

The alternative assumptions for the state or regional distribution of condensing furnaces in the base case are likely to have some effect on other facets of DOE's analysis, but none of these other effects are likely to be significant.

While this alternative analysis of the possible impacts of regional standards does not have any significant effects on DOE's assessment of the benefits and burdens associated with the trial standards levels for national standards, it could affect stakeholder assessments of possible alternatives to a national standard. For this reason, DOE concluded that it should present the alternative results for stakeholder consideration and comment.

*B. Installation Cost Differences*

At the October 2006 public meeting, ACEEE requested further clarification of the new installation cost increases applied in the NOPR analysis for oil-fired furnaces rated between 82 percent and 83 percent AFUE. (Public Meeting Transcript, No. 107.6 at p. 121)

In the Advance Notice of Public Rulemaking (ANOPR), DOE calculated the installation costs for oil-fired furnaces by assuming that upgraded Category III venting systems would be needed to prevent corrosion in 100 percent of the installations rated 84 percent AFUE and above (as explained in section 6.5.5 in the ANOPR TSD). DOE presented these installation costs at the ANOPR public meeting and received the following comments from ACEEE and GAMA.

GAMA commented that Brookhaven National Lab (BNL) had done an extensive amount of work on oil venting and that DOE should ask BNL for its information as a data resource for oil-fired furnace venting systems. (Public Meeting Transcript, No. 59.8 at p. 112.)

ACEEE commented that there are oil-fired boilers rated 86 percent AFUE and oil furnaces rated 84 percent AFUE that have significant market share. ACEEE recommended that DOE reexamine the application of Category III vents at efficiency levels rated below 84 percent AFUE, determine at which efficiency level Category III vents are required 100 percent of the time, and apply some type of phase-in of the venting systems, rather than a single-step function as DOE had done in the ANOPR analysis. (Public Meeting Transcript, No. 59.8 at p. 113.)

In response to the comments both from GAMA and ACEEE, DOE further examined oil-fired furnace venting systems and consulted with BNL on furnace installation requirements. BNL indicated that some fraction of the installations rated at 83 percent AFUE

may require Category III venting systems. As a result of its consultations with BNL, DOE revised its venting-model assumptions, which characterized the rate of required Category III venting systems, from using a step function to a more linear, "phase-in" function, which assigns a Category III requirement rate of 25 percent for oil-fired furnaces rated at 83 percent AFUE, and gradually increases the percentage of installations using Category III venting systems for oil-fired furnaces rated above 83 percent AFUE. DOE's approach is further detailed and explained in section 6.5.6 of the NOPR TSD for oil-fired furnaces. DOE used a per-installation cost adder for Category III venting systems that does not change with the AFUE level of oil-fired furnaces. It is the change in the assumed frequency of installations requiring Category III venting systems which results in the cost differences. Table 2, below, compares the DOE's ANOPR and NOPR assumptions about the fraction of the oil furnaces that require Category III venting systems at certain efficiency levels:

TABLE 2.—FRACTION OF THE OIL FURNACES REQUIRING CATEGORY III VENTING SYSTEMS

Efficiency level	ANOPR (percent)	NOPR (percent)
82% and below .....	0	0
83% .....	0	25
84% .....	100	50
85% .....	100	75
86% and above ....	100	100

DOE welcomes comment on its assumptions for use of Category III venting systems for oil-fired furnaces.

Issued in Washington, DC, on February 2, 2007.

**Alexander A. Karsner,**  
*Assistant Secretary Energy Efficiency and Renewable Energy.*

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**DEPARTMENT OF ENERGY**

**Office of Energy Efficiency and Renewable Energy**

**10 CFR Part 431**

[Docket Number: EE-RM/STD-00-550]

RIN 1904-AB08

**Energy Conservation Program for Commercial Equipment: Distribution Transformers Energy Conservation Standards**

**AGENCY:** Office of Energy Efficiency and Renewable Energy, Department of Energy.

**ACTION:** Notice of data availability and request for comments.

**SUMMARY:** The Department of Energy (DOE) issued a notice of proposed rulemaking (NOPR) for liquid-immersed and medium-voltage, dry-type distribution transformers under the Energy Policy and Conservation Act (EPCA). In response to this notice, stakeholders commented that DOE's standard may prevent or render impractical the replacement of distribution transformers in certain space-constrained (e.g., vault) installations. Some stakeholders suggested that DOE's analysis of the benefits and burdens of the proposed standard should take into consideration the potential impacts of replacing transformers in space-constrained vaults. In the Notice of Proposed Rulemaking (NOPR), DOE factored weight-dependent installation costs in the analysis, but did not specifically address potential costs related to transformers installed in vaults. In today's notice, DOE requests comment on inclusion of potential costs related to size constraints of transformers installed in vaults. DOE also is considering an additional option for the final efficiency levels for liquid-immersed distribution transformers and by this notice invites public comment on this additional option.

**DATES:** DOE will accept written comments, data, and information in response to this notice, but no later than March 12, 2007. See section VI, "Public Participation," of this notice for details.

**ADDRESSES:** Any comments submitted must identify the Notice of Data Availability for Distribution Transformers Energy Conservation Standards, and provide the docket number EE-RM/STD-00-550 and/or Regulatory Information Number (RIN) 1904-AB08. Comments may be submitted using any of the following methods:

1. *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

2. *E-mail:* [TransformerNOPRComment@ee.doe.gov](mailto:TransformerNOPRComment@ee.doe.gov). Include the docket number EE–RM/STD–00–550 and/or RIN 1904–AB08 in the subject line of the message.

3. *Mail:* Ms. Brenda Edwards-Jones, U.S. Department of Energy, Building Technologies Program, Mailstop EE–2J, 1000 Independence Avenue, SW., Washington, DC 20585–0121. Please submit one signed original paper copy.

4. *Hand Delivery/Courier:* Ms. Brenda Edwards-Jones, U.S. Department of Energy, Building Technologies Program, Room 1J–018, 1000 Independence Avenue, SW., Washington, DC 20585. Telephone: (202) 586–2945. Please submit one signed original paper copy.

For detailed instructions on submitting comments and additional information on the rulemaking process, see section VI. of this document (Public Participation).

*Docket:* For access to the docket to read background documents or comments received, visit the U.S. Department of Energy, Forrestal Building, Room 1J–018 (Resource Room of the Building Technologies Program), 1000 Independence Avenue, SW., Washington, DC, (202) 586–2945, between 9 a.m. and 4 p.m., Monday through Friday, except Federal holidays. Please call Ms. Brenda Edwards-Jones at the above telephone number for additional information regarding visiting the Resource Room. Please note: DOE's Freedom of Information Reading Room (formerly Room 1E–190 at the Forrestal Building) is no longer housing rulemaking materials.

#### FOR FURTHER INFORMATION CONTACT:

Antonio Bouza, Project Manager, Energy Conservation Standards for Distribution Transformers, U.S. Department of Energy, Building Technologies Program, Mailstop EE–2J, 1000 Independence Avenue, SW., Washington, DC 20585–0121, (202) 586–4563, *e-mail:* [Antonio.Bouza@ee.doe.gov](mailto:Antonio.Bouza@ee.doe.gov).

Francine Pinto, Esq. or Chris Calamita, Esq., U.S. Department of Energy, Office of General Counsel, Mailstop GC–72, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586–7432, *e-mail:* [Francine.Pinto@hq.doe.gov](mailto:Francine.Pinto@hq.doe.gov) or [Christopher.Calamita@hq.doe.gov](mailto:Christopher.Calamita@hq.doe.gov).

#### SUPPLEMENTARY INFORMATION:

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#### I. Introduction

Part C of Title III of EPCA authorizes DOE to establish energy conservation standards for distributions transformers for which DOE determines that energy conservation standards would be technologically feasible and economically justified, and would result in significant energy savings. (42 U.S.C. 6317(a).) Pursuant to EPCA, DOE published a NOPR for liquid-immersed and medium-voltage, dry-type distribution transformers on August 4, 2006. 71 FR 44356. Together with the NOPR, DOE published a technical support document (TSD) that details each analysis DOE conducted for the rulemaking, providing specific information on its methodology and results. These documents are available at the following DOE Web site: [http://www.eere.energy.gov/buildings/appliance\\_standards/commercial/distribution\\_transformers.html](http://www.eere.energy.gov/buildings/appliance_standards/commercial/distribution_transformers.html). DOE subsequently held a public meeting on September 27, 2006, and invited comments from stakeholders until October 18, 2006.

Some stakeholders commented that DOE had not properly considered potentially significant economic impacts of the minimum efficiency standard on space-constrained vault transformer installations. Vault transformers are distribution transformers that are used in underground distribution networks, where the transformers are installed below ground level. Often found in urban areas, these transformers are installed inside a concrete vault that is open at the top, which can be very expensive to replace or expand. As transformers are manufactured to be

more energy efficient, they tend to increase in size. For this reason, stakeholders expressed concern that DOE's mandatory standard may not allow for practical replacement of transformers in certain existing space constrained installations.

In the analysis for the NOPR, DOE considered potential weight-dependent costs for installation, but DOE did not factor potential space-constraint costs of vault transformers in its analysis. DOE acknowledges the concern with space-constrained installations, and in this notice outlines for stakeholder comment analytical approaches that take into consideration potential costs related to distribution transformers installed in vaults.

This notice presents analytical approaches DOE is considering for addressing stakeholder concern on the space-constrained vault transformer issue. DOE invites stakeholders to comment on these approaches, or to propose alternatives to DOE.

#### II. Transformer Size Issues

##### A. DOE's Treatment of Size Issues in the NOPR Analysis

In the life-cycle cost (LCC) spreadsheets DOE published with the NOPR, DOE provided external dimensions and weight information for each of the distribution transformer designs it considered in its analysis. For distribution transformers, size is very closely correlated with weight, and DOE developed weight-dependent installation costs for transformers using scaling relationships developed from RS Means installation cost data (see TSD, Chapter 7).

Although DOE's LCC spreadsheets contained external dimensional information for each transformer in the design database, DOE's NOPR did not report transformer size as a function of trial standard level (TSL). For today's notice, DOE calculated the volumes of those transformers selected by the LCC spreadsheets, as a function of TSL, for the two design lines (DLs) for which transformer vault constraints are most likely to be an issue: DL4 and DL5.<sup>1</sup> Tables II.1 and II.2 provide the average volume distributions for DL4 and DL5, respectively. For these tables, DOE sorted the transformers from the smallest to the largest volume for the distribution of transformers purchased at each standard level. DOE then calculated the minimum volume, the maximum volume, and the transformer volume at the 10th, 25th, 50th, 75th,

<sup>1</sup> DL4 includes 15–500 kilovolt-ampere (kVA) liquid-immersed, three-phase transformers, and is represented in the LCC analysis by a 150 kVA

transformer. DL5 includes 750–2500 kVA liquid-immersed, three-phase transformers, and is

represented in the LCC analysis by a 1500 kVA transformer.

and 90th percentiles. These distributions illustrate the degree to which average transformer volumes of

selected designs in the NOPR LCC analysis varied by TSL.

TABLE II.1.—TRANSFORMER VOLUME IN CUBIC FEET, NOPR LCC RESULTS FOR DESIGN LINE 4 (150 KVA)

Design line 4	Base case	TSL 1	TSL 2	TSL 3	TSL 4	TSL 5	TSL 6
Minimum .....	61.11	63.89	66.55	66.41	66.41	80.24	87.50
10th percentile .....	62.50	66.41	69.01	69.01	69.01	80.24	87.50
25th percentile .....	64.93	67.71	69.36	70.54	70.54	80.24	87.50
50th percentile .....	69.01	71.61	75.14	75.87	75.87	81.60	87.50
75th percentile .....	75.87	76.16	78.88	81.60	81.60	86.11	88.89
90th percentile .....	81.94	81.94	81.94	85.68	85.68	87.04	88.89
Maximum .....	90.28	90.28	91.67	91.67	91.67	91.67	90.74

TABLE II.2.—TRANSFORMER VOLUME IN CUBIC FEET, NOPR LCC RESULTS FOR DESIGN LINE 5 (1500 KVA)

Design line 5	Base case	TSL 1	TSL 2	TSL 3	TSL 4	TSL 5	TSL 6
Minimum .....	202.22	223.81	222.96	229.93	233.41	247.35	247.35
10th percentile .....	215.91	227.99	233.41	233.41	236.90	250.83	250.83
25th percentile .....	226.45	233.41	236.90	233.41	236.90	257.80	257.80
50th percentile .....	236.90	236.90	240.38	240.38	240.38	257.80	257.80
75th percentile .....	240.38	240.38	241.03	243.87	247.35	257.80	257.80
90th percentile .....	250.83	250.83	250.83	250.83	250.83	257.80	257.80
Maximum .....	261.28	261.28	261.28	261.28	261.28	257.80	257.80

Relative to the base case for DL4, the increase in volume of the smallest transformer (i.e., “minimum”) is nine percent or less for TSL4 and lower, while the largest transformer (i.e., “maximum”) has an increase in volume relative to the base case of two percent or less for TSL4 and lower.

Relative to the base case for DL5, the increase in volume of the smallest transformer is 16 percent or less for TSL4 and lower, while the largest transformer has no increase in volume.

*B. Summary of Comments on Size Issues for Vault Transformers*

DOE received comments on both size and weight issues from stakeholders during both the advance notice of proposed rulemaking (ANOPR) and NOPR phases of the rulemaking. In the NOPR, DOE requested comment on “whether the Department should include space occupancy costs in the cost of transformers as a means of accounting for space constraints.” 71 FR 44407. In response to this request, commenters provided feedback both during the public meeting and in their written comments.

HVOLT commented that it endorsed the concept of using space occupancy costs in the evaluation of the impacts of space-constrained utility transformers. (Public Meeting Transcript, No. 108.6 at p. 129) The American Council for an Energy Efficient Economy (ACEEE) recommended that DOE calculate what “the average cost of a vault modification is times the percentage of applications that will trigger.” (Public Meeting

Transcript, No. 108.6 at p. 130) The Edison Electric Institute (EEI) commented that space occupancy costs should be included but that such costs may be difficult to estimate and may range from 10 percent of the cost of a transformer to 100 percent of the transformer cost. (Public Meeting Transcript, No. 108.6 at p. 129–130)

In written comments after the NOPR public meeting, ACEEE commented that vault transformer costs should be treated using methods similar to the methods DOE used for distribution transformer pole costs in the NOPR analysis. (ACEEE, No. 127 at p. 6) EEI, in its written comments, emphasized the importance of the potential costs for vault transformers since this effect could create serious service reliability issues for some utilities. (EEI, No. 137 at p. 3)

In its comments and submissions in response to the ANOPR, EEI provided limited data on potential costs that could be applicable to vault transformers. (EEI, No. 63 at pp. 20–62) In its submission, EEI provided a survey in which it asked its members, as well as members of the American Public Power Association (APPA) and the National Rural Electric Cooperative Association (NRECA), the following question: “For currently existing pad-mount units in urban areas that need to be replaced, what kind of impact would a 10%, 25%, or 50% size increase have on the installed costs?” EEI received nine responses from its members, eight responses from APPA members, and one response from an NRECA member. EEI

packaged all these responses and provided them to the DOE as one comment. Of these responses, a few were directly relevant to vault transformers, with most responses noting some impact but not quantifying the size of the impacts. EEI member #6 commented that “Should the transformer pad or vault lid require replacement in order to fit the larger transformer, then additional costs ranging from \$500 to \$1,500 will apply.” (EEI, No. 63 at p. 36) At the high end of cost estimates, APPA member #5 commented that “size would be an issue if we had to change out units to larger. Cost per location can cost approx. \$15k.” (EEI, No. 63 at p. 42) Other EEI, APPA, or NRECA members did not provide specific estimates for relocation, vault replacement, or vault modification costs for vault transformers.

*C. Size Constraints in DOE’s NOPR Analysis*

While DOE did include size-dependent installation costs for distribution transformers in its analysis (see NOPR TSD, Chapter 7), it did not include the additional space-constraint costs that may be borne by vault transformers. Since stakeholders presented this issue as a substantial concern in their comments on the NOPR, and since DOE agrees that it did not include these costs in the NOPR analysis, DOE intends to consider these costs in its analysis for the final rule.

### III. DOE's Proposed Revisions to Estimating Size Burdens

#### A. Vault Transformer Subgroup Analysis

In response to the stakeholder comments summarized above, DOE intends to conduct a subgroup sensitivity analysis of vault transformers to estimate space-constraint costs for the final rule. This issue is primarily of concern for liquid-immersed, three-phase distribution transformers, as this type of transformer is most often used in vault applications. Therefore DOE intends to conduct its sensitivity analysis on its two design lines that represent three-phase liquid-immersed distribution transformers, DL4 and DL5.

Information provided by Howard Industries suggests that less than 0.5 percent of transformers are used in submersible or vault applications. (Howard Industries, No. 143 at p.5) Taking that estimate of 0.5 percent of all liquid-immersed transformers are vault transformers, and assuming they are all large, three-phase units such as those in DL5, the percentage of vault transformers could account for a sizeable portion of total DL5 sales—perhaps as high as 25 percent. If the estimate of 0.5 percent of all liquid-immersed shipments were instead assumed to all be smaller three-phase transformers (i.e., DL4), the fraction of DL4 transformers affected by such space constraints is likely to be less than a few percent. Stakeholders are invited to comment on the proportion of distribution transformers sold that are installed in underground vaults, particularly with respect to the liquid-immersed, three-phase design lines, DL4 and DL5.

#### B. Addressing Size Constraints for Vault Transformers

DOE recognizes that, where vault dimensional constraints are an issue, transformer customers have several options available to them, including:

1. Rewinding or refurbishing the existing transformer,
2. Purchasing a lower-kVA transformer and subjecting it to higher loading (or re-routing part of the load served),
3. Purchasing a transformer—constructed of higher-performing core steel and/or other materials—that is standards-compliant without being significantly larger (with added cost),
4. Rebuilding or expanding the existing vault, or
5. Petitioning DOE for waiver from energy conservation standard requirements.

DOE expects that the first two options, if available, would be cheaper than purchasing a new transformer. DOE therefore proposes to focus its analysis of the LCC impacts from dimensionally constrained vault transformers on the third and fourth options as part of an LCC subgroup analysis published with the final rule.

#### C. Potential Approaches for Estimating the Cost Impacts of Satisfying Constraints Without Vault Modifications

Considering option 3 from the above list, DOE could estimate the cost of purchasing a transformer of the same size, but constructed of higher-performing materials, such as better grades of core steel or copper conductor, by performing a size-constrained LCC calculation for both DL4 and DL5. In this calculation, DOE could assume the standards-compliant transformer in the LCC calculation was constrained at certain sizes, e.g., at the 25th and 50th percentiles of the distribution transformer volumes in the base case.

As a function of standard level, DOE could then run the LCC spreadsheets and calculate the LCC of the space-constrained transformers (at prescribed dimensional percentiles), and compare those values to the LCC from the unconstrained transformer analysis. The difference in LCC between the two cases would quantify the impact of satisfying the space constraint with better materials as a function of efficiency level for that subgroup of dimensionally constrained vault transformers.

#### D. Potential Approaches for Estimating the Cost Impacts of Satisfying Constraints With Vault Modifications

Considering option 4 from the above list, DOE could add an additional size-dependent installation cost to the transformers included in the LCC subgroup analysis for vault transformers to account for a relatively high underground vault-space cost. DOE invites additional stakeholder input or data on what would be reasonable fixed and variable costs (e.g., per cubic foot) for DL4 and DL5. For this option, DOE would apply the vault replacement costs (with both a fixed and variable cost) when a transformer exceeds the median volume of the transformers in the base case. Given a review of cost estimation data for utility vault reconstruction, the Department currently estimates a fixed cost for vault replacement of \$1740 per vault and a variable cost of \$26 per cubic foot of transformer. Vault replacement may be required for the higher TSLs (TSL5 and above for both DL4 and DL5). In its standard LCC calculation, DOE based transformer

selection on the manufacturer selling price. For this calculation, however, DOE proposes to assume that the customer choice of transformer design is based on total installed cost because customers are likely to be conscious of space constraint costs.

### IV. Summary of Size Issue

DOE intends to consider space-constrained vault transformers as part of the LCC subgroup analysis for the final rule. DOE seeks comment from stakeholders on the proportion of distribution transformers sold which are installed in underground vaults, particularly with respect to the liquid-immersed, three-phase design lines, DL4 and DL5.

In this notice, DOE outlines different approaches as to how it might account for those additional installation costs. DOE requests that stakeholders review these approaches and provide comment on the methodology and inputs. DOE intends to use the same LCC spreadsheet tools for estimating LCC impacts on vault transformers, with minor modifications, as it used to analyze the other LCC subgroups in the NOPR (see NOPR TSD, Chapter 11).

### V. Consideration of Final Efficiency Levels

DOE notes that in the NOPR, the proposed final standard for liquid-immersed distribution transformers was based on the efficiency levels presented in TSL 2. 71 FR 44407. While the proposed standard was based on TSL 2, DOE-evaluated efficiency levels associated with a series of TSLs. Analysis of the other TSLs indicated that some of the efficiency levels set forth in TSL 3 and TSL 4 may be justifiable for specific liquid-immersed distribution transformer designs and capacities. (See Table IV.4 in 71 FR 44378 and Tables EA.3 through EA.10 in pages EA.6 through EA.13 of the Environmental Assessment Report published with the NOPR TSD) Referencing this analysis, some commenters suggested that DOE establish a final standard that incorporates higher efficiency levels from other TSLs, which preliminarily appeared to comply with the requirements of EPCA.

Based on the comments received to date, DOE is inclined to consider a final standard that is based on efficiency levels from TSL 2 and/or 3 for three-phase, liquid-immersed, distribution transformers and efficiency levels from TSL 2, 3, and/or 4 for single-phase liquid-immersed, distribution transformers. Today's notice provides

stakeholders an opportunity to comment on this potential consideration.

## VI. Public Participation

### A. Submission of Comments

DOE will accept comments, data, and information regarding this notice no later than the date provided at the beginning of this notice. Comments, data, and information submitted to the Department's e-mail address for this rulemaking should be provided in WordPerfect, Microsoft Word, PDF, or text (ASCII) file format. Stakeholders should avoid the use of special characters or any form of encryption, and wherever possible, comments should include the electronic signature of the author. Absent an electronic signature, comments submitted electronically must be followed and authenticated by submitting a signed original paper document to the address provided at the beginning of this notice. Comments, data, and information submitted to the Department via mail or hand delivery/courier should include one signed original paper copy. No telefacsimiles (faxes) will be accepted.

According to 10 CFR 1004.11, any person submitting information that he or she believes to be confidential and exempt by law from public disclosure should submit two copies: One copy of the document including all the information believed to be confidential, and one copy of the document with the information believed to be confidential deleted. DOE will make its own determination about the confidential status of the information and treat it according to its determination.

Factors of interest to DOE when evaluating requests to treat submitted information as confidential include: (1) A description of the items; (2) whether and why such items are customarily treated as confidential within the industry; (3) whether the information is generally known or available from public sources; (4) whether the information has previously been made available to others without obligation concerning its confidentiality; (5) an explanation of the competitive injury to the submitting person which would result from public disclosure; (6) a date after which such information might no longer be considered confidential; and (7) why disclosure of the information would be contrary to the public interest.

### B. Issues on Which DOE Seeks Comment

DOE is particularly interested in receiving comments and views of interested parties concerning:

(1) The proportion of distribution transformers sold that are installed in

underground vaults, particularly with respect to the liquid-immersed, three-phase design lines, DL4 and DL5,

(2) The assumption that typical space-constrained vault transformers will be restricted to a volume that is approximately the median size of baseline transformers, and

(3) The approaches proposed in this notice to account for LCC impacts on space-constrained vault transformers, including the methodology and inputs.

(4) The possibility of having a liquid-immersed standard level that is based on efficiency levels from TSL 2 and/or 3 for three-phase and TSL 2, 3, and/or 4 for single-phase.

Issued in Washington, DC, on February 2, 2007.

**Alexander A. Karsner**

*Assistant Secretary, Energy Efficiency and Renewable Energy.*

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-115403-05]

RIN 1545-BF94

#### Section 181—Deduction for Qualified Film and Television Production Costs

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice of proposed rulemaking by cross reference to temporary regulation.

**SUMMARY:** In the Rules and Regulations section of this issue of the **Federal Register**, the IRS is issuing temporary regulations under section 181 of the Internal Revenue Code relating to deductions for costs of producing qualified film and television productions. These temporary regulations reflect changes to the law made by the American Jobs Creation Act of 2004 and the Gulf Opportunity Zone Act of 2005, and affect taxpayers that produce films and television productions within the United States. This action is necessary to provide guidance for the application of section 181. The text of the temporary regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

**DATES:** Written comments and requests for a public hearing must be received by April 10, 2007.

**ADDRESSES:** Send submissions to: CC:PA:LPD:PR (REG-115403-05), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-115403-05), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC, or sent electronically, via the IRS Internet site at [www.irs.gov/regs](http://www.irs.gov/regs) or via the Federal eRulemaking Portal at <http://www.Regulations.gov/> (IRS REG-115403-05).

**FOR FURTHER INFORMATION CONTACT:** Concerning the regulations, Bernard P. Harvey, (202) 622-3110; concerning submissions and to request a hearing, Kelly Banks, (202) 622-7180 (not toll-free numbers).

#### SUPPLEMENTARY INFORMATION:

##### Paperwork Reduction Act

The collections of information contained in this notice of proposed rulemaking have been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)). Comments on the collections of information should be sent to the Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, SE:W:CAR:MP:T:T:SP, Washington, DC 20224. Comments on the collection of information should be received by May 10, 2007. Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the Internal Revenue Service, including whether the information will have practical utility;

The accuracy of the estimated burden associated with the proposed collection of information;

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of service to provide information.

The collection of information in this proposed regulation is in § 1.181-2T(c).