

Management, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549.

Costs and Benefits

Rule 58 will substantially decrease regulatory costs for the eleven (11) electric and three (3) gas registered holding companies. In calendar years 1993 and 1994, 122 applications would not have been filed had the proposed rule 58 and related rule amendments been in place. Estimated savings per application would have been approximately \$70,000 including related legal, accounting, and management costs. Thus, for 122 applications filed in calendar years 1993 and 1994, the aggregate savings would have been approximately \$8,540,000 or \$4,270,000, respectively, per year. Moreover, the reduction in Commission staff hours would have been approximately 13,300 hours per year (6.5 staff years). The only cost to the registered holding companies in complying with the rule will be the cost of completing and filing Form U-9C-3 on a quarterly basis. It is estimated that approximately 16 hours will be required to complete each form at an estimated cost of \$250 per hour. Assuming 61 acquisition applications per year, the cost of compliance reporting would approximate \$244,000 per year.

Paperwork Reduction Act

The proposed rule and rule amendments are subject to the Paperwork Reduction Act of 1980 (44 U.S.C. 79 *et seq.*) and will be submitted for approval to the Office of Management and Budget.

Statutory Authority

The Commission is proposing to adopt rule 58 and to amend rules 45 and 52 pursuant to sections 6, 9, 12 and 20 of the Act.

List of Subjects in 17 CFR Parts 250 and 259

Electric utilities, Holding companies, Natural gas, Reporting and recordkeeping requirements, Securities.

Text of Proposed Rules

For the reasons set out in the preamble, chapter II, title 17, of the Code of Federal Regulations is proposed to be amended as follows:

PART 250—GENERAL RULES AND REGULATIONS, PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

1. The authority citation for part 250 continues to read as follows:

Authority: 15 U.S.C. 79c, 79f(b), 79i(c)(3) and 79t, unless otherwise noted.

2. Section 250.45 is amended by revising paragraph (b)(4) to read as follows:

§ 250.45 Loans, extensions of credit, donations and capital contributions to associate companies.

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(b) *Exceptions.* * * *

(4) Capital contributions or open account advances, without interest, by a company to its subsidiary company; *Provided*, That capital contributions or open account advances to any energy-related company subsidiary, as defined in rule 58 (§ 250.58), shall not be exempt hereunder unless, after giving effect thereto, the aggregate investment by a registered holding company or any subsidiary thereof in such company and all other such energy-related subsidiary companies does not exceed the limitation in rule 58(a)(1) (§ 250.58(a)(1)).

3. Section 250.52 is amended by revising paragraph (b) as follows:

§ 250.52 Exemption of issue and sale of certain securities.

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(b) Any subsidiary of a registered holding company which is not a holding company, a public-utility company, an investment company, or a fiscal or financing agency of a holding company, a public-utility company or an investment company shall be exempt from section 6(a) of the Act (15 U.S.C. 79f(a)) and rules thereunder with respect to the issue and sale of any security of which it is the issuer if:

(1) The issue and sale of such security are solely for the purpose of financing the existing business of such subsidiary company; and

(2) The interest rates and maturity dates of any debt security issued to an associate company are designed to parallel the effective cost of capital of that associate company; *Provided*, That any security issued to an associate company by any energy-related company subsidiary, as defined in rule 58 (§ 250.58), shall not be exempt hereunder unless, after giving effect thereto, the aggregate investment by a registered holding company or any subsidiary thereof in such subsidiary and all other such energy-related subsidiary companies does not exceed the limitation in rule 58(a)(1) (§ 250.58(a)(1)).

4. Section 250.58 is added to read as follows:

§ 250.58 Exemption of investments in certain nonutility companies.

(a) *Exemption from Section 9(a).* Section 9(a) of the Act (15 U.S.C. 79i(a)) shall not apply to:

(1) The acquisition by a registered holding company, or any subsidiary company thereof, of the securities of an energy-related company; provided that, after giving effect to any such acquisition, the aggregate investment by such registered holding company or any subsidiary thereof in all such companies does not exceed the greater of:

(i) \$50 million; and
(ii) 15% of the consolidated capitalization of such registered holding company, as reported in the registered holding company's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q (§ 249.308a or § 249.310 of this chapter) filed under the Securities Exchange Act of 1934, as amended (15 U.S.C. 78 *et seq.*); or

(2) The acquisition by a registered gas-utility holding company, or a subsidiary company thereof, of the securities of a gas-related company.

(b) *Definitions.* For the purpose of this section:

(1) The term *energy-related company* shall mean any company that derives or will derive substantially all of its revenues (exclusive of revenues from temporary investments) from one or more of the following businesses:

(i) The rendering of energy conservation and demand-side management services;

(ii) The development and commercialization of electro-technologies related to energy conservation, storage and conversion, energy efficiency, waste treatment, greenhouse gas reduction, and similar innovations;

(iii) The manufacture, conversion, sale and servicing of electric and compressed natural gas powered vehicles and ownership and operation of related refueling and recharging equipment;

(iv) The sale, installation, and servicing of electric and gas appliances for residential, commercial and industrial heating and lighting;

(v) The brokering and marketing of energy commodities, including but not limited to electricity or natural or manufactured gas;

(vi) The production, conversion, and distribution of thermal energy products, such as process steam, heat, hot water, chilled water, air conditioning, compressed air and similar products; alternative fuels; and renewable energy resources;

(vii) The sale of technical, operational, management, and other similar kinds of services and expertise, developed in the course of utility operations in such areas as power plant and transmission system engineering, development, design and rehabilitation;