

Dated: July 30, 2003.

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

[FR Doc. 03-19891 Filed 8-4-03; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27703; International Series  
Release No. 1270]

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

July 30, 2003.

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 August 25, 2003, 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 August 25, 2003, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### Hydro-Québec, et al. (70-10083)

Hydro-Québec ("HQ"), 75 René-Lévesque Blvd. West, Montréal, Québec H2Z 1A4 Canada, a corporation wholly owned by the government of Québec and a public-utility holding company that claims exemption under the Act under rule 10, and its subsidiaries, TransEnergie HQ, Inc. ("TEI"), 740 rue Notre-Dame Ouest, Bureau 800, Montréal, Québec, H3C 3X6 Canada, a Canadian corporation, TransEnergie U.S. Ltd. ("TEUS"), a Delaware corporation and Cross-Sound Cable Company (New York), LLC ("CSC NY"),

a New York limited liability company, both located at 110 Turnpike Road, Westborough, MA 01581 (collectively, "Applicants") have filed an application under sections 3(a)(1), 3(a)(5), 9(a)(2) and 10 of the Act in connection with a proposed acquisition of interests in CSC NY (the "Transaction").

Applicants request an order under sections 9(a)(2) and 10 of the Act authorizing HQ, through TEI and TEUS to acquire interests in CSC NY;<sup>1</sup> an order exempting TEUS from registration under section 3(a)(1); and an order exempting HQ from registration under section 3(a)(5).

#### I. Background

HQ is a large electric utility operating in eastern Canada. HQ owns both gas and electric systems. The company's overall international strategy is to become a multi-service electric and gas utility in the areas where it operates.

HQ was created in 1944 by the Hydro-Québec Act of the Parliament of Québec. HQ's common stock is held entirely by the Government of Québec ("GOQ"). Applicants state that the GOQ plays no role in day-to-day management of HQ, but it appoints the 18-member board of directors of the company. Of these eighteen, two are representatives of the GOQ, one is also the chief executive officer of HQ, and the remaining fifteen directors, including the Chairman of the Board, are independent directors. The daily affairs of HQ are managed by the Executive Committee, which consists of seven members appointed by the Board of Directors. Of those seven, five are drawn from the ranks of the independent directors. The Executive Committee, in turn, appoints the senior corporate officers.

Pursuant to the Hydro-Québec Act, HQ must provide quality electric service to all Québec customers and manage its affairs to create value for its sole shareholder, the GOQ. To that end, every two years, HQ submits a strategic plan to the GOQ for approval. This plan discusses whether the generation will be built or developed, financial targets for profitability of the major business segments (generation, transmission and distribution) and the nature and amount of investments for each segment. Upon GOQ approval of the plan, the utility's officers (selected by the Board of Directors) will execute the plan. Applicants note that, although HQ is wholly owned by the GOQ, it is required by the *Act respecting the Régie de l'énergie* to be subject to the regulatory jurisdiction of the Québec

Energy Board, an independent agency established pursuant to the *Act respecting the Régie de l'énergie* with respect to certain matters primarily related to transmission and distribution.

HQ has six functionally, but not legally, separate business segments: Transmission; Distribution; Generation; Construction; Oil and Gas; and Corporate and Other Activities (which includes research and development and corporate and financial services). HQ is organized along these functional lines, but, as a result of its statutory mandate, it does not conduct business outside of Québec. Instead, all of its non-Québec activities are conducted through intermediate companies, such as TEI.

HQ's Generation segment activities include the sale of surplus electricity outside of Québec through a subsidiary, H.Q. Energy Marketing, Inc. ("HQEM"), and energy trading operations. HQ exports electrical power subject to the *National Energy Board Act (Canada)*, which requires that a permit or license be obtained from the National Energy Board of Canada (the "National Board") for such exports. HQ holds two permits, which were granted by the National Board in December 1994 and which authorize HQ to export annually, for a continuous period of no more than five years for any single contract, up to 30 gigawatts ("TWh") of interruptible energy and up to 20 TWh of firm energy to the United States. The permits cover a 16-year period from December 1, 1994 to December 31, 2010, and allow HQ to take advantage of the spot market in the United States. Longer-term export contracts (more than five years) remain subject to the prior issuance of specific permits or licenses by the National Board.

On April 8, 1999, HQEM, a Québec corporation wholly owned by HQ, obtained two permits from the National Board to enable HQEM, as a power marketer outside Québec, to export firm and interruptible energy up to 30 TWh annually to the United States from interconnections located in other provinces, under contracts with a term of five years or less. The permits cover a 10-year period from April 8, 1999 to April 7, 2009. HQEM buys, sells and trades power in Canada and the United States. On March 5, 2003, HQEM obtained a renewal of its permit to export natural gas to the United States. This permit covers a 2-year period through March 4, 2005.

HQ is a holding company under the Act by reason of its indirect ownership interest in Gaz Métropolitain, Inc. ("GMI"), a Canadian corporation and a public-utility holding company exempt from registration by order under section

<sup>1</sup> When CSC NY commences operations, it will be a public-utility company under the Act.