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

Margaret H. McFarland,

Deputy Secretary.

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Filings Under the Public Utility Holding Company Act of 1935, as amended (''Act'')

November 8, 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 December 2, 1996, to the Secretary, Securities and Exchange Commission, Washington, DC 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 shall 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 and/or declaration, as filed or as amended, may be granted and/or permitted to become effective.

Central and South West Corporation, et al. (70–7113; 70–7218)

Central and South West Corporation (''CSW''), a registered holding company, and its wholly-owned nonutility subsidiary, CSW Credit, Inc. (''Credit''), both at 1616 Woodall Rodgers Freeway, Dallas, Texas 75202, have filed a post-effective amendment under sections 9 and 10 of the Act to their application-declarations filed in the above files under sections 6, 7, 9, 10 and 12 of the Act and rule 45 thereunder.

By orders of the Commission dated July 19, 1985 (HCAR No. 23767), July 31, 1986 (HCAR No. 24157), February 8, 1988 (HCAR No. 24575), December 24, 1991 (HCAR No. 25443) and December 22, 1995 (HCAR No. 26437), CSW was authorized to organize Credit to engage in the business of factoring accounts receivable for certain subsidiaries of CSW [1] and for nonassociate utility companies; Credit was authorized to borrow up to $520 million and $304 million in respect of its factoring of associate and nonassociate utility receivables, respectively; and CSW was authorized to make equity investments in Credit of up to $80 million and $76 million in connection with its factoring of associate and nonassociate utility receivables, respectively, in each case through December 31, 1996. Credit was required to limit its acquisition of nonassociate utility receivables so that the average amount of such receivables for the preceding twelve-month period outstanding as of the end of any calendar month would be less than the average amount of receivables acquired from associate companies outstanding as of the end of each calendar month during the preceding twelve-month period (''50% Restriction'').

In 1987, the applicants filed an application with the Commission seeking authorization for Credit to factor the accounts receivable of nonassociate utilities without regard to the 50% Restriction, to increase Credit's aggregate borrowings and to increase CSW's equity investment in Credit. This application was approved in an initial decision rendered by an administrative law judge on February 23, 1989 (File No. 3–7027) (''ALJ Decision''). On review, the Commission, by order dated March 2, 1994 (HCAR No. 25995), reversed the initial decision, upheld the 50% Restriction and denied the application in its entirety.

The applicants state that on May 29, 1992, CSW and CPL entered into a settlement agreement with Houston Industries Incorporated and its subsidiary, Houston Lighting & Power Company (''HLP''), to resolve a number of disputes between the two systems (''1992 Settlement''). As part of the normalization of business relations between the parties, Credit and HLP agreed to arrangements whereby Credit would purchase electric utility accounts receivable from HLP. The 1992 Settlement was entered into when the ALJ Decision, stating that the 50% Restriction did not apply to Credit, was in effect. The applicants state that CPL and HLP reasonably believed, when they agreed upon the 1992 Settlement, that the factoring of HLP receivables under the 1992 Settlement would not be subject to the 50% Restriction. They also state that the application of the 50% Restriction diminishes the value to be received by CPL from the 1992 Settlement.

By order dated December 8, 1992 (HCAR No. 25696), Credit was authorized to borrow up to an additional $650 million in the aggregate outstanding at any one time during the 12½ year term of the 1992 Settlement for the sole purpose of purchasing accounts receivable of HLP. The initial application in connection with this order requested authorization for the factoring of HLP receivables without regard to the 50% Restriction. This request was withdrawn, however, at the request of the Commission staff, pending the outcome of Administrative Proceeding File No. 3–7027. In an order dated December 29, 1992 (HCAR No. 25720), Credit was authorized to sell a sufficient amount of HLP receivables to unrelated third parties in order to comply with the 50% Restriction.

On June 6, 1996, CSW sold Transok and used a portion of the proceeds from the sale to repay outstanding debt. Over the twelve months prior to Transok's sale, Credit factored a rolling monthly average of $87.4 million of Transok accounts receivable, and CSW estimates that this amount would have grown with Transok's business. As a result of the sale, CSW has significantly less associate receivables to factor and, through operation of the 50% Restriction, is forced to factor less nonassociate receivables and sell receivables of established nonassociate customers. The aggregate effect is to reduce the volume of receivables factored by Credit by twice the amount of Transok receivables.

As a result of these two circumstances, the applicants request authorization for CSW to factor up to $450 million of HLP accounts receivable and up to $100 million of accounts receivable of other nonassociate utility companies, on a twelve-month rolling monthly average basis, through December 31, 2000. To the extent that such factoring activities cause nonassociate accounts receivable factored by Credit to exceed the 50% Restriction at any time during that period, the applicants request a temporary exemption from the 50% Restriction.

Central and South West Corporation, et al. (70–7113; 70–7218)

Central and South West Corporation (''CSW''), a registered holding company, and its wholly-owned nonutility

[1] These companies included Central Power and Light Company (''CPL''), Public Service Company of Oklahoma, Southwestern Electric Power Company, West Texas Utilities Company and Transok, Inc. (''Transok'').

subsidiary, CSW Credit, Inc. (''Credit''), both of 1616 Woodall Rogers Freeway, P.O. Box 660164, Dallas, Texas 75202, have filed a post-effective amendment to their application-declarations in the above files, under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 45 and 54 thereunder, proposing to extend their existing authorizations.

By order dated July 19, 1985 (HCAR No. 23767) (''1985 Order''), CSW was authorized, among other things, to organize Credit to purchase the accounts receivable of the operating companies of CSW at a discount and to finance these purchases with the issuance and sale of debt. Credit was authorized to borrow up to $320 million and CSW was authorized to make equity investments in Credit of up to an aggregate of $80 million through December 31, 1986.

By order dated July 31, 1986 (HCAR No. 24157) (''1986 Order''), Credit was authorized to expand its business to the factoring of accounts receivable of nonaffiliated electric utility companies. In order to finance such transactions, Credit was authorized to borrow up to an additional $160 million and CSW was authorized to make additional equity investments in Credit of up to an aggregate of $40 million, through December 31, 1988. The 1986 Order also required Credit to limit its acquisition of utility receivables from nonassociate utilities so that the average amount of such receivables for the preceding twelve-month period outstanding as of the end of any calendar month would be less than the average amount of receivables acquired from CSW associate companies outstanding as of the end of each calendar month during the preceding twelve-month period. Further, the 1986 Order extended the authority of the 1985 Order until December 31, 1988.

By order dated February 8, 1988 (HCAR No. 24575), Credit was authorized, among other things, to borrow, through December 31, 1989, up to $320 million and $304 million to finance the factoring of affiliate and nonaffiliate receivables, respectively. CSW was authorized to make equity investments in Credit of up to an aggregate of $80 million and $76 million in connection with the factoring of affiliate and nonaffiliate receivables, respectively. This authority was extended through December 31, 1990 by order dated December 27, 1989 (HCAR No. 25009).

By order dated August 30, 1990 (HCAR No. 25138), Credit was authorized to lower its equity ratio to no less than 5%.

By orders dated December 21, 1990 (HCAR No. 25228) and December 24, 1991 (HCAR No. 25443) (''1991 Order''), Credit's existing authority was extended through December 31, 1991 and December 31, 1992, respectively. In addition, the 1991 Order authorized Credit to borrow up to an additional $200 million to finance the factoring of associate receivables.

The applicants state that on May 29, 1992, CSW and Central Power and Light Company entered into a settlement agreement with Houston Industries Incorporated and its subsidiary, Houston Lighting & Power Company (''HLP''), to resolve a number of disputes between the two systems (''1992 Agreement''). As part of the normalization of business relations between the parties, Credit and HLP agreed to arrangements whereby Credit would purchase accounts receivable from HLP. By order dated December 8, 1992 (HCAR No. 25696), Credit was authorized to borrow up to an additional $650 million in the aggregate outstanding at any one time during the 12½ year term of the 1992 Agreement for the sole purpose of purchasing accounts receivable of HLP.

By orders dated December 9, 1992, December 21, 1993, December 16, 1994 and December 22, 1995 (HCAR Nos. 25698, 25959, 26190 and 26437, respectively), Credit's existing authority was extended through December 31, 1993, December 31, 1994, December 31, 1995 and December 31, 1996, respectively.

Pursuant to the orders summarized above, the following authority has been granted: (1) Credit has been authorized to borrow $824 million, of which $520 million could be used to purchase receivables of affiliated companies and $304 million could be used to purchase receivables of nonaffiliated companies; and (2) CSW has been authorized to make equity investments in Credit of up to an aggregate of $156 million, of which $80 million could be used to purchase receivables of affiliated companies and $76 million could be used to purchase receivables of nonaffiliated companies.

CSW and Credit now propose to extend the authorizations under the previously granted orders through December 31, 2000.

GPU, Inc. et al. (70–8593)

GPU, Inc. (''GPU''), of 100 Interpace Parkway, Parsippany, New Jersey 07054, a registered holding company, and two of its nonutility subsidiaries, GPU International, Inc. and EI Services, Inc., both of One Upper Pond Road, Parsippany, New Jersey 07054, its operating companies, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company, each of P.O. Box 16001, Reading, Pennsylvania 19640, and its service company, GPU Service, Inc., of 100 Interpace Parkway, Parsippany, New Jersey 07054, have filed a post-effective amendment under sections 6(a), 7, 9(a), 10, 12(b), 32 and 33 of the Act and rules 45 and 53 thereunder, to their application-declaration, under sections 6(a), 7, 9(a), 10, 12(b), 32 and 33 of the Act and rules 45, 52, 53 and 54 thereunder, in the above file.

By orders of the Commission dated July 6, 1995 and January 19, 1996 (HCAR Nos. 26326 and 26457, respectively) (''Orders''), among other things, GPU is authorized to acquire and own interests in exempt wholesale generators (''EWGs'') and foreign utility companies (''FUCOs''), as defined in sections 32 and 33 of the Act, respectively (collectively, ''Exempt Entities''), through subsidiaries (''Subsidiaries''), that are not Exempt Entities, but are engaged, directly or indirectly, and exclusively, in the business of owning and holding the interests and securities of one or more Exempt Entities and related project development activities. GPU is authorized to make equity investments in Subsidiaries in the form of capital stock or shares, trust certificates, partnership interests or other equity or participation interests; and, through December 31, 1997, to make investments in one or more Subsidiaries in the form of cash capital contributions or open account advances; loans evidenced by promissory notes; guarantees by GPU of the principal of, or interest on, any promissory notes or other evidences of indebtedness or obligations of any Subsidiary, or of GPU's undertaking to contribute equity to a Subsidiary; assumption of liabilities of a Subsidiary; and reimbursement agreements with banks entered into to support letters of credit delivered as security for GPU's equity contribution obligation to a Subsidiary or otherwise in connection with a Subsidiary's project development activities.

GPU is also authorized to make investments in Exempt Entities, through December 31, 1997, in the form of guarantees of the indebtedness of other obligations of one or more Exempt Entities; assumption of liabilities of one or more Exempt Entities; and guarantees and letter of credit reimbursement agreements in support of equity contribution obligations or otherwise in connection with project development activities for one or more Exempt Entities.

GPU's direct or indirect investments in Subsidiaries and Exempt Entities are funded from available cash or pursuant to financing transactions authorized by the Commission.[2] Pursuant to the Orders, GPU's ''aggregate investment'' (as defined in rule 53(a)(1)(i)) in Subsidiaries and Exempt Entities shall not exceed 50% of GPU's ''consolidated retained earnings'' (as defined in rule 53(a)(1)(ii)). This investment limitation is consistent with the 50% limitation in rule 53(a)(1).

GPU requests the Commission to modify this limitation, and exempt it from the requirements of rule 53(a)(1), to permit GPU to invest directly or indirectly in Exempt Entities and Subsidiaries in an aggregate amount that, when added to GPU's aggregate investment, direct and indirect, in all Exempt Entities and Subsidiaries, would not at any time exceed 100% of GPU's consolidated retained earnings. The current amount of GPU's aggregate investment, direct and indirect, in Exempt Entities and Subsidiaries (approximately $914 million as of June 30, 1996) represents approximately 45% of its consolidated retained earnings (approximately $2.05 billion as of June 30, 1996). Increasing this limitation as GPU proposes would allow additional investments, direct and indirect, in Exempt Entities and Subsidiaries of approximately $1.113 billion.

GPU intends to make substantial additional investments in EWGs and FUCOs, primarily because: (1) over the last five years there has been limited capital investment in GPU's operating companies, and it is projected that GPU will not be required to make any significant equity investment in any GPU operating company for at least the next five years; (2) acquisitions of EWGs and FUCOs give GPU the opportunity to continue to grow in an industry sector in which GPU has decades of experience, and to diversify overall asset risk; and (3) GPU has purposely invested in utility systems in foreign countries, which have moved further than the United States toward deregulation and full competition in both retail and wholesale electricity markets, in order to gain valuable experience with deregulated markets that will enhance GPU's ability to make its core domestic utility operations more competitive and efficient in the future as the United States moves toward deregulation and increased competition. Applicants also describe comprehensive procedures that GPU has established to identify and address risks involved in EWG and FUCO investments.

GPU states that the additional investments in EWGs and FUCOs to the proposed increased level will not have a substantial adverse impact on the financial integrity of the GPU system or an adverse impact on any utility subsidiary of GPU or its customers or on the ability of the affected state commissions to protect such customers. Applicants also state that GPU will not seek recovery through higher rates to its utility subsidiaries' customers in order to compensate GPU for any possible losses that it may sustain on investments in EWGs and FUCOs or for any inadequate returns on such investments.

The Columbia Gas System, Inc. et al. (70–8925)

The Columbia Gas System, Inc. (''Columbia''), a registered holding company, its service company subsidiary, Columbia Gas System Service Corporation (''Service''), its liquefied natural gas subsidiary, Columbia LNG Corporation, its trading subsidiary, Columbia Atlantic Trading Corporation (''Columbia Atlantic''), all located at 12355 Sunrise Valley Drive, Suite 300, Reston, Virginia 20191–3458; its distribution subsidiaries, Columbia Gas of Ohio, Inc. (''Columbia Ohio''), Columbia Gas of Pennsylvania, Inc. (''Columbia Pennsylvania''), Columbia Gas of Kentucky, Inc. (''Columbia Kentucky''), Columbia Gas of Maryland, Inc. (''Columbia Maryland''), Commonwealth Gas Services, Inc. (''Commonwealth Services'') (together, ''Utility Subsidiaries''), all located at 200 Civic Center Drive, Columbia, Ohio 43215; its transmission subsidiaries, Columbia Gas Transmission Corporation (''Columbia Transmission'') and Columbia Gulf Transmission Company (''Columbia Gulf''), both located at 1700 MacCorkle Avenue, S.E., Charleston, West Virginia 25314; its exploration and production subsidiary, Columbia Natural Resources, Inc. (''Columbia Natural''), 900 Pennsylvania Ave., Charleston, West Virginia 25302; its propane distribution subsidiaries, Commonwealth Propane, Inc. and Columbia Propane Corporation (''Columbia Propane''), both located at 800 Moorefield Park Drive, Richmond, Virginia 23236; its energy services and marketing subsidiaries, Columbia Energy Services Corporation, Columbia Service Partners, Inc. and Columbia Energy Marketing Corporation, all located at 2581 Washington Road, Upper Saint Claire, Pennsylvania 15241; its network services subsidiary, Columbia Network Services Corporation, 1600 Dublin Road, Columbus, Ohio 43215–1082; and its other subsidiaries, Tristar Ventures Corporation (''TriStar Ventures''), Tristar Capital Corporation (''TriStar Capital''), Tristar Pedrick Limited Corporation, Tristar Pedrick General Corporation, Tristar Binghamton Limited Corporation, Tristar Binghamton General Corporation, Tristar Vineland Limited Corporation, Tristar Vineland General Corporation, Tristar Rumford Limited Corporation, Tristar Georgetown Limited Corporation, Tristar Georgetown General Corporation, Tristar Fuel Cells Corporation, TVC Nine Corporation, TVC Ten Corporation and Tristar System, Inc., all located at 205 Van Buren, Herndon, Virginia 22070 (together, ''System'' or ''Applicants'') (all subsidiaries, ''Subsidiaries'') (all subsidiary companies excluding the Utility Subsidiaries, ''Nonutility Subsidiaries'') have filed a joint application-declaration under sections 6, 7, 9, 10, 12(b), 12(c), 12(e), 12(f), 32 and 33 of the Act and rules 42, 43, 45 and 53 thereunder.

The System is seeking, for the period from the effective date of an order in this matter through December 31, 2001, as more fully described, below, Commission authorization for: (1) external financing by Columbia, including requests for (a) short-term financing in the form of borrowing under a revolving credit agreement, commercial paper and bid notes; (b) long-term financing; (c) hedging the interest risk associated with existing and to be issued fixed and floating rate debt; (d) equity financing; and (e) the issuance of other securities; (2) intrasystem financing of Subsidiaries, including: (a) long-term debt; (b) short-term debt, including continuing of the Columbia system money pool (''Money Pool''); (c) guarantees; (d) paying dividends to the extent permitted by Delaware law from additional capital surplus; and (e) reincorporation of Columbia Natural in Delaware; (3) external financing by Nonutility Subsidiaries and the formation of financing entities; (4) financing for the purpose of acquiring exempt wholesale generators (''EWGs'') and foreign utility companies (''FUCOs'').

The Applicants request authority to engage in various financing and related transactions, for the period from the effective date of an order in this matter through December 31, 2001, for which the specific terms and conditions are not at this time known. The authorization is sought subject to the following conditions: (1) Columbia will

[2] In this post-effective amendment, GPU is not requesting authorization to issue additional securities to increase its investment in Exempt Entities.

maintain its long-term debt rating at an investment grade level as established by a nationally recognized statistical rating organization, as that term is used in rule 15c3–1(c)(2)(vi)(F) of the Securities Exchange Act of 1934; (2) its common equity, as reflected in its most recent Form 10–K or Form 10–Q and as adjusted to reflect subsequent events that affect capitalization, does not fall below 30% of its consolidated capitalization; (3) the effective cost of money on debt borrowing occurring pursuant to this authorization will not exceed 300 basis points over comparable term U.S. Treasury securities; (4) the effective cost of money on preferred stock and other fixed-income oriented securities will not exceed 500 basis points over 30-year term U.S. Treasury securities; (5) the maturity of indebtedness will not exceed 50 years; (6) the underwriting fees, commissions, or other similar remuneration paid in connection with the non-competitive bid issue, sale or distribution of a security in this matter will not exceed 5% of the principal or total amount of the financing; (7) the aggregate amount of external, long-term debt and equity financing issued by Columbia, through December 31, 2001, will not exceed $5 billion of long-term debt and equity financing or more than $1 billion of short-term borrowing outstanding at any one time; (8) the proceeds from the sale of securities by Columbia in external financing transactions will be added to Columbia's treasury and used for general and corporate purposes including: (a) the financing, in part, of the capital expenditures of Columbia and its Subsidiaries; (b) in the case of short-term debt, the financing of gas storage inventories, other working capital requirements and capital spending of the System; (c) the acquisition of interests in EWGs and FUCOs; and/or (d) the acquisition, retirement, or redemption of securities of which Columbia is an issuer without the need for prior Commission approval pursuant to rule 42 or a successor rule. Any deviations from these conditions would require further Commission approval.

External Short-Term Financing

Columbia currently obtains funds externally through short-term debt financing under the $1 billion Credit Agreement dated as of November 28, 1995, between Columbia and a group of banks with Citibank, N.A. as Agent (''Credit Facility'').[3] To provide financing for general corporate purposes, including financing gas storage inventories, other working capital requirements and construction spending until long-term financing can be obtained, Columbia requests authorization to have outstanding at any one time, through December 31, 2001, up to $1 billion of short-term debt consisting of borrowing under the Credit Facility, the issuance of commercial paper, the sale of bid notes, discussed below, and other forms of short-term financing generally available to borrowers with investment grade credit ratings.

In order to consolidate all orders authorizing financing under one file, Columbia requests that the authorization for the Credit Facility be withdrawn and superseded by the order of the Commission sought herein. Columbia further requests authorization to amend the Credit Facility without further Commission authorization provided that the maturity date does not go beyond December 31, 2001, and the principal amount and borrowing margins do not increase.

Commercial paper would be sold, from time-to-time, in established domestic or European commercial paper markets to dealers at the prevailing discount rate per annum, or at the prevailing coupon rate per annum, at the date of issuance. It is expected that the dealers acquiring commercial paper from Columbia will re-offer such paper at a discount to corporate, institutional and, with respect to European commercial paper, to individual investors.

Back-up bank lines of credit for 100% of the outstanding amount of commercial paper are generally required by credit rating agencies. The Credit Facility will back-up Columbia's commercial paper program, thus negating the need for additional lines of credit.

Bid Notes Agreements

Columbia also requests approval to enter into individual agreements (''Bid Note Agreements'') with one or more commercial banks which are lenders under the Credit Facility. The Bid Note Agreements would permit Columbia to negotiate with one or more banks (''Bid Note Lender[s]'') on any given day for such Bid Note Lender, or any affiliate or subsidiary of such lender, to purchase promissory notes (''Bid Notes'') directly from Columbia. Such notes would bear interest rates comparable to, or lower than, those available through other proposed forms of short-term borrowing with similar terms. The maturity of the Bid Notes would not exceed 270 days, and the total amount of Bid Notes outstanding at any time, when added to the aggregate amounts of short-term borrowing outstanding under other forms of short-term borrowing, would not exceed $1 billion.

Other Short-Term Securities

Columbia proposes to engage in other types of short-term financing as it may deem appropriate in light of its needs and market conditions at the time of issuance. Such short-term financing could include, without limitation, bank borrowing and medium-term notes issued under its Indenture, dated as of November 28, 1995, between Columbia and Marine Midland Bank, Trustee, as amended (''Indenture''). The Indenture provides that the specific terms of any securities issued be set by resolution of Columbia's Board of Directors. The maturities of such borrowing would not exceed one year. In no case will the outstanding balance of all short-term borrowing exceed $1 billion.

Long-Term Financing

Columbia proposes to issue from time-to-time, prior to December 31, 2001, long-term securities aggregating not more than $5 billion. Columbia proposes to issue any combination of debentures, which may be in the form of medium term notes, and/or common stock, preferred stock, or other equity and debt securities in an aggregate amount not to exceed $5 billion. Other examples of such long-term debt securities would include, but not be limited to, convertible debt, subordinated debt, bank borrowing, and securities with call or put options. Any long-term debt security would have such designation, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, terms of payment of interest, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as Columbia may determine at the time of issuance. Debentures and medium-term notes would be issued under the Indenture.

Such securities may be issued and sold pursuant to standard underwriting agreements. Public distribution may be effected through private negotiations with underwriters, dealers or agents, or through competitive bidding among underwriters. In addition, such securities may be issued and sold through private placements or other non-public offerings to one or more persons or distribution by dividend or otherwise to existing shareholders. All such debentures and stock sales will be at rates or prices and under conditions

[3] *See Columbia Gas System, Inc.*, Holding Co. Act Release No. 26361 (August 25, 1995).

negotiated, or based upon, or otherwise determined by, competitive capital markets.

Interest Rate Swaps and Other Hedging Strategies

Columbia proposes to enter into hedging transactions to be initiated prior to December 31, 2001, to convert all or a portion of existing floating rate debt from time-to-time to fixed rate debt or to convert all or a portion of existing fixed rate debt from time-to-time to floating rate debt using interest rate swaps or other derivative products designed for such purposes.

Interest Rate Swaps for Existing Debt

Columbia proposes to enter into one or more interest rate swaps (''Swaps''), and one or more derivative instruments, such as interest rate caps, interest rate floors and interest rate collars (collectively, ''Derivative Transactions''), with one or more counterparties from time-to-time through December 31, 2001, in national amounts aggregating not in excess of the amount of debt outstanding at any one time.

Columbia proposes to use two different swap strategies. Under one swap strategy, Columbia would agree to make payments of interest to a counterparty, payable periodically. The interest would be payable at a variable or floating rate index and would be calculated on a notional (i.e., principal) amount. In return, the counterparty would agree to make payments to Columbia based upon the same notional amount and at an agreed upon fixed interest rate. This would be a ''floating-to-fixed swap'' on Columbia's part. Under another swap strategy Columbia would pay a fixed interest rate and receive a variable interest rate on a notional amount. This would be a ''fixed-to-floating swap'' on Columbia's part. Columbia will enter into Swaps and/or Derivative Transactions only with creditworthy counterparties.

Hedging Interest Rate Risk for Anticipated Debt

Columbia also seeks authorization to enter into an interest rate hedging program (''Hedge Program'') within a limited time prior to the issuance of long-term debt securities. The Hedge Program would only be undertaken pursuant to the express approval of the Columbia Board of Directors and would only be authorized to occur within 90 days of the issuance of long-term debt securities.

The Hedge Program would be utilized to fix and/or limit the interest rate risk exposure of any new issuance through: (1) a forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury securities and/or a forward swap (each a ''Forward Sale''); (2) the purchase of put options on U.S. Treasury securities (''Put Options Purchase''); (3) a Put Options Purchase in combination with the sale of call options on U.S. Treasury securities (''Zero Cost Collar''); or (4) some combination of a Forward Sale, Put Options Purchase and/or Zero Cost Collar. The program may be executed on-exchange (''On-Exchange Trades'') with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade, the opening of over-the-counter positions with one or more counterparties (''Off-Exchange Trades'') or a combination of On-Exchange Trades and Off-Exchange Trades. Columbia will determine the optimal structure of the Hedge Program at the time of execution. Columbia may decide to lock in interest rates and/or limit its exposure to interest rate increases. All open positions under the Hedge Program will be closed on or prior to the date of the new issuance and Columbia will not, at any time, take possession of the underlying U.S. Treasury securities. Further, no hedge position will be outstanding for more than 90 days.

All transactions entered into under the Hedge Program will be *bona fide* hedges of interest rate risk. To prohibit the possibility of ''speculative'' transactions, each transaction, or set of transactions, under the Hedge Program must be approved by the Columbia Hedge Committee, consisting of senior executive officers, and authorized by resolution of Columbia's Board of Directors prior to its execution.

Equity Financing

Columbia proposes, through December 31, 2001, to issue equity securities in an amount, when combined with the proposed long-term debt securities, will not exceed $5 billion. Such issuance would include common stock issued pursuant to the Long-Term Incentive Plan where options to purchase up to 3 million shares of common stock may be issued over a ten-year period, through February 21, 2006, monthly or quarterly income preferred securities, rights, options and/or warrants convertible into common or preferred stock and common and/or preferred stock issued upon the exercise of convertible debt, rights, options, warrants and/or similar securities.

From time-to-time in the future, other employee benefit plans may be adopted by Columbia or a divided reinvestment plan or stock purchase plan may be adopted, providing for the issuances of common stock. For instance, a dividend reinvestment plan and direct stock purchase plan allowing sales to persons not already shareholders may be implemented. Columbia now proposes to issue and/or sell shares of common stock pursuant to the existing plan and similar plan or plans funding arrangements hereinafter adopted and to engage in other sales of its treasury shares, if any, for reasonable business purposes without any additional prior Commission order through December 31, 2001, except that the options to purchase shares under the Long-Term Incentive Plan may be issued from time-to-time until February 21, 2006. Stock transactions of this variety would thus be treated the same as other stock transactions permitted pursuant to this proposal. Such authorization would supersede the Long-Term Incentive Plan authorization.

Other Securities

In addition to the specific securities for which authorization is sought, Columbia also proposes to issue other types of securities that it deems appropriate during the period ending December 31, 2001. Columbia requests that the Commission reserve jurisdiction over the issuance of additional types of securities. Columbia also undertakes to file a post-effective amendment which will describe the general terms of each such security and request a supplemental order of the Commission authorizing the issuance thereof by Columbia.

Intrasystem Financing

The Maryland Public Service Commission does not exercise jurisdiction over the issuance by Columbia Maryland of long or short-term securities. The Kentucky, Ohio and Pennsylvania utility commissions do not exercise jurisdiction over the issuance of short-term debt. Commission authorization is, therefore, requested for the issuance, from time-to-time, prior to December 31, 2001, of short-term securities by Columbia Maryland, Columbia Kentucky, Columbia Ohio and Columbia Pennsylvania and for the issuance, from time-to-time, prior to December 31, 2001, of long-term securities by Columbia Maryland and their purchase, in each instance, by Columbia.

Internal Long-Term Financing by Utility Subsidiaries

Columbia and Columbia Maryland are seeking Commission authorization for the sale of long-term debt securities (''Notes'') by Columbia Maryland to

Columbia or the sale of common stock by Columbia Maryland to Columbia in a cumulative amount not to exceed $30 million for the period through December 31, 2001.

Columbia Maryland plans to finance part of its 1997–2001 capital expenditure programs with funds generated from the sale of Notes and common stock to Columbia for cash. Columbia states that the portion of the financing to be effected through the sale of stock cannot be ascertained at this time. Columbia would continue to finance Columbia Maryland to maintain a capital structure in a manner consistent with that of a company with an investment grade credit rating.

The interest rate on the Notes will be the rate, including issuance costs, for the most recent long-term debt securities issued by Columbia during the previous calendar quarter. If no long-term debt securities were issued during the previous calendar quarter, the interest rate will be either the estimated new long-term rate that would be in effect if Columbia were to issue securities, as projected by a major investment bank, or the prevailing market rate for a newly-issued ''A'' rated utility bond. The current rate on a newly issued ''A'' rated 25–30 year utility bond is 8%. A default rate equal to 2% per annum in excess of the stated rate on unpaid principal or interest amounts would be assessed if any interest or principal payment becomes past due. The principal amount of the Notes will be repaid over a term not exceeding thirty years.

The Notes will be issued under a previously authorized loan agreement. The loan agreement provides for Columbia Maryland to issue either secured or unsecured debt securities to Columbia from time-to-time in exchange for cash.

Internal Long-Term Financing by Nonutility Subsidiaries

The Nonutility Subsidiaries propose to issue and Columbia proposes to acquire, through December 31, 2001, other types of securities which do not qualify for exemption under rule 52. Columbia and the Nonutility subsidiaries request that the Commission reserve jurisdiction over the issuance of such additional securities. The parties undertake to file a post-effective amendment in this proceeding describing the general terms of each security and requesting a supplemental order of the Commission authorizing the issuance thereof by the subject Nonutility Subsidiary.

Continuation of Money Pool/Internal Short-Term Financing

The Subsidiaries require short-term funds to meet normal working capital requirements. It is proposed that the Subsidiaries borrow short-term funds from the Money Pool, through December 31, 2001. The maximum amount of Money Pool borrowing outstanding for each Subsidiary will be determined by Columbia and the Subsidiaries in accordance with business needs. Actual short-term financing would be issued based on working capital requirements and any interim financing needed to bridge between issuances of long-term capital. The maximum short-term debt to be issued by Columbia Pennsylvania, Columbia Ohio, Columbia Maryland and Columbia Kentucky will not exceed 40% of their total capitalization.

All short-term borrowing will be through the Money Pool with Service acting as agent. Columbia may invest in the Money Pool, but will not borrow from the Money Pool. Should there be insufficient funds in the Money Pool to meet the Subsidiaries' aggregate short-term needs for funds, Columbia will borrow or issue short-term securities and invest the proceeds in the Money Pool to fund the shortage.

The cost of money on all short-term advances and the investments rate for moneys invested in the Money Pool will be the interest rate per annum equal to the Money Pool's weighted average short-term investment rate and/or Columbia's short term borrowing rate. Should there be no Money Pool investments or Columbia borrowing, the cost of money will be the prior month's average Federal Funds rate as published in the *Federal Reserve Statistical Release, Publication H. 15 (519).* A default rate equal to 2% per annum above the pre-default rate on unpaid principal or interest amounts will be assessed if any interest or principal payment becomes past due. For Money Pool participation by new direct or indirect subsidiaries engaged in new lines of business, Columbia requests that the Commission reserve jurisdiction.

Guarantees

Columbia and the Nonutility Subsidiaries and any nonutility subsidiary established prior to December 31, 2001, request authorization to enter guarantee arrangements, obtain letters of credit, and otherwise provide credit support with respect to obligations of their respective subsidiaries as may be needed and appropriate to enable them to carry on in the ordinary course of their respective businesses. The maximum aggregate limit on all such credit support by Columbia and by all Subsidiaries at any time will be $500 million. The $500 million of guarantees is in addition to any financing requested in this matter. Columbia would charge a cost-based fee for its credit support under the guarantee arrangement.

Reduction of Authorized Shares/ Dividends

Columbia Atlantic, Columbia Gulf, Columbia Transmission, Columbia Maryland, Service, Columbia Propane, Tristar Capital and Tristar Ventures propose to reduce their authorized and outstanding shares of common stock to 3,000 shares or less via a reverse stock split. The reverse stock split will be accomplished through an amendment to their respective certificates of incorporation.

Based on reducing their respective authorized shares to 3,000 or less, the Subsidiaries will save an estimated aggregate amount of $125,000 in franchise taxes each year. As a result of this transaction, additional capital surplus will be created. It is requested that each of the subsidiaries receive authorization to pay dividends from the surplus created by the reverse stock split transaction; however, no extraordinary dividends are anticipated at this time.

Reincorporation of Columbia Natural

Columbia Natural proposes to reincorporate in Delaware. Under a Plan of Reorganization and Merger, all of the assets and trade liabilities of Columbia Natural will be transferred to Columbia Natural (DE) in exchange for common stock of Columbia Natural (DE) which would simultaneously be transferred to Columbia in exchange for all outstanding shares of Columbia Natural, leaving Columbia Natural (DE) the surviving company.

The merger will qualify as a tax-free reorganization under sections 368(a)(1)(A) and (F) of the Internal Revenue Code of 1986, as amended. Columbia Natural (DE) will succeed to all of the rights and assets of Columbia Natural and will assume all of its liabilities and obligations. The officers and directors of Columbia Natural will become the officers and directors of Columbia Natural (DE).

External Nonexempt Financing by Nonutilities

The Nonutility Subsidiaries are expected to be active in the development and expansion of energy-related, nonutility businesses in the System. The Nonutility Subsidiaries

may engage in types of security financing with nonaffiliates which do not qualify for the application of Rule 52. The Nonutility Subsidiaries, therefore, request that the Commission reserve jurisdiction over the issuance of such additional types of securities. They also undertake to cause a post-effective amendment to be filed in this proceeding which will describe the general terms of each such security and request a supplemental order of the Commission authorizing the issuance thereof by the subject Nonutility Subsidiary.

Financing Entities

Columbia and the Nonutility Subsidiaries propose to organize new corporations, trusts, partnerships or other entities created to facilitate financing through their issue to third parties of monthly and quarterly income preferred securities. Columbia and Nonutility Subsidiaries seek authority to issue such securities to third parties to the extent required under the Act. Additionally, request is made for authorization with respect to: (1) The issuance of debentures or other evidences of indebtedness by Columbia to a financing entity in return for the proceeds of the financing; and (2) the acquisition by Columbia of voting interests or equity securities issued by the financing entity to establish Columbia's ownership of the financing entity. Columbia and the Nonutility Subsidiaries also request authorization to enter into expense agreements with their respective financing entities, pursuant to which they would agree to pay all expenses of such entity.

Financing of EWGs and FUCOs

Columbia currently owns no equity interests in either EWGs or FUCOs. Sections 32 and 33 of the Act permit a registered holding company to acquire and maintain interests in one or more EWGs and FUCOs without the need to apply for or receive approval from the Commission. To the extent that funds for one or more projects are required in excess of internally generated funds, Columbia hereby requests Commission authorization to invest proceeds from the proposed securities to be issued herein for the purpose of financing the acquisition of EWGs and FUCOs in compliance with rule 53(a)(1) such that Columbia's aggregate investment at any one time during the period covered by this Application will not exceed 50% of its ''consolidated retained earnings,'' as defined in rule 53(a)(1)(ii).

Gulf Power Company (70–8947)

Gulf Power Company (''Gulf Power''), 500 Bayfront Parkway, Pensacola, Florida 32501, an electric utility subsidiary of The Southern Company, a registered holding company, has filed a declaration under sections 6(a), 7 and 12(d) of the Act and rules 44 and 54 thereunder.

As described in more detail below, Gulf Power proposes to issue and sell from time to time, prior to January 1, 2004, short-term and/or term loan notes to lenders, commercial paper to or through dealers and/or issue non-negotiable promissory notes to public entities for their revenue anticipation notes in an aggregate principal amount at any one time outstanding of up to $300 million. Gulf Power states that any proposed borrowings may be, and any such borrowings in excess of the maximum aggregate principal amount of unsecured debt permitted under its charter and under the exemption afforded by section 6(b) of the Act would be, secured by a subordinated lien on certain assets of Gulf Power.

Gulf Power proposes to borrow from certain banks or other lending institutions. Such borrowings will be evidenced by notes to be dated as of the date of such borrowings to mature in not more than 10 years after the date of issue, or by ''grid'' notes evidencing all outstanding borrowings from each lender to be dated as of the date of the initial borrowing to mature not more than 10 years after the date of issue. Gulf Power proposes that it may provide that any note evidencing such borrowings may not be prepayable, or that it may be prepaid with payment of a premium that is not in excess of the stated interest rate on the borrowing to be prepaid, which premium in the case of a note having a maturity of more than one year may thereafter decline to the date of the note's final maturity.

Borrowings will be at the lender's prevailing rate offered to corporate borrowers of similar quality. Such rates will not exceed the prime rate or (i) the London Interbank Offered Rate plus up to 2%, (ii) the lender's certificate of deposit rate plus up to 1¾% or (iii) a rate not to exceed the prime rate plus 1% to be established by bids obtained from the lenders prior to a proposed borrowing; provided, however, that with respect to borrowings with a maturity in excess of one year, the rate will not exceed the yield for a comparable maturity Treasury note plus one percent.

Compensation for the credit facilities may be provided by fees of up to ½ of 1% per annum of the amount of the facility. Compensating balances may be used in lieu of fees to compensate certain of the lenders.

Gulf Power also may make short-term borrowings in connection with the financing of certain pollution control facilities through the issuance by public entities of their revenue bond anticipation notes. Under an agreement with the public entity, Gulf Power effectively would borrow the proceeds of the sale of the revenue bond anticipation notes, having a maturity of not more than one year after the date of issue, for which Gulf Power may issue a non-negotiable promissory note. Such note would provide for payments to be made at times and in amounts to correspond to payments for the principal, premium, if any, and interest, which shall not exceed the prime rate, on such revenue bond anticipation notes, whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration of otherwise. Gulf Power requests that the Commission reserve jurisdiction over the issuance by Gulf Power of its non-negotiable promissory notes pending completion of the record.

Gulf Power also proposes to issue and sell commercial paper to or through dealers from time to time prior to January 1, 2004. Such commercial paper will be in the form of promissory notes with varying maturities not to exceed nine months. Actual maturities will be determined by market conditions, the effective interest costs and Gulf Power's anticipated cash flow, including the proceeds of other borrowings, at the time of issuance. The commercial paper notes will be issued in denominations of not less than $50,000 and will not by their terms be prepayable prior to maturity.

The commercial paper will be sold by Gulf Power directly to or through a dealer or dealers (''Dealer''). The discount rate (or the interest rate in the case of interest-bearing notes), including any commissions, will not be in excess of the discount rate per annum (or equivalent interest rate) prevailing at the date of issuance for commercial paper of comparable quality of the particular maturity sold by issuers thereof to commercial paper dealers. No commission fee will be payable in connection with the issuance and sale of commercial paper, except for a commission not to exceed ⅛ of 1% per annum payable to the Dealer in respect of commercial paper sold through the Dealer as principal. The Dealer will reoffer such commercial paper at a discount rate of up to ⅛ of 1% per annum less than the prevailing interest

rate to Gulf Power or at an equivalent cost if sold on an interest-bearing basis.

Pursuant to order dated May 9, 1994 (HCAR No. 26049), Gulf Power is authorized to effect certain short-term borrowings prior to January 1, 1997. At September 30, 1996, borrowings in the aggregate principal amount of approximately $64.1 million were outstanding pursuant to such authorization. Gulf proposes that the authorization sought pursuant to this declaration would supersede and replace authorizations in file number 70–8397 effective immediately upon the date of the Commission's order authorizing this declaration.

The proceeds from the proposed borrowings will be used by Gulf Power for working capital purposes, including the financing in part of its construction program.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–29414 Filed 11–15–96; 8:45 am]

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[Rel. No. IC–22325; File No. 812–10274]

Merrill Lynch Variable Series Funds, Inc. et al.

November 8, 1996.

AGENCY: Securities and Exchange Commission (the ''SEC'' or ''Commission'').

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (''1940 Act'').

APPLICANTS: Merrill Lynch Variable Series Funds, Inc. (''Company''), Merrill Lynch Asset Management L.P., Merrill Lynch Life Insurance Company, ML Life Insurance Company of New York, Merrill Lynch Variable Life Separate Account, Merrill Lynch Life Variable Life Separate Account II, Merrill Lynch Life Variable Annuity Separate Account A, Merrill Lynch Life Variable Annuity Separate Account B, Merrill Lynch Life Variable Annuity Separate Account, ML of New York Variable Life Separate Account, ML of New York Variable Life Separate Account II, ML of New York Variable Annuity Separate Account A, ML of New York Variable Annuity Separate Account B, and ML of New York Variable Annuity Separate Account.

RELEVANT 1940 ACT SECTIONS: Order requested under Section 17(b) of the 1940 Act granting an exemption from the provisions of Section 17(a) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order permitting the Company's Merrill Lynch Flexible Strategy Fund series to combine with and into its Merrill Lynch Global Strategy Focus Fund series and permitting the Company's Merrill Lynch International Bond Fund series to combine with and into its Merrill Lynch World Income Focus Fund series.

FILING DATE: The application was filed on July 25, 1996, and amended on November 6, 1996.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on December 3, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Any person may request notification of a hearing by writing to the Commission Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington D.C. 20549. Ira P. Shapiro, Esq., Merrill Lynch Variable Series Funds, Inc., 800 Scudders Mill Road, Plainsboro, New Jersey 08536. Edward Diffin, Esq., Merrill Lynch Insurance Group, 800 Scudders Mill Road, Plainsboro, New Jersey 08536. Leonard B. Mackey, Jr., Esq., Rogers & Wells, 200 Park Avenue, New York, NY 10166.

FOR FURTHER INFORMATION CONTACT: Joyce Merrick Pickholz, Senior Counsel, or Patrice M. Pitts, Branch Chief, Office of Insurance Products (Division of Investment Management), at (202) 942–0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application may be obtained for a fee from the Public Reference Branch of the Commission.

Applicants' Representations

1. The Company is a Maryland corporation registered under the 1940 Act as an open-end management investment company.

2. The Company currently offers its shares in seventeen separate series (''Funds'') to separate accounts (''Separate Accounts'') of certain insurance companies (''Insurance Companies''), including Merrill Lynch Life Insurance Company (''MLLIC'') and ML Life Insurance Company of New York (''ML of New York''), wholly owned subsidiaries of Merrill Lynch & Co., Inc. (''Merrill Lynch''), to fund benefits under variable annuity contracts and/or variable life insurance contracts issued by such companies (''Contracts'').

3. The Separate Accounts include Merrill Lynch Variable Life Separate Account; Merrill Lynch Life Variable Life Separate Account II; Merrill Lynch Life Variable Annuity Separate Account A; Merrill Lynch Life Variable Annuity Separate Account B; Merrill Lynch Life Variable Annuity Separate Account; ML of New York Variable Life Separate Account; ML of New York Variable Life Separate Account II; ML of New York Variable Annuity Separate Account A; ML of New York Variable Annuity Separate Account B; and ML of New York Variable Annuity Separate Account.

4. Merrill Lynch Asset Management L.P. (''Investment Adviser'') is the investment adviser for each series of the Company and an indirect wholly owned subsidiary of Merrill Lynch.

5. Applicants request an exemption from the provisions of Section 17(a) of the 1940 Act to permit the Company's Merrill Lynch Flexible Strategy Fund series (''Flexible Strategy Fund'') to be combined with and into its Merrill Lynch Global Strategy Focus Fund series (the''Global Strategy Focus Fund'') and the Company's Merrill Lynch International Bond Fund series (''International Bond Fund'') be combined with and into its Merrill Lynch World Income Focus Fund series (''World Income Focus Fund'')(the ''Reorganizations''). MLLIC and ML of New York hold of record in their own name more than 5% of the outstanding shares of each of the Flexible Strategy Fund and the International Bond Fund (together, the ''Transferor Funds'') and the Global Strategy Focus Fund and the World Income Focus Fund (together, the ''Acquiring Funds'').

6. Pursuant to the Reorganizations, the Acquiring Funds will acquire all of the assets and assume all of the liabilities of the corresponding Transferor Funds in exchange for shares of the Acquiring Funds of the basis of relative new asset values at the effective date of the Reorganizations. Following the Reorganizations each Transferor Fund will liquidate and distribute the shares of the Acquiring Funds *pro rata* to its shareholders of record.

7. Each Reorganization is intended to be a ''reorganization'' within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the ''Code''). The Transferor Funds and corresponding Acquiring Funds will