

specialists to be affiliated with specialists and market makers that act as such with regards to options based on the NYSE specialist's specialty stock. The NYSE's proposal seeks to permit a more extensive form of integrated market making. The NYSE, however, seeks to limit the concerns raised by integrated market making by requiring the affiliated entities to establish strict information barriers designed to prevent the flow of non-public information. These information barriers must be approved by the NYSE and are subject to annual review by the NYSE.

Specifically, the related entities must organize their respective operations in such a way that the activities of each entity are clearly separate and distinct. The Guidelines to Exchange Rule 98 set forth the requirements to be followed by the related entities to be considered clearly separate and distinct. For example, Guideline (b)(i) requires organizational separation of the specialist and approved person and that the specialist must function as an entirely freestanding entity responsible for its own trading decisions. Guideline (b)(ii) requires the respective management structures of the specialist and the approved person to be organized in such a manner as to prevent the management of the approved person from exerting any influence on particular trading decision of the specialist. Guidelines (b)(iii) and (b)(iv) require the establishment of procedures to preserve confidentiality of trading information. In addition, Guideline (b)(iii) specifically requires the establishment of procedures to ensure the confidentiality of the specialist's book. Finally, the Guidelines require that the specialist and approved person maintain, among other things, separate books and records, financial accounting and capital requirements.

The Commission believes that the Exchange has established appropriate procedures in the Guidelines to address the regulatory issues raised by the proposed rule change. The requirement of clearly separate and distinct organizations, along with the other informational barriers and restrictions, should prevent Exchange specialists and their related options market makers from sharing restricted, non-public market information. Further, NYSE Rule 98 requires the Exchange to review and approve the organizational structure and information barriers of the integrated entities. The Commission notes that the Exchange has had extensive experience reviewing its Rule 98's organizational requirements and information barriers and thus should be able to ensure that the integrated entities do not improperly

use their affiliations to their advantage. In addition, the Exchange has verified that organizational separation and information barriers must be established and maintained between an Exchange specialist, any approved person of the specialist that acts as a market maker in an option based on the specialist's specialty stock, and any other persons affiliated with them.<sup>13</sup>

The Commission continues to expect the Exchange to assess, as it gains experience with integrated market making, whether any other informational barriers are necessary to prevent the flow of market information between the related entities. Of course, any new information barriers proposed would have to be submitted to the Commission for approval. The Commission also expects that the Exchange will continue to surveil the integrated entities to ensure that the information barriers and organizational structure continue to prevent the flow of non-public market information.

In the previous order, the Commission noted that because the NYSE is the primary market for many equity securities underlying options, concerns were raised about an integrated organization being able to dominate the markets of both the specialty stock and its related options. Specifically, an integrated entity may by virtue of its positions as specialists in a stock and its related options could control the pricing and liquidity of both markets. The Commission believes the requirement that the related entities maintain complete organizational separation and prohibit the sharing of market information should prevent either entity from using its affiliation to control the pricing and liquidity of either market.

The Commission believes that the proposal should provide benefits to the markets. For example, the number of entities that may act as specialists or primary market makers in options based on a specialist's specialty stock may increase as a result of this proposal. Now, entities that have been prohibited from acting as primary options market makers because of the restrictions in Paragraph (1) of NYSE Rule 105 would

<sup>13</sup> A specialist may be associated with more than one approved person. For example, a specialist may be controlled by a parent organization, which may also control other organizations. If any other organization controlled by the parent acts as a specialist or engages in market making activities in options based on the specialist's specialty stock, organizational separation and information barriers would have to be established between all entities, *i.e.*, the specialist, the parent company and the related options market making entities. See Securities Exchange Act Release No. 44175 (April 11, 2001), 66 FR 19825, 19827, n. 14 (April 17, 2001).

be permitted to act in this capacity. This could lead to increased competition and liquidity in the options market.

In conclusion, the Commission believes that the Exchange has sufficiently minimized the potential for manipulative and improper trading conduct by requiring strict organizational separation and information barriers. Therefore, the Commission believes that the potential improvements to liquidity and quality of the markets outweigh the potential regulatory concerns.

For these reasons, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act.<sup>14</sup>

## V. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>15</sup> that the proposed rule change (SR-NYSE-2001-43), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-4344 Filed 2-22-02; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27492]

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

February 15, 2002.

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

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> 15 U.S.C. 78s(b)(2).

<sup>16</sup> 17 CFR 200.30-3(a)(12).

March 12, 2002, 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 March 12, 2002, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### **SCANA Corporation, et al.**

[70-9521]

SCANA Corporation ("SCANA"), a registered holding company, and South Carolina Electric & Gas Company ("SCE&G"), one of its public-utility company subsidiaries, both at 1426 Main Street, Columbia, South Carolina 29201, have filed a post-effective amendment to a previously submitted application-declaration ("Prior Application") under section 11(b)(1) of the Act.

By order dated February 9, 2000,<sup>1</sup> the Commission authorized SCANA, then a public-utility holding company claiming an exemption from registration under section 3(a)(1) of Act, to acquire Public Service Company of North Carolina, Incorporated, a gas public-utility company operating in North Carolina. In the Prior Order, the Commission allowed SCANA to retain all of the combined company's nonutility operations except for a bus transit system ("Bus Service") being operated in South Carolina by SCE&G and a forty-nine percent membership interest in Palmetto Lyme, LLC, a company engaged in the sale of lime.<sup>2</sup> SCANA conceded that retention of the Bus Service would not be consistent with the standards of section 11(b)(1) of the Act, and proposed to divest it.

On February 24, 2000, the City of Columbia, South Carolina ("City") filed a Petition for Clarification or Review of the Prior Order ("Petition"). In the Petition, and its subsequently filed pleadings, the City questions only the Commission's decision to require the divestiture of the Bus System. Specifically, the City contends that SCANA is required under South Carolina law to operate the Bus System

and that the Bus Service serves important State and/or community interests.

In its post-effective amendment, SCANA states that it has been negotiating for the City to take over the Bus System. The company states that an agreement has been reached regarding the basic terms for the transfer, and they are as follows:

- The City will discharge SCE&G's obligation to provide a public transit system in Columbia, South Carolina, and the assets of the Bus System will be transferred to the City;
- SCE&G and the City will enter into a thirty-year electric and gas franchise;
- SCE&G will pay the City for the franchise an initial fee of \$15 million in four quarterly installments beginning at the time of the transfer of the Bus System and an additional annual fee of \$2.47 million for the first seven years of the franchise;
- SCE&G will convey 6.98 acres of property currently used in connection with the transit system as a parking facility for the buses, in a condition compliant with current state and federal regulations;
- SCE&G will convey the historic Columbia Canal and Hydroelectric Plant ("Plant") to the City, and enter into collateral agreements regarding the Plant; and
- SCE&G and the City will enter into a new water contract for withdrawals from Lake Murray for the terms of the electric and gas franchise.

SCANA requests that the Commission grant the company a one-year extension of time to divest the Bus System. The company states that this additional time is necessary to allow: (1) the City to complete due diligence regarding the transaction; (2) final agreements to be executed by SCANA, SCE&G, and the City; and (3) SCANA to obtain the necessary state and federal approvals.

#### **Progress Energy Inc., et al.**

[70-9909]

Progress Energy Inc. ("Progress"), a registered holding company, Carolina Power & Light Company ("CP&L") and North Carolina Natural Gas Corporation ("NCNG"), both public utility subsidiaries of Progress, all located at 410 South Wilmington Street, Raleigh, North Carolina 27602, and Florida Power Corporation ("Florida Power"), a utility subsidiary of Progress, One Progress Plaza, St. Petersburg, Florida 33701 (collectively, "Applicants"), have filed a post effective amendment ("Amendment") under sections 6(a), 7, and 12(b) of the Act and rules 45, 53 and 54 under the Act to an application-declaration previously filed.

Progress requests authority to modify existing financing orders to: (1) Increase from \$5 billion to \$7.5 billion the aggregate amount of common stock, preferred stock or other forms of preferred securities and unsecured long-term debentures having maturities of up to 50 years (collectively, "Long-term Securities") that Progress may issue and have outstanding at any time through September 30, 2003 ("Authorization Period"); (2) eliminate a \$6 billion overall limit for the aggregate principal amount that Progress may have outstanding at any time for short-term debt, debentures, and indebtedness incurred by Progress to finance its acquisition of the issued and outstanding common stock of Florida Progress ("Acquisition Debt") (collectively, "Overall Indebtedness Limit") (short-term debt will remain limited by \$2.5 billion as authorized in the Financing Orders, acquisition debt will remain \$3.5 billion, and debentures will be included in the \$7.5 billion limit for Long-term Securities requested in this Amendment); and (3) increase from \$750 million to \$2 billion the principal or stated amount of guarantees that Progress may provide at any one time with respect to the obligations of its subsidiaries.

By previous orders dated December 12, 2000 and September 20, 2001 (HCAR Nos. 27297 and 27440, respectively) ("Financing Orders"), Progress, its direct and indirect nonutility subsidiaries, and its utility subsidiaries, which are CP&L, NCNG, and Florida Power, (collectively, "Utility Subsidiaries"), are authorized to engage in a program of external financing and intrasystem financing, to organize and acquire the equity securities of specified types of new subsidiaries, to pay dividends out of capital or unearned surplus, and to engage in other related financial and structural transactions from time to time through the Authorization Period. Except for the modifications described above, Applicants do not seek any other changes or modifications to the terms, conditions or limitations applicable under the Financing Orders.

Progress states that it will maintain common equity as a percentage of consolidated capitalization (inclusive of short-term debt) at 30% or above during the Authorization Period. Accordingly, Progress will not issue any securities unless, on a *pro forma* basis to take into account the issuance of such securities and the application of proceeds, common equity as a percentage of consolidated capitalization will remain at or above 30%. In addition, Progress will maintain common equity as a

<sup>1</sup> HCAR No. 27133 ("Prior Order").

<sup>2</sup> The Commission reserved jurisdiction over the retention of Palmetto, pending completion of the record. See Prior Order.

percentage of capitalization of each of its three Utility Subsidiaries at 30% or above during the Authorization Period.

As of September 30, 2001, Progress's consolidated capitalization (on a *pro forma* basis in order to take into account the issuance of long-term debt securities after September 30, 2001) consisted of 38.0% common equity, 0.6% preferred stock, 56.6% long-term debt and 4.8% short-term debt. As of September 30, 2001, common equity as a percentage of capitalization of CP&L, Florida Power and NCNG was equal to 45.5%, 55.3% and 68.6%, respectively.

Progress states that the increase in Long-term Securities is needed because it had as of November 30, 2001, issued a total of \$4,534,800,000 of long-term securities (\$528,100,000 of common stock and \$4,006,700,000 of long-term debt, including \$3,200,000,000 of term notes issued to refinance debt incurred by Progress in connection with the acquisition of Florida Progress). Progress contemplates the need to issue additional Long-Term Securities during the remainder of the Authorization Period to retire short-term debt, to fund capital programs of its subsidiaries, to finance investments in new nonutility ventures (including, in particular, exempt wholesale generators ("EWGs") that are under development or planned), and for other general corporate purposes. Progress forecasts the need for additional long-term financing of at least \$1.75 billion through the end of 2003.

#### Alabama Power Company, et al.

[70-10009]

Alabama Power Company ("Alabama"), 600 North 18th Street, Birmingham, Alabama 35291, Georgia Power Company ("Georgia"), 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia 30308, Gulf Power Company ("Gulf"), One Energy Place, Pensacola, Florida 32520, Mississippi Power Company ("Mississippi"), 2992 West Beach, Gulfport, Mississippi 39501, and Savannah Electric and Power Company ("Savannah"), 600 East Bay Street, Savannah, Georgia 31401 (collectively, "Applicants"), all wholly owned direct public-utility subsidiary companies of The Southern Company, a registered holding company, have filed an application with the Commission under sections 9(a) and 10 of the Act.

Previously, Applicants acquired, through purchases and leases, coal hopper railroad cars for use in transporting coal in dedicated unit train service to the respective company's

coal-fired generating plants.<sup>3</sup> These railcars were acquired for Applicants' use based upon their anticipated coal needs. Applicants state that, at any given time, an Applicant may have a need for a lesser or greater number of railcars than is currently available, and that during surplus periods it may be desirable and economically advantageous to lease or sublease excess railcars to nonaffiliates.

Applicants request authority, through December 31, 2007, to lease or sublease to nonaffiliates, railcars that are not needed to transport their fuel. All of the proposed leases or subleases would be at market rates for a duration of one year or less and give the respective Applicant the right of termination, upon reasonable notice, permitting the return of the cars to customer service, if necessary. No more than 2,500 railcars would be leased or subleased at any one time.

Revenues realized from the proposed transactions would be credited against the respective Applicant's costs as owner or lessee (as applicable) of the railcars, and reflected accordingly in its ratemaking provisions, except to the extent the regulatory authority having jurisdiction over the matter authorizes a different treatment.

#### PNM Resources Inc.

[70-10043]

PNM Resources, Inc. ("PNM Resources"), a public utility holding company exempt under section 3(a)(1) by rule 2 and its wholly owned public utility subsidiary company, Public Service Company of New Mexico ("PNM") (collectively, "Applicants") both located at Alvarado Square, Albuquerque, NM 87158, request authority under sections 9(a)(2) and 10 of the Act to acquire the voting securities of DCC Project Finance Two, Inc. ("DCC Project Finance")<sup>4</sup> from Dana Commercial Credit Corporation ("DCCC").<sup>5</sup> PNM Resources states that it

<sup>3</sup> Currently, Alabama has approximately 4,300 railcars that transport coal to two of its plants. Georgia has approximately 4,400 railcars that transport coal to nine of its plants. Gulf does not have any railcars, but Mississippi has leased 800 railcars on behalf of itself and Gulf that transport coal to Plant Daniel, which is owned by Mississippi and Gulf as tenants in common. Mississippi has approximately 1,000 railcars that transport coal to two of its plants. Savannah has approximately ninety-four railcars that transport coal to one of its plants.

<sup>4</sup> Prior to this proposed transaction, DCC Project Finance has claimed the exclusion under rule 7(d)(1)(ii) promulgated under the Act because all of the equity interest in the DCC Project Finance is owned by a company, DCCC, that is otherwise primarily engaged in one or more businesses other than the business of a public utility company.

<sup>5</sup> Dana Commercial Credit Corporation's Annual Report for the year 2000 states that Dana

will continue to claim an exemption under section 3(a)(1) by rule 2.

DCC Project Finance, a Delaware corporation, is a single purpose entity ("SPE") and has a 60% beneficial ownership interest in the Eastern Interconnection Project ("EIP"). The EIP consists of a 216 mile, 345 kV transmission line between PNM's bulk power switching station north of Bernalillo, New Mexico and a high voltage DC converter station, called the Blackwater Station, located in the Clovis-Portales area of eastern New Mexico, plus associated switching equipment and the Blackwater Station DC converter facilities. The EIP was constructed in 1984-1985 to interconnect PNM's transmission system to that of Southwestern Public Service Company ("SPS"). As of February 5, 1985, the EIP had an appraised fair market value of not less than \$73,000,000.

PNM is party ("Lessee") to a leveraged lease transaction under which it leases a 60% undivided interest in EIP from DCC Project Finance ("Lessor"). Applicants are exercising their rights to purchase under the lease, as stated in section 14 of the amended and restated lease as of September 1, 1993:

(a) Unless a Default or Event of Default shall have occurred and be continuing, the Lessee shall have the right to exercise one of the following options to purchase the Undivided Interest:

(1) On the date of expiration of the Basic Term, the Fixed Rent Renewal Term or any then applicable Fair Market Renewal Term, the Lessee shall have the right upon not less than two years' prior written notice, to purchase the Undivided Interest on the date of expiration of such Term at a purchase price equal to the Fair Market Value thereof; or

(2) On the Basic Rent Payment Date designated in a written notice given at least two years prior to such Basic Rent Payment Date (which date may only be a Basic Rent Payment Date during the Basic Term occurring on or after the thirtieth Basic Rent Payment Date), at a purchase price equal to the greater of the Early Purchase Value applicable on the date of purchase and the Fair Market Value of the Undivided Interest on such

Commercial Credit Corporation, a Delaware corporation, is a subsidiary of Dana Corporation, one of the world's largest suppliers to vehicle manufacturers and their related aftermarkets. DCCC, either directly or through subsidiary companies, is primarily engaged in one or more businesses other than the business of a public utility company. DCC Project Finance is a direct, wholly owned subsidiary of DCCC. DCCC owns all of the issued and outstanding capital stock of DCC Project Finance.

date, plus an amount equal to the sum of any Basic Rent then owing and any premium due on prepayment of the Notes.

Under a purchase agreement between DCCC<sup>6</sup> and PNM dated as of January 15, 2002 ("Purchase Agreement"), the Applicants will purchase 100% of the issued and outstanding common stock of DCCC Project Finance ("Subject Stock"), to be renamed PNM Project Finance Two, Inc., immediately upon consummation of the transaction. The Applicants will purchase the Subject Stock from DCCC for \$5,672,000.<sup>7</sup>

PNM Resources states that it will maintain its qualification for a section 3(a)(1) exemption by rule 2. PNM is an integrated public utility primarily engaged in the generation, transmission, distribution and sale of electricity and in the transmission, distribution and sale of natural gas within the State of New Mexico, will continue to be a wholly owned subsidiary of PNM Resources. PNM Project Finance Two (previously DCC Project Finance), a Delaware corporation, will be a wholly owned subsidiary of PNM. PNM Resources states that it will not derive, directly or indirectly, any material part of its income from PNM Project Finance (in any event, the gross revenues derived from PNM Project Finance will not exceed \$200,000). PNM Resources does not own directly any utility properties or perform any utility operations.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02-4343 Filed 2-22-02; 8:45 am]

**BILLING CODE 8010-01-P**

<sup>6</sup> The institutional equity investor, DCCC is the sole beneficiary of the grantor trust which holds legal title to the 60% interest and leases the interest to PNM. The DCCC maintains its investment in the leased assets through a wholly owned, single-purpose Delaware corporation DCC Finance Project.

<sup>7</sup> If the closing date shall occur after February 28, 2002, interest on the cash payment of \$5,672,000 will be computed at the lower of DCCC's 60-day funding cost or 5% per annum for the actual number of days elapsed from, but excluding January 15, 2002, to and including the closing date. Such interest (if due) shall be an upward adjustment the cash purchase price. No other pricing adjustment is applicable to the purchase or sale of the Subject Stock.

## SMALL BUSINESS ADMINISTRATION

### Federal Assistance to Provide Financial Counseling, Technical Assistance and Long-term Training to Women in the State of Vermont

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Program Announcement No. OWBO-99-012, as amended by OWBO-2000-015.

**SUMMARY:** The Small Business Administration (SBA) plans to issue program announcement No. OWBO-99-012, as amended by OWBO-2000-15, to invite applications from private, not-for-profit organizations to conduct a Women's Business Center (WBC) project in the State of Vermont. The authorizing legislation is the Small Business Act, Section 29, 15 U.S.C. 631(h) and 656. The selection process is competitive. The successful applicant's WBC project will serve as a replacement for a previous project in the State of Vermont that ended after its 2nd year. The replacement WBC is to carry out a project for the remaining 3 years of a 5-year term.

The Women's Business Center project must provide long-term training, counseling and technical assistance to women who are in and starting businesses. Service and assistance areas must include financial, management, marketing, government procurement and loan packaging. The applicant must submit a plan for each remaining year of the project term, *i.e.*, 7/01/02-06/30/03; 07/01/03-06/30/04; and 07/01/04-06/30/05. The applicant's proposal must include a scope of work and a budget not exceeding the Federal grant amount of \$150,000 plus 100% match. Also, the proposal must include a plan to target women who are socially and economically challenged and a plan to contribute content and services to the SBA Online Women's Business Center web site at [www.onlinewbc.gov](http://www.onlinewbc.gov).

SBA will issue an annual award to the successful recipient for each project year, without re-competition. The award recipient must provide non-Federal matching funds at 100%, *i.e.*, one non-Federal dollar for each Federal dollar. At least half of the non-Federal match must be in cash. The remainder may be in the form of in-kind contributions.

**DATES:** SBA will mail program announcements to interested parties immediately, upon request. The opening date will be March 5, 2002 and the closing date will be April 11, 2002.

**FOR FURTHER INFORMATION CONTACT:** Denise Edmonds at (202) 205-6673 or [denise.edmonds@sba.gov](mailto:denise.edmonds@sba.gov).

**Wilma Goldstein,**

*Assistant Administrator, SBA/Office of Women's Business Ownership.*

[FR Doc. 02-4352 Filed 2-22-02; 8:45 am]

**BILLING CODE 8025-01-P**

## DEPARTMENT OF STATE

### Office of the Secretary

[Public Notice 3920]

### Extension of the Restriction on the Use of United States Passports for Travel To, In or Through Iraq

On February 1, 1991, pursuant to the authority of 22 U.S.C. 211a and Executive Order 11295 (31 FR 10603), and in accordance with 22 CFR 51.73(a)(2) and (a)(3), all United States passports, with certain exceptions, were declared invalid for travel to, in, or through Iraq unless specifically validated for such travel. The restriction was originally imposed because armed hostilities then were taking place in Iraq and Kuwait, and because there was an imminent danger to the safety of United States travelers to Iraq. American citizens then residing in Iraq and American professional reporters and journalists on assignment there were exempted from the restriction on the ground that such exemptions were in the national interest. The restriction has been extended for additional one-year periods since then, and was last extended through February 28, 2002.

Conditions in Iraq remain hazardous for Americans. Iraq continues to refuse to comply with UN Security Council resolutions to fully declare and destroy its weapons of mass destruction and missiles while mounting a virulent public campaign in which the United States is blamed for maintenance of U.N. sanctions. The United Nations has withdrawn all U.S. citizen UN humanitarian workers from Iraq because of the Government of Iraq's stated inability to protect their safety. Iraq regularly fires anti-aircraft artillery and surface-to-air missiles at U.S. and coalition aircraft patrolling the no-fly zones over northern and southern Iraq, and regularly illuminates U.S. and coalition aircraft with target-acquisition radar.

U.S. citizens and other foreigners working inside Kuwait near the Iraqi borders have been detained by Iraqi authorities in the past and sentenced to lengthy jail terms for alleged illegal entry into the country. Although our