of assets funded by deposits.

The Finance Board has chosen a supplemental capital adequacy test that evaluates the sufficiency of each FHLBank's imputed equity to absorb business losses from volatility of earnings and loss of customer base. Sufficient capital is required to cover twice the difference between the average annual net income (excluding imputed costs) and the lowest annual net income (excluding imputed costs) of each FHLBank in the most recent five-year period. This ensures adequate capital to offset two years of business losses calculated at the maximum level of business loss experienced by the FHLBank over the most recent five-year period. If the total amount of capital

imputed by a FHLBank in the PSAF methodology is less than the amount required by the supplemental capital adequacy test, then that FHLBank's imputed capital must be increased by the amount of the difference.

Such an increase in imputed capital would result in an offsetting reduction in imputed liabilities and a corresponding decrease in interest expense. The reduction in interest expense would increase net income but because the income is spread over a larger capital base, it would reduce the return on capital.

8. Corrective Action in the Event of Noncompliance

Each FHLBank reports to the Finance Board annually both its past year's actual revenue and costs and the current year's pricing schedules for item processing services. The Finance Board compares each FHLBank's prior year PSAF-adjusted return on equity against the average ROE for the BHC control group. The FHLBank is certified to be in compliance with the test for competitive pricing of item processing services if it meets or exceeds the control group's average ROE.

If an FHLBank fails the PSAF compliance test, it must submit for Finance Board review either: a revised pricing schedule for item processing services; a business plan designed to resolve the non-compliance; or an explanation of the unanticipated and temporary event or circumstance which led to the failure. Such pricing schedule, business plan, or explanation would include a strategy for how and when the FHLBank expects to return to compliance. The FHLBank's proposal for dealing with the non-compliance requires the endorsement of the Finance Board or its designee prior to implementation.

C. Supplemental Profitability Test

The PSAF is not, nor was it designed to be, an internal management tool for assessing the profitability of item processing operations. The objective of the PSAF is to ensure that the FHLBanks do not unfairly compete with private providers of item processing services by virtue of their governmental status. The PSAF accomplishes this by adding certain imputed expenses and the imputed funding costs of debt and capital to actual operating revenues and expenses and comparing the results to those experienced by a sample group of competitors.

To ensure that the item processing operations of the FHLBanks also contribute meaningfully to the FHLBanks' net income, the Finance Board also applies a supplemental profitability test to assess the financial results of the FHLBanks' item processing operations. The Finance Board has chosen net operating margin, defined as net operating income divided by gross revenues, as the appropriate measure for this supplemental profitability test. This measurement differs significantly from the PSAF ROE test in that it measures each FHLBank in its true operating environment, and not as a simulated private firm.

Each FHLBank's net operating margin from item processing operations is compared to the net operating margin for the FHLBank as a whole, as well as to the item processing operations of the other FHLBanks that provide such services. The net operating margin is used by the Finance Board only to be used as an internal management tool to assess FHLBank item processing profitability. Compliance with the PSAF requirements will continue to be based on the competitive return test designed by the Fed.

The Federal Housing Finance Board hereby adopts the PSAF methodology as set forth above, effective January 10, 1994.

By the Federal Housing Finance Board.

Dated: October 27, 1993.

Daniel F. Evans, Jr.,

Chairman.

[FR Doc. 93-27423 Filed 11-8-93; 8:45 am]

BILLING CODE 6725-01-P

FEDERAL RESERVE SYSTEM

Chemical Banking Corporation, et al.; Acquisitions of Companies Engaged in Permissible Nonbanking Activities

The organizations listed in this notice have applied under § 225.23(a)(2) or (f) of the Board's Regulation Y (12 CFR 225.23(a)(2) or (f)) for the Board's approval under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 225.21(a) of Regulation Y (12 CFR 225.21(a)) to acquire or control voting securities or assets of a company engaged in a nonbanking activity that is listed in § 225.25 of Regulation Y as closely related to banking and permissible for bank holding companies. Unless otherwise noted, such activities will be conducted throughout the United States.

Each application is available for immediate inspection at the Federal Reserve Bank indicated. Once the application has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether consummation of the proposal can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." Any request for a hearing on this question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated for the application or the offices of the Board of Governors not later than December 3, 1993.

A. Federal Reserve Bank of New York (William L. Rutledge, Vice President) 33 Liberty Street, New York, New York 10045:

1. *Chemical Banking Corporation*, New York, New York; to acquire, Equipment Credit Services, Inc., San Francisco, California, through its subsidiary, the CIT Group Holdings, Inc., New York, New York, and thereby engage in commercial finance and equipment leasing activities pursuant to §§ 225.25(b)(1) and (b)(5)(i), respectively, of the Board's Regulation Y.

B. Federal Reserve Bank of Chicago (James A. Bluemle, Vice President) 230 South LaSalle Street, Chicago, Illinois 60690:

1. *Prairieland Bancorp, Inc.*, Bushnell, Illinois; to acquire Alfred E. Hempen Accounting, Hamilton, Illinois, and thereby engage in providing tax planning, tax preparation, and record keeping necessary for tax preparation pursuant to § 225.25(b)(21) of the Board's Regulation Y. Comments on this application must be received by November 23, 1993.

C. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. *Gold Bancshares, Inc.*, Prairie Village, Kansas; to acquire Provident Bancshares, Inc., St. Joseph, Missouri, and thereby engage in operating a savings association pursuant to § 225.25(b)(9) of the Board's Regulation Y.