

if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was less than or equal to 50 percent of the replacement cost of physically identical inventory. Inventory is not considered acquired in a bargain purchase if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was greater than or equal to 75 percent of the replacement cost of physically identical inventory.

(4) *Effective date.* The rules of this paragraph (h) are applicable for transfers on or after the date these regulations are published in the **Federal Register** as final regulations.

**Robert E. Wenzel,**

*Deputy Commissioner of Internal Revenue.*  
[FR Doc. 00-12174 Filed 5-18-00; 8:45 am]

BILLING CODE 4830-01-U

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[REG-105089-99]

RIN 1545-AX38

#### Guidance Under Section 356 Relating to the Treatment of Nonqualified Preferred Stock and Other Preferred Stock in Certain Exchanges and Distributions; Hearing Cancellation

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

**ACTION:** Cancellation of notice of public hearing on proposed rulemaking.

**SUMMARY:** This document provides notice of cancellation of a public hearing on proposed regulations relating to the treatment of nonqualified preferred stock and other preferred stock in certain exchanges and distributions under section 356 of the Internal Revenue Code.

**DATES:** The public hearing originally scheduled for Wednesday, May 31, 2000, at 10 a.m., is cancelled.

**FOR FURTHER INFORMATION CONTACT:** LaNita Van Dyke of the Regulations Unit, Assistant Chief Counsel (Corporate), at (202) 622-7180 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:** A notice of proposed rulemaking and notice of public hearing that appeared in the **Federal Register** on January 26, 2000, (65 FR 4203), announced that a public hearing was scheduled for May 31, 2000, at 10 a.m., in room 2615, Internal Revenue Building, 1111 Constitution Ave., NW., Washington, DC. The subject

of the public hearing is proposed regulations under section 354, 355, 356, and 1036 of the Internal Revenue Code. The deadline for requests to speak and outlines of oral comments expired on May 10, 2000.

The notice of proposed rulemaking and notice of public hearing, instructed those interested in testifying at the public hearing to submit a request to speak and an outline of the topics to be addressed. As of May 15, 2000, no one has requested to speak. Therefore, the public hearing scheduled for May 31, 2000, is cancelled.

**Cynthia E. Grigsby,**

*Chief, Regulations Unit, Assistant Chief Counsel (Corporate).*

[FR Doc. 00-12682 Filed 5-18-00; 8:45 am]

BILLING CODE 4830-01-P

## DEPARTMENT OF THE TREASURY

### Bureau of Alcohol, Tobacco and Firearms

#### 27 CFR Part 9

[Notice No. 897]

RIN 1512-AA07

#### Red Mountain Viticultural Area (99R-367P)

**AGENCY:** Bureau of Alcohol, Tobacco and Firearms (ATF), Treasury.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Bureau of Alcohol, Tobacco and Firearms (ATF) has received a petition proposing to establish a viticultural area within the State of Washington to be called "Red Mountain." The proposed viticultural area is within Benton County and entirely within the existing Yakima Valley viticultural area as described in the regulations. Mr. Lorne Jacobson of Hedges Cellars submitted the petition. Mr. Jacobson believes that "Red Mountain" is a widely known name for the petitioned area, that the area is well defined, and that the area is distinguished from other areas by its soil and climate.

**DATES:** Send your comments on or before July 18, 2000.

**ADDRESSES:** Send written comments to: Chief, Regulations Division, Bureau of Alcohol, Tobacco and Firearms, P.O. Box 50221, Washington, DC 20091-0221 (Attn: Notice No. 897).

**FOR FURTHER INFORMATION CONTACT:** Jennifer Berry, Regulations Division, Bureau of Alcohol, Tobacco and Firearms, 650 Massachusetts Avenue, NW, Washington, DC 20226, (202) 927-8210.

## SUPPLEMENTARY INFORMATION:

### 1. Background on Viticultural Areas

#### *What Is ATF's Authority To Establish a Viticultural Area?*

ATF published Treasury Decision ATF-53 (43 FR 37672, 54624) on August 23, 1978. This decision revised the regulations in 27 CFR part 4, Labeling and Advertising of Wine, to allow the establishment of definitive viticultural areas. The regulations allow the name of an approved viticultural area to be used as an appellation of origin on wine labels and in wine advertisements. On October 2, 1979, ATF published Treasury Decision ATF-60 (44 FR 56692) which added 27 CFR part 9, American Viticultural Areas, for the listing of approved American viticultural areas, the names of which may be used as appellations of origin.

#### *What Is the Definition of an American Viticultural Area?*

An American viticultural area is a delimited grape-growing region distinguishable by geographic features. Viticultural features such as soil, climate, elevation, topography, etc., distinguish it from surrounding areas.

#### *What Is Required To Establish a Viticultural Area?*

Any interested person may petition ATF to establish a grape-growing region as a viticultural area. The petition should include:

- Evidence that the name of the proposed viticultural area is locally and/or nationally known as referring to the area specified in the petition;
- Historical or current evidence that the boundaries of the viticultural area are as specified in the petition;
- Evidence relating to the geographical characteristics (climate, soil, elevation, physical features, etc.) which distinguish the viticultural features of the proposed area from surrounding areas;
- A description of the specific boundaries of the viticultural area, based on features which can be found on United States Geological Survey (U.S.G.S.) maps of the largest applicable scale; and
- A copy (or copies) of the appropriate U.S.G.S. map(s) with the boundaries prominently marked.

### 2. Red Mountain Petition

ATF has received a petition proposing to establish a viticultural area within the State of Washington to be known as "Red Mountain." The petitioner is Mr. Lorne Jacobson of Hedges Cellars. The proposed viticultural area is entirely within the existing Yakima Valley

viticultural area described in 27 CFR 9.69. According to Mr. Jacobson, Red Mountain has a distinct identity that sets it apart from the rest of the Yakima Valley viticultural area. He reports that grapes grown on Red Mountain are known for their quality and are highly sought after by Washington State winemakers.

The proposed area encompasses approximately 3,400 acres, of which approximately 600 acres are planted to vineyards. The petitioner estimates the proposed area can accommodate 2,700 acres of grape plantings.

#### *What Name Evidence Has Been Provided?*

The petitioner has submitted as evidence of name recognition several newspaper and magazine articles referencing Red Mountain as a wine producing area. These publications include: The Seattle Post-Intelligencer; the Globe and Mail, (Toronto); Wine Access (Canada); Decanter (UK); and Wine (UK). Other sources cited by the petitioner as referring to the wines of Red Mountain include: Decanter Magazine Guide to Oregon, Washington State and Idaho (Third Edition, 1996); Touring the Washington Wine Country, published by the Washington Wine Commission (1997 edition); and Connoisseur's Guide to California (July 1997 edition).

Several of these references describe the geographic and climatic conditions of Red Mountain as particularly suited to grape growing. Examples include:

- Decanter Magazine Guide to Oregon, Washington State and Idaho (Third Edition, 1996): "The Red Mountain region, at the confluence of the Columbia, Snake and Yakima rivers, is a relatively warm area, and vineyards on upper slopes, again with south facing aspects, are yielding superior wine."

\* \* \* Evidence is mounting to indicate that Red Mountain may be one of the genuine special vineyard sites."

- Wine Access, November 1998: "Although most of Eastern Washington's vineyards bask in a hot, dry climate, Klipsun [an area vineyard] sits between a gap in the Rattlesnake and Red Mountains in the lower Yakima Valley that is regularly blessed with slightly cooler air that filters through the gap from Canada. This, along with its stinging soils best described as sandy, silty loam, and silty loam over gravel, helps to explain the elegant, concentrated nature of the Klipsun fruit."

- Touring the Washington Wine Country, by the Washington Wine Commission (1997 edition): "Many of the award-winning Cabernet Sauvignons

that emerged from Washington's first quarter-century of fine winemaking used a percentage of their fruit from the vineyards sloping down from Red Mountain toward the Yakima River just above Benton City near Richland. This site offers good air drainage and light soils that encourage grape vines to seek nutrients via deep roots. Irrigated vineyards allow the grape growers to control vine vigor and to ease the vines into dormancy before winter."

#### *What Boundary Evidence Has Been Provided?*

The petitioner has submitted as boundary evidence one U.S.G.S. map titled "Benton City, Washington" (1974) on which Red Mountain is prominently labeled. The proposed viticultural area starts on the ridgeline of Red Mountain and then sweeps down in a triangle toward the southwest, encompassing the southern slope of the mountain down to an elevation of 560 feet. The petitioner notes that there is a small vineyard site on the eastern bank of the Yakima River, due west of the proposed boundaries. He states that this valley floor site has different growing conditions than those on the higher elevations of Red Mountain. There are currently 13 vineyards on Red Mountain, all on the southwestern slope and within the proposed boundaries. The oldest of these vineyards was planted in 1975. According to the petitioner, these boundaries contain a grape growing area with a distinctive character based on soil, topography and climate.

#### *What Evidence Relating to Geographical Features Has Been Provided?*

The petitioner asserts that geographical and climatic features of Red Mountain distinguish it from the surrounding Yakima Valley viticultural area.

- *Soil:* The petitioner states that Red Mountain's soil associations (landscapes with distinctive proportional patterns of soils) are unique in the Yakima Valley viticultural area. In support of this statement, the petitioner has submitted soil survey maps issued by the U.S. Department of Agriculture's Soil Conservation Service for the Yakima County and Benton County areas. Using these maps, the petitioner compared the soil associations for Red Mountain and other grape growing areas in the Yakima Valley viticultural area.

According to the Benton County area soil survey maps, the dominant soil association of Red Mountain is Warden-Shano. A more specific analysis reveals that the following soils are present within the Warden-Shano association: Warden silt loam, Hezel loamy fine

sand, Scootene silt loam, and Kiona very stony silt loam. The petitioner compared this data with soil data for Glead, Buena, and Sunnyside, other grape growing areas in Washington State within the Yakima Valley viticultural area. The soil associations of these areas are composed of Weirman-Ashue, Harwood-Gorst-Selah, Ritzville-Starbuck, Cowiche-Roza, Warden Esquatzel, and Quincy-Hezel. Thus, argues the petitioner, Red Mountain has a soil association which sets it apart from the rest of the Yakima Valley viticultural area.

- *Climate:* According to the petitioner, temperatures on Red Mountain tend to be hotter during the growing season than those in other areas of the Yakima Valley viticultural area.

To support this contention, the petitioner submitted temperature data gathered from weather stations in the Washington Public Agriculture Weather System administered by Washington State University. He compared data from the weather stations of Benton City, Sunnyside, Buena, and Glead, all located in the Yakima Valley viticultural area. The Benton City station is located on Red Mountain within the proposed viticultural area. A comparison of average annual air temperatures for the years 1995 through 1999 shows that the Benton City station consistently had the warmest temperatures. The average temperature difference between Benton City and Glead, the coolest site, ranged from 3.92 to 5.61 degrees.

The petitioner states that the difference of only a few degrees over the course of a growing season can produce dramatic results on the enological characteristics of wine. He further states that Red Mountain is typically the first grape growing area in Washington State to harvest grapes because of its warmer temperatures. According to the petitioner, the warmer temperatures also help to produce fully mature, ripe grapes with exceptional balance that differ substantially in quality from those of other growing areas in the state.

- *Topography:* Existing vineyards in the proposed viticultural area lie on the southwest-facing slope of Red Mountain. Elevation ranges of these vineyards are from approximately 600 to 1,000 feet. The petitioner notes that there is an immense gap separating the northwest end of Red Mountain from the southeast extremity of nearby Rattlesnake Ridge. He states that cooler, continental air masses flow south from Canada through this gap. In addition, the Yakima River flows north around Red Mountain before joining the Columbia River, creating an air drainage

system. The petitioner further states that these characteristics, along with the predominate southwest facing slope of Red Mountain, serve to flush the warm daytime air off the face of Red Mountain and replace it with a cooler air mass. According to the petitioner, the resulting growing environment yields grapes that are both high in sugar (due to warmer daytime temperatures) and high in acid (due to lower evening temperatures).

### 3. Public Participation

#### *Who May Comment on This Notice?*

ATF requests comments from all interested persons. In addition, ATF specifically requests comments on the clarity of this proposed rule and how it may be made easier to understand. Comments received on or before the closing date will be carefully considered. Comments received after that date will be given the same consideration if it is practical to do so. However, assurance of consideration can only be given to comments received on or before the closing date.

#### *Can I Review Comments Received?*

Copies of the petition, the proposed regulations, the appropriate map, and any written comments received will be available for public inspection during normal business hours at the ATF Reading Room, Office of Liaison and Public Information, Room 6480, 650 Massachusetts Avenue, NW, Washington, DC, 20226.

#### *Will ATF Keep My Comments Confidential?*

ATF cannot recognize any material in comments as confidential. All comments and materials may be disclosed to the public. If you consider your material to be confidential or inappropriate for disclosure to the public, you should not include it in the comments. We may also disclose the name of any person who submits a comment.

#### *How Do I Send Facsimile Comments?*

You may submit comments of not more than three pages by facsimile transmission to (202) 927-8525. Facsimile comments must:

- Be legible.
- Reference this notice number.
- Be 8½" x 11" in size.
- Contain a legible written signature.
- Be not more than three pages.

We will not acknowledge receipt of facsimile transmissions. We will treat facsimile transmissions as originals.

#### *How Do I Send Electronic Mail (E-mail) Comments?*

You may submit comments by e-mail by sending the comments to [nprm@atfhq.atf.treas.gov](mailto:nprm@atfhq.atf.treas.gov). You must follow these instructions. E-mail comments must:

- Contain your name, mailing address, and e-mail address.
- Reference this notice number.
- Be legible when printed on not more than three pages 8½" x 11" in size.

We will not acknowledge receipt of e-mail. We will treat e-mail as originals.

#### *How Do I Send Comments to the ATF Internet Web Site?*

You may also submit comments using the comment form provided with the online copy of the proposed rule on the ATF Internet web site at <http://www.atf.treas.gov/core/regulations/rules.htm>.

#### *Can I Request a Public Hearing?*

If you desire the opportunity to comment orally at a public hearing on this proposed regulation, you must submit your request in writing to the Director within the 60-day comment period. The Director reserves the right to determine, in light of all circumstances, whether a public hearing will be held.

### 4. Regulatory Analyses and Notices

#### *Does the Paperwork Reduction Act Apply to This Proposed Rule?*

The provisions of the Paperwork Reduction Act of 1995, 44 U.S.C. Chapter 35, and its implementing regulations, 5 CFR part 1320, do not apply to this notice because no requirement to collect information is proposed.

#### *How Does the Regulatory Flexibility Act Apply to This Proposed Rule?*

These proposed regulations will not have a significant economic impact on a substantial number of small entities. The establishment of a viticultural area is neither an endorsement or approval by ATF of the quality of wine produced in the area, but rather an identification of an area that is distinct from surrounding areas. ATF believes that the establishment of viticultural areas merely allows wineries to more accurately describe the origin of their wines to consumers, and helps consumers identify the wines they purchase. Thus, any benefit derived from the use of a viticultural area name is the result of the proprietor's own efforts and consumer acceptance of wines from that area.

No new requirements are proposed. Accordingly, a regulatory flexibility analysis is not required.

#### *Is This a Significant Regulatory Action as Defined by Executive Order 12866?*

It has been determined that this proposed regulation is not a significant regulatory action as defined by Executive Order 12866. Therefore, a regulatory assessment is not required.

Drafting Information: The principal author of this document is Jennifer Berry, Regulations Division, Bureau of Alcohol, Tobacco, and Firearms.

### List of Subjects in 27 CFR Part 9

Administrative practices and procedures, Consumer protection, Viticultural areas, Wine.

### Authority and Issuance

Accordingly, for the reasons set out in the preamble, Title 27, Code of Federal Regulations, part 9, American Viticultural Areas, is proposed to be amended as follows:

### PART 9—AMERICAN VITICULTURAL AREAS

**Paragraph 1.** The authority citation for part 9 continues to read as follows:

**Authority:** 27 U.S.C. 205

### Subpart C—Approved American Viticultural Areas

**Par. 2.** Subpart C is amended by adding § 9.167 to read as follows:

\* \* \* \* \*

**§ 9.167 Red Mountain.**

(a) Name. The name of the viticultural area described in this section is "Red Mountain."

(b) Approved Maps. The appropriate map for determining the boundaries of the Red Mountain viticultural area is one U.S.G.S. map titled "Benton City, Washington" 7.5 minute series (topographic), (1974).

(c) Boundaries. The Red Mountain viticultural area is located within Benton County, Washington, entirely within the existing Yakima Valley viticultural area. The boundaries are as follows:

(1) The northwest boundary beginning on this map at the intersection of the 560-foot elevation level and the aqueduct found northwest of the center of section 32.

(2) Then following the aqueduct east to its endpoint at an elevation of approximately 650-feet, again in section 32.

(3) From this point in a straight line southeast to the 1173-foot peak, located southeast of the center of section 32.

(4) From this peak southeast in a straight-line across the lower southwest corner of section 33 to the 1253-foot

peak located due north of the center of section 4.

(5) Then in a straight-line southeast to the 1410-foot peak located in the southwest corner of section 3.

(6) From this peak in a straight-line southeast to the border of Sections 10 and 11 where the power-line crosses these two sections. This intersection is northeast of the center of section 10 and northwest of the center of section 11.

(7) From this point in a straight line southeast to the 600-foot elevation line where this intersections State Highway 224 southwest of the center of section 11.

(8) From this point southwest, following the north side of State Highway 224, through section 10, through the southeast corner of section 9, through the northwest corner of section 16, through section 17 to where the 560-foot elevation level intercepts State Highway 224 southwest of the center of section 17 just east of Demoss Road.

(9) From this 560-foot elevation point, running north along this elevation line through section 17, through section 8, through section 5 and through section 32 until meeting the beginning point at the aqueduct in section 32.

Signed: May 11, 2000.

**Bradley A. Buckles,**  
Director.

[FR Doc. 00-12662 Filed 5-18-00; 8:45 am]

BILLING CODE 4810-31-P

## DEPARTMENT OF TRANSPORTATION

### Coast Guard

#### 33 CFR Part 167

[USCG-1999-5198]

#### Port Access Route Study for Approaches to Los Angeles/Long Beach

**AGENCY:** Coast Guard, DOT.

**ACTION:** Notice of study results.

**SUMMARY:** The Coast Guard announces the results of a Port Access Route Study which evaluated the vessel routing and traffic management measures for the approaches to Los Angeles and Long Beach. The study was necessary because of major port improvements made to both ports. It was completed in July, 1999. This document summarizes the study recommendations.

**ADDRESSES:** Comments and material received from the public, as well as documents mentioned in this preamble as being available in the docket, are part of docket USCG-1999-5198 and are

available for inspection or copying at the Docket Management Facility, U.S. Department of Transportation, room PL-401, 400 Seventh Street SW., Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. You may also find this docket on the Internet at <http://dms.dot.gov>.

**FOR FURTHER INFORMATION CONTACT:** For questions on this notice, contact Lieutenant Commander Brian Tetreault, Vessel Traffic Management Officer, Eleventh Coast Guard District, telephone 510-437-2951, e-mail [Btetreault@d11.uscg.mil](mailto:Btetreault@d11.uscg.mil); or Mike Van Houten, Aids to Navigation Section Chief, Eleventh Coast Guard District, telephone 510-437-2968, e-mail [MVanHouten@d11.uscg.mil](mailto:MVanHouten@d11.uscg.mil). For questions on viewing the docket, call Dorothy Walker, Chief, Dockets, Department of Transportation, telephone 202-366-9329.

**SUPPLEMENTARY INFORMATION:** You may obtain a copy of the Port Access Route Study (PARS) by contacting either person at the Eleventh Coast Guard District listed under **FOR FURTHER INFORMATION CONTACT**. A copy is also available in the public docket at the address listed under the **ADDRESSES** section and electronically on the DMS Web Site at <http://dms.dot.gov>.

*Geographic coordinates.* All geographic coordinates cited in this notice utilize the North American Datum of 1983 (NAD 83).

#### Definitions

The following definitions should help you review this document:

*Precautionary area* means a routing measure comprising an area within defined limits where ships must navigate with particular caution and within which the direction of traffic flow may be recommended.

*Regulated Navigation Area or RNA* is a water area within a defined boundary for which regulations for vessels navigating within the area have been established under this part.

*Separation Zone or line* means a zone or line separating the traffic lanes in which ships are proceeding in opposite or nearly opposite directions; or from the adjacent sea area; or separating traffic lanes designated for particular classes of ships proceeding in the same direction.

*Traffic lane* means an area within defined limits in which one-way traffic is established.

*Traffic Separation Scheme or TSS* means a routing measure aimed at the separation of opposing streams of traffic by appropriate means and by the establishment of traffic lanes.

*Vessel routing system* means any system of one or more routes or routing measures aimed at reducing the risk of casualties; it includes traffic separation schemes, two-way routes, recommended tracks, areas to be avoided, inshore traffic zones, roundabouts, precautionary areas, and deep-water routes.

#### Background and Purpose

##### When Did the Coast Guard Conduct This Port Access Route Study (PARS)?

We announced the PARS in a document published in the **Federal Register** on March 11, 1999 (63 FR 12140) and completed the study in July, 1999.

##### Why Did the Coast Guard Conduct the PARS?

A PARS was needed to evaluate the effects of port improvement projects for the ports of Los Angeles and Long Beach on navigational safety and vessel traffic management efficiency, and to recommend any necessary changes to existing routing measures. This study recommends modifications to the existing TSS's.

The study area included the navigable waters of Los Angeles and Long Beach Harbors, the Los Angeles/Long Beach TSS, and all waters bounded by the coastline and the following coordinates:

Latitude	Longitude
33°47.00' N .....	118°25.40' W.
33°47.00' N .....	118°38.60' W.
33°15.50' N .....	118°38.60' W.
33°15.50' N .....	117°52.70' W.
33°35.30' N .....	117°52.70' W.

Major port improvement projects for the Ports of Los Angeles and Long Beach began in 1995 and should be completed by June, 2000. These projects include the following:

- Lengthening of the Los Angeles Approach Channel to extend approximately 3.5 nautical miles beyond the Los Angeles breakwater.
- Deepening of the Los Angeles Approach Channel to a project depth of 81 feet.
- Slight shift of the Long Beach Approach to a 355 degrees True inbound course.
- Deepening of the Long Beach Approach Channel to a project depth of 69 feet.

Fill and construction activities within the Los Angeles/Long Beach Harbors and development of a shallow water habitat have constricted the amount of room available for small commercial and recreational traffic to maneuver within the Outer Harbor and in the area