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Dated at Rockville, Maryland, this 9th day of November 2001.

For the Nuclear Regulatory Commission.

**Jon B. Hopkins,**

*Acting Chief, Section 2, Project Directorate III, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27466]

### Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

November 9, 2001.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by December 3, 2001, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After December 4, 2001, the

application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### **Allegheny Energy, Inc., et al. (70-7888)**

Allegheny Energy, Inc. ("Allegheny"), a registered public-utility holding company, The Potomac Edison Company ("Potomac Edison"), its wholly owned direct public-utility company subsidiary, Allegheny Energy Supply Company, LLC ("Allegheny Supply"), a direct public-utility company subsidiary of Allegheny, Allegheny Generating Company ("AGC"), an indirect public-utility company subsidiary of Allegheny,<sup>1</sup> all at 10435 Downsview Pike, Hagerstown, Maryland 21740, Monongahela Power Company, a wholly owned direct public-utility company subsidiary of Allegheny, 1310 Fairmont Avenue, Fairmont, West Virginia 26554, West Penn Power Company ("West Penn"), a wholly owned direct public-utility company subsidiary of Allegheny, Allegheny Energy Service Corporation ("Service Company"), a wholly owned direct service company subsidiary of Allegheny, both at 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601 (collectively, "Applicants"), have filed a post-effective amendment to a previously filed declaration under sections 6, 7, 12(d), 12(f) and 13(b) of the Act and rules 45 and 54 under the Act.

By order dated December 23, 1997,<sup>2</sup> the Commission authorized the continued operation by Service Company of the Allegheny System Money Pool ("Money Pool") through December 31, 2001 ("Money Pool Authority"). Specifically, the Commission authorized Allegheny to invest in but not borrow from the Money Pool, AGC to borrow from but not invest in the Money Pool, and Monongahela, Potomac Edison, and West Penn to both borrow from and invest in the Money Pool. In connection with the Money Pool, the Commission also authorized Allegheny, Monongahela, Potomac Edison, West Penn, and AGC to issue short-term debt securities to banks and dealers of commercial paper through December 31, 2001 in aggregate amounts not to exceed \$750 million, \$106 million, \$130 million, \$500 million, and \$100 million, respectively ("Short-Term Debt Authority").<sup>3</sup> Applicants now request

<sup>1</sup> AGC is a public-utility company subsidiary of Allegheny Supply an Monongahela Power Company, described below.

<sup>2</sup> *Allegheny Power System*, HCAR No. 26804 (December 23, 1997) ("Prior Money Pool Order").

<sup>3</sup> See Prior Money Pool Order, as modified by *Allegheny Energy*, HCAR No. 27030 (May 19, 1999)

authority to extend the Money Pool Authority and Short-Term Debt Authority through December 31, 2004. No short-term notes or commercial paper would mature after June 30, 2005.

#### **SCANA Corporation, et al. (70-9533)**

SCANA Corporation ("SCANA"), a registered holding company, SCANA's public utility subsidiary companies, Public Service Company of North Carolina, Inc. ("PSNC"), South Carolina Electric & Gas Company, South Carolina Generating Company, Inc., and SCANA's nonutility subsidiary companies (collectively, "Applicants"), all located at 1426 Main Street, Columbia, South Carolina 29201 have filed a post-effective amendment to their application-declaration under sections 6(a) and 7, 9(a), 10 and 12(b) of the Act and rules 43, 45, 53 and 54 under the Act.

By orders dated February 14, 2000 and January 31, 2001 (HCAR Nos. 27137 and 27341, respectively) ("Financing Orders"), among other things, the Commission authorized the Applicants, through February 11, 2003 ("Authorization Period"), to issue and sell common stock, short-term debt and long-term debt in an outstanding aggregate amount of up to \$3.55 billion ("Financing Limitation"). In particular, PSNC was authorized to issue and sell up to \$150 million of long-term debt ("Debt Authority").

Applicants now propose for the remainder of the Authorization Period to increase the Financing Limitation up to \$3.85 billion as a consequence of PSNC's request to increase Debt Authority from \$150 million up to an aggregate outstanding amount of \$450 million. Applicants state that Debt Authority will continue to be subject to the same regulatory terms and conditions described in the Financing Orders. Specifically, (1) the effective cost of long-term debt issued under Debt Authority will not exceed 300 basis points over comparable term U.S. Treasury securities; (2) maturities of long-term debt issued under Debt Authority will not exceed 50 years; (3) PSNC will not issue any new long-term debt, unless its outstanding long-term debt is rated "investment grade" by at least one nationally recognized statistical rating agency; and (4) underwriting fees, commissions, or similar remuneration paid in connection with the issue, sale or distribution of a security will not exceed 5% of the

(increasing Allegheny's short-term debt authority from \$400 million to \$750 million) and *West Penn Power Co.*, HCAR No. 27084 (October 8, 1999) (increasing West Penn's short-term debt authority from \$182 million to \$500 million).

principal amount of the security issued. Further, the Applicants represent that at all times during the Authorization Period, SCANA's common equity will be at least 30% of its consolidated capitalization, as required by the Commission's order approving the organization of SCANA (HCAR No. 27133; February 9, 2000).

#### **AGL Resources, Inc. and Virginia Natural Gas, Inc. (70-9911)**

AGL Resources, Inc. ("AGL Resources"), 817 West Peachtree Street, NW., Atlanta, Georgia, 30308, a registered holding company, and Virginia Natural Gas, Inc. ("VNG"), 5100 East Virginia Beach Blvd., Norfolk, Virginia 23502, a gas public utility subsidiary of AGL Resources (collectively, "Declarants"), have filed a declaration under sections 12(c) and 12(d) of the Act and rules 43(a), 44(a), and 54 under the Act.

The proposal set forth in the declaration relates to the recapitalization of VNG. By prior Commission order dated October 5, 2000. (Holding Co. Act Release No. 27243), AGL Resources was authorized, through March 31, 2004, to acquire all of the outstanding common stock of VNG (the "Acquisition") and to engage in various financing and other transactions related to the establishment of AGL Resources as a registered holding company system after the Acquisition. All of the outstanding debt of VNG was repaid prior to the Acquisition and VNG has subsequently conducted minimal debt financing. As a result, the current capital structure of VNG is predominantly equity. As of September 30, 2001, VNG's common stock equity as a percentage of its total capitalization was 80%.

In this declaration, Declarants request authority for VNG to repurchase its common stock from AGL Resources and for AGL Resources to sell that common stock to VNG ("Recapitalization").<sup>4</sup> Declarants propose to execute the Recapitalization within 180 days of the issuance of the order in this matter. VNG will obtain the funds necessary to repurchase its shares from cash balances and the proceeds of debt and/or preferred stock issuances. All securities issued by VNG are subject to the approval of the Virginia State Corporation Commission ("VSCC") and would be issued under appropriate VSCC orders.<sup>5</sup> Declarants state that

VNG's target capital structure would include common stock and long- and short-term debt securities, but in no event will VNG have less than 30% common equity in proportion to its total capitalization including short-term debt and current maturities of long-term debt. Shares repurchased will initially be held as treasury stock and, if authorized by VNG's board of directors, some or all of the repurchased shares may be cancelled, from time to time. Declarants state that the share repurchase will increase the debt recorded on VNG's balance sheet and reduce its capital and capital surplus accounts.

#### **Allegheny Energy, Inc. (70-9801)**

Allegheny Energy, Inc. ("Allegheny"), a registered public utility holding company, and Allegheny Energy Supply Company, LLC ("AE Supply"), Allegheny's wholly owned utility subsidiary company, both located at 10435 Downsville Pike, Hagerstown, Pennsylvania 21740 (collectively, "Applicants") have filed a post-effective amendment to their application-declaration under sections 6, 7, 9, 10, 12(b) and 12(f) of the Act and rules 45 and 54 under the Act.

The Commission issued an order on March 30, 2001 (HCAR No. 27370) ("March Order") authorizing the financing and acquisition of certain exempt wholesale generators. By this post-effective amendment Applicants propose to engage in certain additional related financing transactions.

In the March Order, the Commission, among other things, authorized the Applicants to: (1) Acquire the issued and outstanding membership interests in certain limited liability companies—all exempt wholesale generators as defined in section 32 of the Act ("EWGs")—of Enron North America Corp (the "Enron Acquisition"), (2) issue and sell an aggregate of \$550 million in short-term bridge financing and long-term debt, and (3) establish a financing vehicle, Allegheny Energy Supply Capital LLC ("Supply Capital"), to, among other things, issue equity or other financial instruments to and acquire notes or other financial instruments from AE Supply in connection with related activities. Under the March Order, AE Supply incurred temporary indebtedness of approximately \$550 million in aggregate principal amount ("Bridge Loan") to consummate the Enron Acquisition.

Applicants now propose to refinance the Bridge Loan and repay other debt by

engaging in the following series of transactions:

(1) The creation of a wholly owned subsidiary of AE Supply to serve as a special-purpose financing vehicle ("Leaseback SPV"), to which AE Supply will transfer of AE Supply's right, title, and interest in and to the Hatfield's Ferry Power Station generation facility located in Masontown, Pennsylvania ("Facility"), together with certain related contracts, assets, and liabilities ("Internal Asset Transfer Transaction");

(2) The (i) entry by Leaseback SPV and AE Supply<sup>6</sup> into a leaseback transaction in which AE Supply's 76.6% undivided interest in the Facility will be leased to an unaffiliated third party and immediately leased back to Leaseback SPV ("Leaseback"), (ii) guarantee by AE Supply of Leaseback SPV's lease payment and performance obligations ("Guaranty"), and (iii) pledge by the Leaseback SPV or AE Supply, as the case may be, of its undivided interest in the Facility to secure its lease payment and performance obligations ("Pledge" and together with the Leaseback and the Guaranty, the "Leaseback Transaction");<sup>7</sup>

(3) The creation of a wholly owned subsidiary of SPV ("Subsidiary LLC") that will, among other things, receive the proceeds of the Leaseback as a capital contribution, and engage in making an intercompany loan in the amount of the capital contribution of AE Supply to be used for authorized activities ("Intercompany Loan Transaction"); and

(4) The making of subsequent intercompany, interest bearing loans ("Subsequent Intercompany Loans") to AE Supply in the amount of interest earned from the Intercompany Loan transaction and under any Subsequent

<sup>6</sup> AE Supply may perform the Internal Asset Transfer Transaction immediately after the Leaseback Transaction (as defined below) in order to avoid certain significant negative state tax consequences that may result if the Internal Asset Transfer Transaction occurred prior to the Leaseback Transaction. In that event, AE Supply would make the initial transfer of the Facility in connection with the Leaseback Transaction and execute documentation accordingly. And as a result, AE Supply would transfer to Leaseback SPV as part of the Internal Asset Transfer Transaction the following additional contracts, assets and liabilities: (i) All relevant operative documents in connection with the Leaseback Transaction and (ii) all proceeds received by AE Supply in connection with the Leaseback Transaction. Applicants represent that, other than as described herein, the Leaseback Transaction will remain consistent with the description contained in Post-Effective Amendment No. 1, filed on October 19, 2001.

<sup>7</sup> Applicants represent that Leaseback Transaction will be accounted for by Applicants as an operating lease and not as debt. As a result, AE Supply's ownership share of the Facility will remain an asset of AE Supply.

<sup>4</sup> VNG proposes to repurchase up to 3,691 shares at a price of \$101,460 per share to effect the Recapitalization.

<sup>5</sup> VNG intends to rely on rule 52(a) under the Act in connection with any securities issuances that

will in whole or part fund its common stock repurchase.

Intercompany Loans ("Subsequent Intercompany Loan Transactions").

The transactions are expected to raise approximately \$1 billion, which will be used to refinance the Bridge Loan, reduce other indebtedness of AE Supply, provide working capital for the facilities obtained in the Enron Acquisition, and for general corporate purposes.

All of the operative documents relating to the Leaseback will be negotiated on an arms length basis. Leaseback SPV at all times during the Leaseback would retain possession of and all meaningful operating rights with respect to the Facility. During the period of the Leaseback, Leaseback SPV or an affiliate will operate the Facility under the existing operating agreement.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-45036; File No. SR-Amex-2001-89]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the American Stock Exchange LLC Relating to Currency and Index Warrant Listing Standards

November 6, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 23, 2001, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Amex. The proposed rule change has been filed by the Amex as a "non-controversial" rule change under rule 19b-4(f)(6) under the Act.<sup>3</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to amend section 106 of the Amex Company Guide to include alternate listing standards for currency and index warrants.<sup>4</sup>

The text of the proposed rule change is available at the Amex and at the Commission.

### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Amex included statements concerning the purpose of and statutory basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to revise section 106 of the Amex Company Guide to include alternate minimum distribution and market value standards for currency and index warrants. Under the proposed alternative standards, the minimum number of public holders required will not be defined, but will be determined on a case by case basis. Other criteria will require a minimum of 2,000,000 warrants together with an aggregate market value of \$12,000,000 and initial price of \$6 per warrant.

Section 106 of the Amex Company Guide provides listing standards for currency and index warrants which includes, among other things, minimum distribution and market value standards. Currently, section 106 requires a minimum public distribution of 1,000,000 warrants together with a minimum of 400 public warrant holders, and an aggregate market value of \$4,000,000.

From time to time, the Exchange receives requests from issuers to list currency and index warrants that may

<sup>4</sup> Specifically, the proposed rule change would apply to currency warrants, currency index warrants, and stock index warrants. Telephone conversation between Jeffery P. Burns, Assistant General Counsel, Amex, and Ira Brandriss, Special Counsel, and Frank N. Genco, Attorney Advisor, Division of Market Regulation ("Division"), Commission, on November 2, 2001.

substantially exceed the minimum number of required units and aggregate issuance price, but fail to satisfy the minimum number of public holders. As a result, the Exchange is precluded from listing such issues even though it believes listing such warrants may be appropriate given the number of units, aggregate issuance price, and relatively minor departure from the required minimum number of public holders. For example, currently the Exchange would be precluded from listing a warrant issuance that has 3,000,000 units outstanding with an aggregate issuance price of \$18,000,000, but has only 350 public holders.

As a result, the Exchange proposes to add alternative standards to allow the Exchange to list warrant issues that it believes are appropriate for listing and increase its flexibility in reviewing such issues. Accordingly, under the proposed alternative listing standards, the minimum number of public holders required will not be defined, but will be determined on a case by case basis. Other criteria will require a minimum of 2,000,000 warrants together with an aggregate market value of \$12,000,000 and minimum price of \$6 per warrant. Because currency and index warrants are in many respects similar to currency and index options, which require no minimum number of holders upon issuance, the Exchange believes reviewing the number of public warrant holders on a case by case basis is appropriate.

The Exchange believes the proposed alternative warrant listing standards will increase the Exchange's ability to review proposed warrant issues on a case by case basis in determining whether it is appropriate to list the particular warrant being proposed. Lastly, the Exchange believes that the approval of the alternative warrant listing standard will help foster competition between the Amex and options exchanges that have received approval of the alternative warrant listing standard.<sup>5</sup>

##### 2. Statutory Basis

The Amex believes that the proposed rule change is consistent with section 6 of the Act,<sup>6</sup> in general, and with section 6(b)(5) of the Act,<sup>7</sup> specifically, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and

<sup>5</sup> See Securities Exchange Act Release No. 43611 (November 22, 2000), 65 FR 75326 (December 1, 2000).

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(5).