

during the Authorization Period in Energy Assets or in the equity securities of existing or new companies substantially all of whose physical properties consist or would consist of the Energy Assets.² Energy Assets (or equity securities of companies owning Energy Assets) may be acquired for cash or in exchange for Common Stock or other securities of Interstate, Alliant, or other Nonutility Subsidiary of Alliant, or any combination of these forms of compensation. If Common Stock of Interstate is used as consideration in connection with an acquisition, the market value on the date of issuance would be counted against the proposed Investment Limitation. The stated amount or principal amount of any other securities issued as consideration in the transaction would also be counted against the Investment Limitation. Under no circumstances would Alliant or any oil or gas production or marketing subsidiary acquire, directly or indirectly, any assets or properties the ownership or operation of which would cause the companies to be considered an "electric utility company" or "gas utility company" as defined under the Act.

Sales of Services and Goods Among Alliant and Other Nonutility Subsidiaries

Alliant and other Nonutility Subsidiaries propose to provide services and sell goods to each other at fair market prices determined without regard to cost, and therefore request an exemption (to the extent that rule 92(b) of the Act does not apply) under section 13(b) from the cost standards of rules 90 and 91 as applicable to these transactions, in any case in which any of the following circumstances may apply:

(i) The client company is a FUCO or foreign EWG which derives no part of its income, directly or indirectly, from the generation, transmission, or distribution of electric energy for sale within the United States.

(ii) The client company is an EWG which sells electricity at market-based rates which have been approved by the Federal Energy Regulatory Commission ("FERC");

(iii) The client company is a "qualifying facility" ("QF") within the meaning of the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA") that sells electricity

exclusively (a) at rates negotiated at arm's length to one or more industrial or commercial customers purchasing the electricity for their own use and not for resale, and/or (b) to an electric utility company at the purchaser's "avoided cost" as determined under PURPA regulations;

(iv) The client company is a domestic EWG or QF that sells electricity at rates based upon its cost of service, as approved by FERC or any state public utility commission having jurisdiction, provided that the purchaser is not an Operating Company within the Interstate system; or

(v) The client is an ETC, a Rule 58 Subsidiary, or any other Nonutility Subsidiary that does not derive any part of its income from sales of goods, services or other property to an Operating Company within the Interstate system.

Activities of Rule 58 Subsidiaries Within and Outside the United States

Alliant, on behalf of any current or future Rule 58 Subsidiaries, requests authority to engage in certain business activities permitted by rule 58 both within and outside the United States. These activities include: (i) the brokering and marketing of electricity, natural gas and other energy commodities; (ii) energy management services; and (iii) engineering, consulting and other technical support services.

Payment of Dividends Out of Capital and Unearned Surplus

Alliant also proposes, on behalf of itself and each of its current and future non-exempt Nonutility Subsidiaries, that these non-exempt Nonutility Subsidiaries be permitted to pay dividends with respect to the securities of these companies, from time to time during the Authorization Period, out of capital and unearned surplus (including revaluation reserve), to the extent permitted under applicable corporate law and the terms of any credit agreements and indentures that restrict the amount and timing of distributions to shareholders.

Use of Proceeds

Applicants state that the proceeds from the financing authorizations sought in this proceeding would be used for general corporate purposes, including (i) financing, in part, investments by and capital expenditures of Interstate and its Nonutility Subsidiaries, including the funding of future investments in EWGs, FUCOs, and Rule 58 Subsidiaries, (ii) the repayment, redemption, refunding or

purchase by Interstate or any Nonutility Subsidiary of any of its own securities under rule 42 of the Act, and (iii) financing working capital requirements of Interstate and its Nonutility Subsidiaries.

Applicants represent that no financing proceeds would be used to acquire the equity securities of any new subsidiary unless the acquisition has been approved by the Commission in this proceeding or in a separate proceeding or under an available exemption under the Act or rules under the Act, including sections 32 and 33 and rule 58. Interstate states that the aggregate amount of proceeds of financing and Interstate Guarantees approved by the Commission in this proceeding used to fund investments in EWGs and FUCOs would not, when added to Interstate's "aggregate investment" (as defined in rule 53 of the Act) in all these entities at any point in time, exceed 50% of Interstate's "consolidated retained earnings" (also as defined in rule 53). Currently, Interstate's "aggregate investment" in EWGs and FUCOs is \$73 million, or approximately 14% of Interstate's "consolidated retained earnings" for the four quarters ended December 31, 1998 (\$537 million). Further, Interstate represents that proceeds of financing and Interstate Guarantees and Nonutility Guarantees utilized to fund investments in Rule 58 Subsidiaries would be subject to the limitations of that rule. Lastly, Interstate represents that it would not seek to recover through higher rates any of the Operating Companies losses attributable to any operations of its Nonutility Subsidiaries.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27004]

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

April 9, 1999.

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

² Companies whose physical properties consist of Energy Assets may also be currently engaged in energy (gas or electric or both) marketing activities. To the extent necessary, Applicants request authorization to continue these activities in the event they acquire these types of companies.

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 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 May 4, 1999, to the Secretary, Securities and Exchange Commission, Washington, D.C. 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 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 May 4, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Northeast Utilities, et al. (70-8875)

Northeast Utilities ("Northeast"), 174 Brush Hill Avenue, West Springfield, Massachusetts 01090-0010, a registered holding company, Northeast's public utility subsidiaries, The Connecticut Light and Power Company, 107 Selden Street, Berlin, Connecticut 06037, Western Massachusetts Electric Company, 174 Brush Hill Avenue, West Springfield, Massachusetts 01090-0010, Holyoke Water Power Company, Canal Street, Holyoke, Massachusetts 01040, and Public Service Company of New Hampshire and North Atlantic Energy Corporation ("NAEC") (collectively, "Utility Subsidiaries"), each at 1000 Elm Street, Manchester, New Hampshire 03015, and Northeast's nonutility subsidiaries, NU Enterprises, Inc. ("NUEI"), Northeast Generation Service Company ("NGS"), Northeast Generation Company ("NGC"), Select Energy, Inc. ("Select"), and Mode 1 Communications, Inc. ("Mode 1") (collectively, "Nonutility Subsidiaries"), each at 107 Selden Street, Berlin, Connecticut 06037 (all companies being "Applicants"), have filed a post-effective amendment to their application-declaration filed under sections 6(a), 7, 9(a), 10, and 12(b) of the Act and rules 43, 45, and 54 under the Act.

By order dated November 12, 1998 (HCAR No. 26939) ("November 1998 Order"), the Commission authorized, among other things: (1) The formation

and financing by Northeast of NUEI¹ to "through multiple subsidiaries, engage in a variety of energy-related and other activities and acquire and manage nonnuclear generating plants", and (2) the acquisition by NUEI of the securities of NGC,² NGS,³ HEC, Inc., Select, and Mode 1. By order dated November 20, 1996 (HCAR No. 26612) and subsequent supplemental orders⁴ (collectively, "Money Pool Orders"), the Commission authorized, among other things, the continued use, through December 31, 2000, of the Northeast Utilities System Money Pool ("Money Pool"). The Money Pool Orders also reserved jurisdiction over Money Pool borrowings by PSNH that are attributable to contributions by WMECO, pending the approval of the Massachusetts Department of Public Utilities.

The Applicants now request that the Nonutility Subsidiaries be authorized to participate in the Money Pool. The Money Pool currently consists principally of surplus funds that may be available from day to day to Northeast and certain of its subsidiaries. In addition to surplus funds, funds borrowed by Northeast (through the issuance of short-term notes, by selling commercial paper or by borrowing under a revolving credit facility—each transaction as authorized by prior Commission order) are a source of funds for making open account advances to certain of Northeast's subsidiaries through the Money Pool. In addition to the subsidiaries of Northeast which are currently authorized to be potential recipients of these open account advances, the Applicants propose that the Nonutility Subsidiaries be authorized to receive these open account advances from Northeast. It is stated that Money Pool transactions will be designed to match, on a daily basis, the available cash and short-term borrowing requirements of Northeast, the Utility Subsidiaries, and, it is proposed, the Nonutility Subsidiaries in order to minimize the need for short-term borrowings by the Utility Subsidiaries and Nonutility Subsidiaries from external sources. Only certain of Northeast's subsidiaries are now

authorized to borrow through the Money Pool from the proceeds of external borrowings by Northeast. It is proposed that the Nonutility Subsidiaries be eligible to borrow through the Money Pool from the proceeds of external borrowings by Northeast. It is stated that, among other Northeast subsidiaries, the Nonutility Subsidiaries will not be parties to the revolving credit facility authorized by prior Commission order. Applicants further propose that the aggregate amount of short-term debt outstanding at any one time will not exceed the following: \$75 million for NUEI; \$50 million for Select; and \$5 million each for NGC, NGS, and Mode 1.

Georgia Power Company (7-9437)

Georgia Power Company ("Georgia Power"), 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia 30308-3374, a wholly owned subsidiary of the Southern Company, a registered holding company, has filed an application-declaration under sections 9(a), 10 and 12(d) of the Public Utility Holding Company Act of 1935, as amended ("Act"), and rules 44 and 54 under the Act.

Georgia Power proposes to convey all of its rights, title and interests in and to real and personal property, including engineering drawings, comprising 30 distribution and transmission substation facilities ("Georgia Power Substation Facilities") to Georgia Transmission Corporation ("GTC"), an electric membership corporation. In exchange, GTC will convey to Georgia Power all its rights, title and interests in and to real and personal property comprising up to four distribution and transmission substation facilities ("GTC's Substation Facilities"), an exchange equalization payment of \$3,808,831, and an additional payment of \$560,000 to ensure that Georgia Power suffers no after-tax loss on the exchange.

Georgia Power states that the exchange will realign its and GTC's interests so that GTC will be responsible for the operation and maintenance payments for facilities which principally save GTC's load and Georgia Power will be responsible for the operation and maintenance for facilities which principally serve its load. The 30 substations being exchanged by Georgia Power represent less than 1% of Georgia Power's total substation facilities (based on original cost).

Georgia Power will obtain from its First Mortgage Bond Trustee a release of the Georgia Power Substation Facilities from the lien of Georgia Power's First Mortgage Bond Indenture. GTC will obtain a release executed by SunTrust

¹ The name cited in the November 1998 Order is "NEWCO." The post-effective amendment states that the company is now known as NUEI.

² The name cited in the November 1998 Order is "GENCO." The post-effective amendment states that the company is now known as NGC.

³ The name cited in the November 1998 Order is "Northeast Generation Services, Inc." The post-effective amendment states that the company is now known as NGS.

⁴ See Holding Co. Act Release Nos. 26665 (Feb. 11, 1997), 26692 (Mar. 25, 1997), 26721 (May 29, 1997), and 26816 (Jan. 16, 1998).

Bank, Atlanta, as Trustee under GTC' Indenture dated as March 1, 1997 releasing the GTC Substation Facilities from the lien of said Indenture.

Georgia Power requests authority to consummate the transaction at any time on or before December 31, 1999 subject to Georgia Power's and GTC's receiving the requisite approvals of all applicable regulatory agencies, including the Commission.

Pennsylvania Electric Company (70-9457)

Pennsylvania Electric Company ("Penelec"), 2800 Pottsville Pike, Reading, Pennsylvania 19605, an electric utility subsidiary of GPU, Inc. ("GPU"), a registered holding company, has filed a declaration under section 12(d) of the Act and rules 44 and 54 under the Act.

Penelec owns a twenty percent undivided ownership interest in the Seneca Pumped Storage Generating Station ("Seneca"), a 435 MW pumped storage station generating facility located near Warren, Pennsylvania. The other eighty percent is owned by Cleveland Electric Illuminating Company, a utility subsidiary of FirstEnergy Corp. ("FistEnergy"), and exempt holding company.

Penelec proposes to sell its interest in Seneca to FE Acquisition Corp. ("FEAC"), a wholly owned, special purpose subsidiary of FistEnergy. In a purchase and sales agreement dated as of October 30, 1998 with FEAC, Penelec agreed to sell its interest to FEAC for \$43 million, subject to certain adjustments. Applicant states that the purchase price was determined through a competitive auction process.

Penelec intends to use the net proceeds from the sale, among other things, to reduce debt, pay dividends and/or to fund or offset stranded asset liabilities.⁵

Allegheny Energy, Inc. (70-9459)

Allegheny Energy, Inc. ("Allegheny"), 10435 Downsview Pike, Hagerstown, Maryland 21740, a registered holding company, has filed an application-declaration under sections 6(a), 7, 9(A), 10, and 12(c) of the Act and rules 42, 46, and 54 under the Act.

Allegheny requests authority to adopt and implement a shareholder rights plan ("Plan") and enter into a related agreement creating the shareholder rights ("Rights Agreement"). The Plan is intended to maximize shareholder value by reducing the risk of nonrealization of

shareholder value due to opportunistic takeover proposals. Under the Plan, the board of directors of Allegheny ("Board") would declare a dividend of one right ("Right") for each outstanding share of Allegheny common stock, par value \$1.25 per share ("Common Stock"), payable to all stockholders of record on a specified record date.

Each Right would, after the Rights become exercisable, entitle the holder to purchase from Allegheny one share of Common Stock at a price to be determined by the Board, subject to adjustment ("Exercise Price"). The Rights would not entitle the holders to make a discounted purchase of shares of Common Stock or the common stock of the person acquiring Allegheny until the occurrence of one of the events described below. The Rights will expire at the close of business ten years from the date of the Rights Agreement, unless earlier redeemed or exchanged by Allegheny, as described below.

Until the earlier of two dates described below ("Distribution Date"), Rights would not be exercisable and would trade with the outstanding shares of Common Stock. One date occurs when the Board fixes the date of a public announcement that a person or group ("Acquiring Person") has acquired beneficial ownership of 15% or more of the Common Stock. The second date occurs ten business days (unless extended by the Board) after any person or group has commenced a tender or exchange offer which would, upon its consummation, result in such person or group becoming an Acquiring Person.

After the Distribution Date, the holders of the Rights would immediately have the right to receive, for each Right exercised, either Common Stock having a market value equal to two times or one times the Exercise Price then in effect, depending upon the circumstances. Under certain circumstances where Allegheny is acquired in a business combination transaction with, or 50% or more of its assets or earning power is sold or transferred to, another person or entity ("Acquiror"), exercise of a Right will entitle its holder to receive common stock of the Acquiror having a market value to two times the Exercise Price then in effect. Rights beneficially owned by any Acquiring Person and certain transferees of the Acquiring Person will be null and void.

The Rights may be redeemed, as a whole, at the discretion of the Board, at a Redemption Price of \$0.01 per Right, subject to adjustment, which will be paid, at Allegheny's option, in cash, shares of Common Stock or other

equivalent Allegheny securities, at any time prior to the close of business on the date that any person has become an Acquiring Person.

At any time after the Distribution Date and prior to the time that any person (other than Allegheny and certain related entities), together with its affiliates and associates, becomes the beneficial owner of 50% or more of the outstanding shares of Common Stock, the Board may direct the exchange of shares of Common Stock for all of the Rights (other than Rights which have become void) at the exchange ratio of one share of Common Stock per Right, subject to adjustment.

The Exercise Price payable, and the number of shares of Common Stock (or other securities, as the case may be) issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision or combination of, the Common Stock, or (ii) upon the distribution to holders of the Common Stock of securities or assets (excluding regular periodic cash dividends) whether by dividend, reclassification, recapitalization or otherwise.

The terms of the Rights may be amended by the Board (i) prior to the Distribution Date in any manner and (ii) on or after the Distribution Date to cure any ambiguity, to correct or supplement any provision of the Rights Agreement which may be defective or inconsistent with any other provisions, or in any manner not adversely affecting the interests of the holders of the Rights generally.

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

Jonathan G. Katz,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of April 19, 1999.

Closed meetings will be held on Monday, April 19, 1999, at 11:00 a.m. and on Wednesday, April 21, 1999, following the 11:00 a.m. open meeting. An open meeting will be held on Wednesday, April 21, 1999, at 11:00 a.m.

⁵ This use of proceeds is mandated by an order of the Pennsylvania Public Utilities Commission, dated October 16, 1998, relating to the sale by Penelec of its generation assets.