

accurate clearance and settlement of securities transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with Sections 17A(B)(3) (A) and (F) of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-NSCC-96-05) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 35-26530]

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

June 7, 1996.

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 thereunder. 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 amendments thereto is/are available for public inspection through the Commission's Office 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 July 1, 1996, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, 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 case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact 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 said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

New England Electric System (70-8819)

New England Electric System ("NEES"), 25 Research Drive, Westborough, Massachusetts 05182, a registered holding company, has filed an application-declaration under sections 6(a), 7, 9(a), 10, 12, and 13(b) of the Act and rules 45, 90 and 91 thereunder.

The Federal Energy Regulatory Commission ("FERC") has recently promulgated guidelines setting forth requirements for open and comparable transmission access. In response, NEES seeks to establish a subsidiary to be named NEES Transmission Services, Inc. ("NEES Trans"), for the purpose of operating the transmission assets owned by, or subject to the control of, NEES' utility subsidiaries ("NEES Transmission Assets").

In operating these assets, NEES will serve as the interface between wholesale electric customers and the NEES transmission system as the transmission service provider. NEES Trans will serve both associates and nonassociates and will charge the same tariff to each. NEES Trans will make no retail sales of electricity.

Rights to operational control over the NEES Transmission Assets will be provided by a Transmission and Support Agreement ("Agreement") among NEES, NEES Trans, and NEES' utility subsidiaries Massachusetts Electric Company ("MEC"), The Narragansett Electric Company ("NERC"), Granite State Electric Company (together with MEC and NEC, "Retail Companies") and New England Power Company ("NEP"). Pursuant to the Agreement, NEES Trans will have operational control over the NEES Transmission Assets only to the extent necessary to accomplish a FERC-jurisdictional transmission transaction. The Agreement also grants NEES Trans use of the distribution systems of the Retail Companies as they may be needed to support wholesale transactions.

NEES does not propose to transfer ownership of the NEES Transmission Assets to NEES Trans at this time. However, NEES will have the responsibility of planning the expansion of the transmission system and will notify NEP of the need for additions to the system. NEES Trans will have the obligation to expand transmission capacity as needed, to arrange for NEES affiliates to license, engineer and construct the necessary additions, and to provide operational services necessary to maintain transmission system reliability.

NEES proposes to provide initial financing for NEES Trans by the purpose of one thousand shares of common stock, par value \$1.00 per share, for a total purchase price of \$1,000. NEES then proposes to make capital contributions and/or loans to NEES Trans from time to time, in amounts not to exceed \$10 million in the aggregate outstanding at any one time. Any such loans will be in the form of non-interest bearing subordinated notes payable in twenty years or less from the date of issue. NEES requests authority to make such investments through December 31, 1999.

NEES Trans additionally seeks authority through October 31, 1997 to borrow and lend money in the NEES Money Pool, the terms of which are described in an order of the Commission dated October 25, 1995 (HCAR No. 25399), and to borrow from banks on a short-term basis. NEES proposes that NEES Trans have access to the NEES Money Pool on the same priority as the Retail Companies. The aggregate principal amount of debt outstanding under this authority will not at any time exceed \$15 million. Amounts owed under the Money Pool would be payable on demand. Amounts owed to banks for short-term borrowings would be payable within one year.

The proceeds from the proposed borrowings are to be used (i) to pay then outstanding notes initially issued to banks and/or borrowings from the Money Pool and (ii) for other cooperative purposes relating to ordinary business operations, including working capital, and funds to cover timing differences in payments received and payments due.

NEES' utility subsidiaries and NEES' service company subsidiary, New England Power Service Company, may assign certain technical and support staff personnel to NEES Trans to work on NEES Trans operations. Not more than two percent of the total employees of such companies would be assigned to NEES Trans in any one year. All costs associated with such staff (including compensation, overheads, and benefits) would be fully reimbursed by NEES Trans in accordance with rules 90 and 91 of the Act.

Central Power and Light Company, et al. (70-8869)

Central Power and Light Company ("CPL"), 539 North Carancahua Street, Corpus Christi, Texas 78401-2802, Public Service Company of Oklahoma ("PSO"), 212 East Sixth Street, Tulsa, Oklahoma 74119-1212, and West Texas Utilities Company ("WTU"), 301 Cypress, Abilene, Texas 79601 (collectively, "Applicants"), each a

⁷ CFR 200.30-3(a)(12) (1995).

wholly owned subsidiary company of Central and South West Corporation, a registered holding company, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(d) of the Act and rule 44 thereunder.

Applicants propose, through December 31, 1999, to: (i) incur obligations in connection with the proposed issuance by Red River Authority of Texas ("Red River") of up to \$113.3 million aggregate principal amount of pollution control revenue bonds ("New Bonds") in one or more series; (ii) obtain credit enhancement for the New Bonds, with could include bond insurance, a letter of credit or a liquidity facility;¹ (iii) issue first mortgage bonds ("First Mortgage Bonds") as security for the payment of the New Bonds; (iv) deviate from the Commission's Statement of Policy Regarding First Mortgage Bonds ("Statement of Policy");² and (v) use hedging products to manage interest rate risk or lower their interest rate costs.

Of the total aggregate principal amount of New Bonds to be issued, (i) up to \$63.3 million aggregate principal amount may be pollution control revenue refunding bonds ("Refunding Bonds"), and (ii) up to \$50 million aggregate principal amount may be new money revenue bonds ("New Money Bonds"). The issuance of New Money Bonds may be combined with the issuance of Refunding Bonds.

The Refunding Bonds will be used to reacquire all or a portion of \$63.3 million of outstanding 7⁷/₈ Pollution Control Revenue Bonds Series 1984 issued by Red River ("Old Bonds").³ The New Bonds will be used to reimburse the Applicants' treasuries for any expenditures made that qualify for tax-exempt financing or for current solid waste expenditures.

Applicants and Red River entered into an installment sale agreement ("Sale Agreement") to provide for the issuance of the Old Bonds. The proceeds from the Old Bonds were used to acquire, construct and improve certain air and water pollution control and solid waste disposal facilities at the Oklahoma Electric Generating Plant, located near Vernon, Texas, in which CPL, PSO and

WTU own 7.8%, 15.6% and 54.7% undivided interests, respectively. In connection with the issuance of the New Bonds, Applicants will (i) amend or supplement the Sale Agreement, (ii) enter into an agreement with substantially the same terms as the Sale Agreement and/or (iii) enter into a new installment sale agreement.

The New Bonds will bear interest at a fixed or floating rate, may or may not be secured with First Mortgage Bonds and will mature in not more than forty years. The interest rate, redemption provisions and other terms and conditions applicable to the New Bonds will be determined by negotiations between the Applicants and one or more investment banking firms or other entities that will purchase or underwrite the New Bonds ("Purchasers"). It is anticipated that: (i) the New Bonds will be redeemable at any time in whole at the option of the Applicants at the principal amount thereof plus accrued interest, upon the occurrence of various extraordinary events specified in the Amended Sale Agreement; (ii) the New Bonds will be subject to optional redemption in whole or in part at times and with premiums to be determined by negotiations between the Applicants and the Purchasers; and (iii) the New Bonds will be subject to special mandatory redemption, in whole or in part, at the principal amount thereof plus accrued interest, in the event the interest on the New Bonds becomes subject to federal income tax.

Pursuant to the Sale Agreement, Applicants transferred the Facilities to Red River, which financed the acquisitions and related costs thereof with the proceeds of the Old Bonds. The Sale Agreement contains commitments by the Applicants to pay to Red River at specified times amounts sufficient to enable Red River to pay debt service on the Old Bonds, including principal, interest and redemption premium, if any.

Applicants also request authority to issue First Mortgage Bonds as security for the payment of the New Bonds, at its option, depending upon market conditions at the time of issuance of the New Bonds. The First Mortgage Bonds will be held by the Trustee solely for the benefit of the holders of the New Bonds and will not be transferable except to a successor Trustee. The First Mortgage Bonds will be issued in the exact amounts and have substantially the same terms as the New Bonds.

Applicants also state that the First Mortgage Bonds and the New Bonds may include: (i) up to a 15 year optional

redemption limitation; (ii) an omission of sinking fund provisions; and (iii) a limitation on dividends to a percentage of net income available for dividends on common stock if the Applicant's common stock equity is not maintained at a certain percentage of total capitalization. Applicants request that the Commission authorize these deviations from the Statement of Policy.

The proceeds of the offering of the New Bonds will be used to: (i) redeem the Old Bonds pursuant to the terms of the Indenture; and (ii) reimburse the Applicant's treasuries for any expenditures made that qualify for tax-exempt financing or to provide for current solid waste expenditures. The proceeds of any offering may also be used to reimburse the Applicants' treasuries for Old Bonds previously acquired.

Applicants may be required to deposit the proceeds of the New Bonds with the Trustee in connection with the Redemption of the Old Bonds. Any additional funds required to pay for the redemption of Old Bonds and the costs of issuance of the New Bonds will be provided by the Applicants from internally generated funds and short-term borrowings pursuant to orders of the Commission dated March 31, 1993, September 28, 1993, March 18, 1994, June 15, 1994 and March 21, 1995 (HCAR Nos. 25777, 25897, 26007, 26066 and 26254, respectively), or subsequent orders.

Applicants propose to manage interest rate risk and/or lower their interest costs through the use of hedging products, including fixed-for-floating interest rate swaps, forward swaps (i.e., where a swap agreement is entered into but the exchange of fixed and floating payments does not begin until a future date, which is generally the call date on outstanding bonds), caps and collars and through forward transactions. Applicants also request authorization to enter into revenue (or offsetting) interest rate swap arrangements, or other contractual arrangements, in order to limit the impact of anticipated movements in interest rates or offset the effect of existing interest rate swap agreements.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.
Margaret H. McFarland,
Deputy Secretary.

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¹ Applicants anticipate that they would be required to pay a premium or fee to obtain the credit enhancement.

² HCAR No. 13105, as supplemented by HCAR No. 16369.

³ The Old Bonds may not be redeemed prior to their first redemption date and thereafter may be redeemed at the then applicable redemption price plus accrued interest to the redemption date. The Old Bonds will be redeemable on September 15, 1996 at 103% of principal amount.