FEDERAL ENERGY REGULATORY COMMISSION

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October 18, 2007
Docket Nos. EC07-39, *et al.*, EC07-45, *et al.* and EC06-166, *et al.*

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Commission Grants Financial Institutions' Utility Securities Acquisitions

The Federal Energy Regulatory Commission today granted blanket approval of three applications by financial and investment companies involving acquisition of securities of electric utility companies, finding that the transactions will facilitate investment in the utility industry consistent with the goals of EPAct 2005, while protecting the nation's consumers from abusive market power practices. Two of the three authorizations were renewals of previously granted authorizations.

The Energy Policy Act of 2005 (EPAct) and the repeal of the Public Utility Holding Company Act of 1935 (PUHCA 1935) expanded the Commission's jurisdiction over securities in the electric utility industry.

"These orders provide greater regulatory clarity in this area of expanded jurisdiction," Commission Chairman Joseph T. Kelliher said. "Today's actions attempt to facilitate securities transactions while discharging the Commission's duty to prevent accumulation and exercise of market power."

The Goldman Sachs Group, Inc., Morgan Stanley and Legg Mason Inc. were granted blanket authorization under section 203(a)(2) of the Federal Power Act. Enacted as part of EPAct 2005, new Federal Power Act section 203(a)(2) requires prior Commission authorization for holding companies to acquire certain securities with values in excess of $10 million, of transmitting utilities, electric utility companies or holding company systems containing such entities. In today's orders, the Commission found that acquisitions of public utility securities by Goldman Sachs, Morgan Stanley and Legg Mason, each holding companies subject to section 203(a)(2), will be consistent with the public interest subject to certain conditions, including the requirement that the companies do not exercise control over public utilities whose securities they acquire, and reasonable reporting requirements to facilitate the Commission's oversight of the transactions occurring under the blanket authorizations.

The Commission acted on the following applications:

- *The Goldman Sachs Group, Inc.* The Commission granted renewed blanket authorization under section 203(a)(2) to Goldman Sachs to acquire an unlimited amount of securities in public utility companies in the course of its businesses as an investment adviser, manager of mutual and private investment funds, specialist and lender, for three years subject to renewal and other delineated conditions. Goldman Sachs was first granted blanket authorization in February 2006.
- *Morgan Stanley*. The Commission granted renewed blanket authorization under section 203(a)(2) to Morgan Stanley to acquire an unlimited amount of securities in public utility companies in connection with Morgan Stanley's fiduciary services, lending activities and trading activities for three years subject to renewal and other delineated conditions. The Commission dismissed Morgan Stanley's application for authority under section 203(a)(1) as unnecessary, and declined to waive the 10 percent limitation on

NEWS

securities acquired as principal. Morgan Stanley was first granted blanket authorization in February 2006.

- *Legg Mason, Inc*. The Commission granted Legg Mason's application for blanket authorization under section 203(a)(2) to acquire securities of a public utility company in the course of its investment services, up to 10 percent in each fund or account, but no more than 20 percent collectively within each group of subsidiaries not separated by certain information barriers, for three years subject to renewal and other delineated conditions. The Commission also approved for a subsidiary, Legg Mason Capital Management Group, acquisition of up to 25 percent of outstanding voting securities of AES Corp., for a three-year period subject to renewal and other delineated conditions. The Commission dismissed Legg Mason's application for authority under section 203(a)(1) as unnecessary.

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