

OPENING REMARKS
OF
ARTHUR LEVITT, CHAIRMAN
CONCERNING RULES TO IMPLEMENT
THE ENERGY POLICY ACT OF 1992
PUBLIC MEETING OF THE
SECURITIES AND EXCHANGE COMMISSION
September 22, 1993

On our agenda today is the adoption of rules proposed last March under the Public Utility Holding Company Act of 1935.

Last year, Congress passed the Energy Policy Act of 1992, which contained the first major amendments ever made to PUHCA. By adopting these amendments, Congress recognized that much has changed in the gas and electric industries during the 58 years since PUHCA was enacted. An especially important development is the growth of competitive power markets both here and abroad.

Congress saw the potential to reduce electric power costs through increased competition in the wholesale electricity market and, ultimately, to lessen dependence on foreign sources of energy. The Energy Policy Act relaxed, and in some cases removed altogether, many of the constraints on the participation of US power companies in wholesale power generation and in acquiring foreign utilities. SEC approval is no longer required for acquisition of any "exempt wholesale generator," as defined in the Act.

At the same time, however, the legislation attempts to shield domestic ratepayers from any adverse effects of these new ventures. It has always been the Commission's responsibility to protect several constituencies, including utility company consumers and investors in registered holding companies. But, in passing the Energy Policy Act, Congress also limited our jurisdiction with respect to these new ventures.

The rules that are before the Commission today reflect this inherent statutory tension. We cannot resolve the tension, but must try to find a balance. The proposed rules contain a partial safe harbor for the financing of acquisitions of exempt wholesale generators. The staff also proposes to defer consideration of the rules regarding acquisitions of foreign utilities.

The proposed rules generated many comments during the past 5 months. Investments by registered utilities in exempt wholesale generators and in foreign utilities are of concern to the affected companies, their stockholders and bondholders, state regulators and consumers. The release that we publish today will explain in detail how the comments have been addressed.

I am confident that the rules we will adopt today balance the statutory goals that Congress has identified and carry out the mandate that Congress has given us.

Does the staff have a statement or comments to make?