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April 9, 2001

Honorable Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Proposed Rules and Forms Relating to
Foreign Utility Companies

Dear Secretary Katz:

Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden, Arps") submits these comments in response to the Securities and Exchange Commission's ("Commission") reissued proposed rules 55 and 56, and an amendment to rule 87 (collectively, "Proposed Rules"), relating to foreign utility companies ("FUCOs") under the Public Utility Holding Company Act of 1935 ("PUHCA" or "Act"). Holding Co. Act Release No. 27342 (Feb. 7, 2001). Skadden, Arps represents numerous foreign and domestic companies that either are or hold interests in FUCOs. In the course of advising and representing its clients, Skadden, Arps has had the opportunity to reflect on numerous fundamental issues concerning the regulatory treatment of FUCOs and the policies that should inform that treatment. We believe the Proposed Rules, on balance, present a reasonable approach to FUCO investments that allows the Commission to fulfill its mission under the Act to protect U.S. investors and consumers in light of the growing internationalization of the utility industry. While we have a number of specific comments on the Proposed Rules, our primary concern is with certain policy issues involving FUCOs that recur in numerous contexts. The Commission specifically requested comment on such matters in Part VII of its proposing release, and a significant portion of our remarks respond to that request.

Our primary concern thus is the allowable scope of FUCO operations. In brief, by making section 11(b) of the Act inapplicable to FUCOs, section 33 removed not only system integration as a criterion for evaluating allowable FUCO operations, it also necessarily expanded the scope of other businesses, as that term is understood under section 11(b), that are compatible with FUCO status. A FUCO is, of course, a gas or an