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August 2, 2010

By E-mail: rule-comments@sec.gov

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
Attn: Elizabeth M. Murphy, Secretary

Re: Release Nos. 33-9117; 34-61858 (File No. S7-08-10)

Ladies and Gentlemen:

Sidley Austin LLP ("Sidley") submits this letter in response to the request for comments made by the Securities and Exchange Commission (the "Commission") in Release Nos. 33-9117; 34-61858 (collectively, the "Release") that proposes to make significant revisions to Regulation AB and other rules regulating the offering process, disclosure and reporting for asset-backed securities (the "Proposed Rules").

The comments below respond to the Commission's inquiries regarding asset-backed securities issued by regulated public utility companies for the recovery of stranded cost, storm recovery costs, pollution control costs, rate stabilization costs and other state sanctioned purposes. These transactions are sometimes referred to as "stranded cost" securitizations, since stranded cost recovery issuances served as the model for all later such transactions, and we refer to them in this letter as "Utility Securitizations".

As the Commission observed in the final release of Regulation AB[1], the Commission has attempted to accommodate the different nature of asset-backed securities through numerous no-action letters and interpretive positions. In that regard, we have considered the potential effect of some of the Proposed Rules upon Utility Securitizations, and would like to offer the comments below.

Since the first Utility Securitizations were sold in 1997, Sidley has represented public utility companies, underwriters and public agency issuers in connection with the issuance of over $25 billion of Utility Securitizations in 27 transactions. These transactions constitute approximately 50%[2] of all Utility

[1] Release Nos. 33-8518;34-50905 (December 22, 2004)
[2] Based upon aggregate principal amount.

Securitization completed since the asset class was first created. (See Appendix A for a listing of the Utility Securitizations). Virtually all Utility Securitizations have qualified as "asset-backed securities" and have been sold in public registered offerings.

We believe that the current disclosure format for Utility Securitizations continues to be appropriate. We recognize that the Proposed Rules already provide exemptions for Utility Securitizations from asset-level data and waterfall disclosure. However, we believe that no additional disclosure requirements should be applied to Utility Securitizations for a very simple reason — to our knowledge, there has never been a disclosure or credit related issue with respect to these securities and additional regulations would merely raise the cost of a financing to utility ratepayers without any corresponding public benefit. The history of Utility Securitizations provides indisputable evidence that no additional disclosure burdens are necessary, and the unique nature of the assets underlying Utility Securitizations warrant unique treatment by the Commission.

The History of Utility Securitizations

Utility Securitizations have been used successfully in at least 15 States as an element of utility industry restructuring and also to achieve important state utility industry policy objectives. Utility Securitizations have been used to finance the recovery of stranded costs in connection with utility industry restructurings, as well as the recovery of costs and reserves for hurricane and ice storms, for rate stabilization purposes and the recovery of pollution control capital expenditures. Since 1997, when the first Utility Securitizations were created, over $43 billion of Utility Securitizations have been issued in 52 transactions. (See Appendix A for a listing of the Utility Securitizations). Virtually every transaction involved the use of a Form S-3 registration statement.

Uniform Utility Securitization Structure

Utility Securitizations involve the issuance of ratepayer-supported bonds by a special-purpose, bankruptcy remote affiliate (the "SPE") of a regulated electric utility (the "Utility"). To our knowledge, all Utility Securitizations have a virtually identical structure. Each Utility Securitization is authorized by a specific state statute that permits the regulated electric utility to finance the recovery of certain capital expenditures through securitization transactions. Each statute authorizes the state public utility commission to issue a financing order to implement the financing. The legislation and financing order authorize the imposition and collection of a special usage-based charge upon customers of the Utility (the "Special Charge"), and further authorize the issuance of bonds secured by the Special Charge.

The right to impose, collect and adjust the Special Charge from time to time is a property right created by the legislation which is sold by the Utility to the SPE. The SPE in turn is authorized to issue bonds and pledge its rights to the Special Charge to secure repayment of the bonds. The Special Charge is imposed upon the Utility's customers and is non-bypassable (i.e., the payment of the charge cannot be avoided by

the customer even if the Utility's operations are sold, or if the Utility goes bankrupt, or if the customer purchases electricity from another energy supplier).

In each Utility Securitization, the Utility (or its affiliate) serves as servicer to collect the Special Charge from the Utility's customers and to remit the Special Charge to the bond trustee for the benefit of the bondholders. In some states, due to the introduction of electric service competition, the Special Charge may be collected by a alternative electric provider, who must remit the Special Charge to the servicer.

Pursuant to the related legislation and the financing order, the Special Charge is subject to automatic periodic adjustment so that the estimated revenues from the Special Charge are always sufficient to repay the bonds as they become due. This right to adjust the Special Charge makes Utility Securitizations unique, because unlike other asset-backed securities, the asset being "securitized" increases in size to account for losses and delays in payment so that the Special Charge is always sufficient to pay the bonds.

Also importantly, the state legislation authorizing a Utility Securitization includes a state pledge to the effect that neither the state nor the public utility commission will impair the right to impose or collect the Special Charge. This state pledge is protected under the Federal (and, where applicable, State) Impairment Clauses of the Constitution.

Because of the above features, Utility Securitizations have been rated AAA/Aaa by the rating agencies in reliance on the structure of the legislation, not based on specific pool data or customer composition. An additional reason for the uniformity of structure among Utility Securitizations is that each is premised upon complying with certain Revenue Procedures issued by the Internal Revenue Service (specifically, Revenue Procedure 2002-49, 2002-2 C.B. 172, which was expanded by Revenue Procedure 2005-62, 2005-2 C.B. 507).[3] These Revenue Procedures ensure favorable "debt for tax" treatment and are pivotal

[3] Revenue Procedure 2005-62, 2005-2 C.B. 507, expanded the scope of previous guidance providing treatment for "stranded cost" recovery to other forms of cost recovery by regulated utilities under "specified cost recovery legislation." For purposes of the Revenue Procedure, specified cost recovery legislation is legislation that—
(1) is enacted by a State to facilitate the recovery of certain specified costs incurred by a public utility company;
(2) authorizes the utility to apply for, and authorizes the public utility commission or other appropriate State agency to issue, a financing order determining the amount of specified costs the utility will be allowed to recover;
(3) provides that pursuant to the financing order, the utility acquires an intangible property right to charge, collect, and receive amounts necessary to provide for the full recovery of the specified costs determined to be recoverable, and assures that the charges are non-bypassable and will be paid by customers within the utility's historic service territory who receive utility goods or services through the utility's transmission and distribution system, even if those customers elect to purchase these goods or services from a third party;
(4) guarantees that neither the State nor any of its agencies has the authority to rescind or amend the financing order, to revise the amount of specified costs, or in any way to reduce or impair the value of the intangible property right, except as may be contemplated by periodic adjustments authorized by the specified cost recovery legislation;
(5) provides procedures assuring that the sale, assignment, or other transfer of the intangible property right from the utility to a financing entity that is wholly owned, directly or indirectly, by the utility will be perfected under State

to achieving the ratepayer savings largely motivating the state and public utility authorizations and undertakings.

Utility Securitizations Have Suffered No Credit Losses

To our knowledge, none of the securities issued in connection with any Utility Securitization have suffered any credit losses. This stable credit performance has persisted despite the energy crisis in California, catastrophic hurricanes and other calamities. Given the unique nature of the asset underlying a Utility Securitization and the requirements of the Revenue Procedures described above, it is not surprising that the performance of this asset type has been exemplary. This stable and unparalleled credit history underscores the absence of any need for more strenuous SEC regulation of Utility Securitizations.

History of Disclosure Practices

Due to the similarities in legal structure noted above, the disclosure for each transaction tends to be very similar. As Utility Securitizations are non-recourse to the Utility, the only disclosure provided in the registration statement concerning the Utility relates to its customer base and its collection history. No financial information concerning the Utility operating performance (other than revenue and sales data for customer classes) is included or incorporated by reference. Similarly since the SPE/issuer generally has no operating history and no assets, no financial statements of the SPE are generally included in the registration statement. In states in which electric competition has been introduced, additional disclosure is provided concerning alternative energy providers which sell energy and collect the Special Charge as subservicers. Otherwise, the disclosure is remarkably consistent and uniform.

To our knowledge, virtually every Utility Securitization has been issued using a Form S-3 registration statement. In four transactions completed for West Virginia affiliates of Allegheny Energy, a Form S-1 registration statement was utilized based upon a no-action letter issued by the Commission.[4] While the continued use of a Form S-3 registration statement would be preferable from a flexibility standpoint, the use of a Form S-1 registration statement (or Form SF-1 registration statement) would be possible since most Utility Securitizations involve a single issuance of securities.

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law as an absolute transfer of the utility's right, title, and interest in the property; and (6) authorizes the securitization of the intangible property right to recover the fixed amount of specified costs through the issuance of bonds, notes, other evidences of indebtedness, or certificates of participation or beneficial interest that are issued pursuant to an indenture, contract, or other agreement of a utility or a financing entity that is wholly owned, directly or indirectly, by the utility.

[4] No Action Letter No. 0924200702, MP Environmental Funding LLC (Sep. 19, 2007)

Responses to the Commission's Inquiries Regarding Utility Securitizations

In Section III.A.1.(b)(iv) of the Release, the Commission has requested comments on the following questions: (a) should asset-level data be provided by stranded cost issuers and (b) in light of the proposal not to set forth asset-level data for stranded cost assets, is there any pool-level data that should be provided by stranded cost issuers? Similarly, in Section III.A.2.(b) of the Release, the Commission has requested comments on the following questions: (a) is there any asset-level data that should be provided in periodic reports by stranded cost issuers and (b) is there any pool-level data that should be provided in periodic reports by stranded cost issuers?

We believe that the answer to all of these questions is no. Issuers should not be required to provide any asset-level data or pool-level data on the underlying assets for a Utility Securitization as part of a prospectus or in any periodic report. The underlying asset in a Utility Securitization is transition property, storm recovery property or similarly created property interest. This asset is authorized and created by a state legislature and state regulatory body action. This asset consists of a right and interest to impose, collect and receive charges payable by the Utility's customers in such Utility's service area. The underlying asset in a Utility Securitization is not originated on an individual customer basis, rather the underlying asset consists of the right to impose charges on the Utility's customers based on each customer's utility usage (or demand). Importantly, the charge is required to be adjusted from time to time in order to assure that it is adequate to repay the securitization. Consequently, it is unsuitable for the issuers of Utility Securitizations to provide asset-level data or pool-level data as any suggested shortfall based on such would trigger a true-up adjustment to meet any debt services requirements. Thus, the charge or the charge collections are not an asset type that is subject to statistical disclosure. Narrative disclosure regarding the underlying asset continues to be the best method of communicating to investors the material terms of the financing order.

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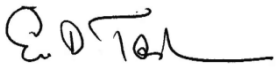
Sidley thanks the Commission for providing it with the opportunity to comment on the Proposed Rules. If you have any questions concerning these comments or would like to discuss these comments further, please contact Eric D. Tashman at (415) 772-1214 or via e-mail at etashman@sidley.com.

We appreciate the opportunity to submit these comments.

Sincerely,



Eric D. Tashman

Appendix A

List of Utility ABS Transactions

As of July 27, 2010

State	Utility	Date	Amount ($Million)
Louisiana	Entergy Gulf States Louisiana [1]	7/15/2010	244
Louisiana	Entergy Louisiana [1]	7/15/2010	469
West Virginia	MP Environmental Funding	12/30/09	64
West Virginia	PE Environmental Funding	12/30/09	22
Texas	CenterPoint Energy Restoration	11/18/09	665
Texas	Entergy Texas Restoration Funding	10/30/09	546
Louisiana	Entergy Gulf States Louisiana [1]	8/20/2008	278
Louisiana	Entergy Louisiana [1]	7/22/08	688
Louisiana	CLECO 2008 - Hurricane Recovery	2/28/08	180
Texas	CenterPoint Energy	02/12/08	488
Texas	Entergy Gulf States	06/29/07	330
Maryland	Baltimore Gas and Electric	06/29/07	623
Florida	Florida Power and Light	05/22/07	652
West Virginia	MP Environmental Funding	04/11/07	344
West Virginia	PE Environmental Funding	04/11/07	115
Texas	AEP Texas Central Transition Funding	10/06/06	1,740
New Jersey	Jersey Central Power and Light	08/04/06	182
Texas	CenterPoint Energy	12/16/05	1,851
California	Pacific Gas & Electric	11/03/05	844
Pennsylvania	West Penn Power	09/22/05	115
New Jersey	Public Service Electric & Gas	09/09/05	102
Massachusetts	Nstar (Boston Edison)	02/15/05	674
California	Pacific Gas & Electric	02/03/05	1,887
New Jersey	Rockland Electric	07/28/04	46
Texas	TXU Electric Delivery	05/28/04	790
New Jersey	Atlantic City Electric	12/18/03	152
Texas	Oncor Electric Delivery	08/14/03	500
New Jersey	Atlantic City Electric	12/11/02	440
New Jersey	Jersey Central Power and Light	06/04/02	320
Texas	Central Power and Light	01/31/02	797
New Hampshire	Public Service of New Hampshire	01/17/02	50
Michigan	Consumers Energy	10/31/01	469
Texas	Reliant Energy	10/17/01	749
Massachusetts	Western Massachusetts	05/15/01	155
New Hampshire	Public Service of New Hampshire	04/20/01	525
Connecticut	Connecticut Light & Power	03/27/01	1,440
Michigan	Detroit Edison	03/02/01	1,750
Pennsylvania	PECO Energy	02/15/01	805
New Jersey	PSE&G	01/25/01	2,500
Pennsylvania	PECO Energy	04/27/00	1,000
Pennsylvania	West Penn Power	11/16/99	600
Pennsylvania	Pennsylvania Power & Light	07/29/99	2,420
Massachusetts	Boston Edison	07/14/99	725
California	Sierra Pacific Power [2]	04/08/99	24
Pennsylvania	PECO Energy	03/18/99	4,000
Montana	Montana Power [2]	12/22/98	63
Illinois	Illinois Power	12/10/98	864
Illinois	Commonwealth Edison	12/07/98	3,400

State	Utility	Date	Amount ($Million)
California	Southern California Edison	12/04/97	2,463
California	San Diego Gas & Electric	12/04/97	658
California	Pacific Gas & Electric	11/25/97	2,901
Washington	Puget Sound Electric	7/30/97	35
		Total	**43,744**

Sources: Securities Data Corporation, Public Records, Morgan Stanley
(1) Issued as exempt municipal bonds
(2) Private offering