

terms upon consummation of the Transaction.

3. Rule 15a-4 provides, in pertinent part, that if an investment advisory contract with an investment company is terminated by an assignment in which the adviser does not directly or indirectly receive a benefit, the adviser may continue to serve for 120 days under a written contract that has not been approved by the company's shareholders, provided that: (a) The new contract is approved by that company's board of directors (including a majority of the non-interested directors); (b) the compensation to be paid under the new contract does not exceed the compensation that would have been paid under the contract most recently approved by the company's shareholders; and (c) neither the adviser nor any controlling person of the adviser "directly or indirectly receives money or other benefit" in connection with the assignment. Applicants state that because of the benefits to Signet, the Adviser's parent, arising from the Transaction, applicants may not rely on rule 15a-4.

4. Section 6(c) provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the requested relief meets this standard.

5. Applicants note that the terms and timing of the Transaction were determined by First Union and Signet and arose primarily out of business considerations beyond the scope of the Act and unrelated to the Funds and the Adviser, including the time needed to obtain federal and state banking approvals for the Transaction. Applicants submit that it is in the best interests of shareholders to avoid any interruption in services to the Funds and to allow sufficient time for the consideration and return of proxies and to hold a shareholder meeting.

6. Applicants submit that the scope and quality of services provided to the Funds during the Interim Period will not be diminished. During the Interim Period, the Adviser would operate under the New Agreements, which would be substantively the same as the Existing Agreements, except for their effective dates. Applicants submit that they are not aware of any material changes in the personnel who will provide investment management services during the Interim Period. Accordingly, the Funds should receive,

during the Interim Period, the same advisory services, provided in the same manner, at the same fee levels, and by substantially the same personnel as they received before the Transaction.

7. Applicants contend that the best interests of shareholders of the Funds would be served if the Adviser receives fees for its services during the Interim Period. Applicants state that the fees are a substantial part of the Adviser's total revenues and, thus, are essential to maintaining its ability to provide services to the Funds. In addition, the fees to be paid during the Interim Period will be unchanged from the fees paid under the Existing Agreements, which have been approved by the shareholders of each respective Fund.

Applicants' Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by the application that:

1. The New Agreements will have substantially the same terms and conditions as the Existing Agreements, except for their effective dates.

2. Fees earned by the Adviser in respect of the New Agreements during the Interim Period will be maintained in an interest-bearing escrow account, and amounts in the account (including interest earned on such paid fees) will be paid (a) to the Adviser in accordance with the new Agreements, after the requisite approvals are obtained, or (b) to the respective Fund, in the absence of such approval with respect to such Fund.

3. The Fund will hold meetings of shareholders to vote on approval of the new Agreements on or before the 120th day following the termination of the Existing Agreements (but in no event later than April 30, 1998).

4. Either First Union or the Adviser will bear the costs of preparing and filing the application, and costs relating to the solicitation of the shareholder approval of the Funds necessitated by the Transaction.

5. The Adviser will take all appropriate steps so that the scope and quality of advisory and other services provided to the Funds during the Interim Period will be at least equivalent, in the judgment of the Boards, including a majority of the Independent Trustees, to the scope and quality of services previously provided. If personnel providing material services during the Interim Period change materially, the Adviser will apprise and consult with the Boards to assure that the Boards, including a majority of the Independent Trustees of the Funds, are satisfied that the services provided will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26763]

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

October 3, 1997.

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 October 27, 1997, 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 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(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Columbia Gas System, Inc. (70-8925)

The Columbia Gas System, Inc. ("Columbia"), a registered holding company, its service company subsidiary, Columbia Gas System Service Corporation, its liquified natural gas subsidiary, Columbia LNG Corporation, its trading subsidiary, Columbia Atlantic Trading Corporation, all located at 12355 Sunrise Valley Drive, Suite 300, Reston, Virginia 20191-3458; Columbia's five distribution subsidiaries, Columbia Gas of Ohio, Inc., Columbia Gas of

Pennsylvania, Inc., Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Commonwealth Gas Services, Inc., all located at 200 Civic Center Drive, Columbus, Ohio 43215; Columbia's two transmission subsidiaries, Columbia Gas Transmission Corporation and Columbia Gulf Transmission Company, located at 1700 MacCorkle Avenue, S.E., Charleston, West Virginia 25314; Columbia's exploration and production subsidiary, Columbia Natural Resources, Inc., 900 Pennsylvania Avenue, Charleston, West Virginia 25302; Columbia's propane distribution subsidiaries, Commonwealth Propane, Inc. and Columbia Propane Corporation, both located at 9200 Arboretum Parkway, Suite 140, Richmond, Virginia 23236; Columbia's energy services and marketing subsidiaries, Columbia Energy Services Corporation ("Columbia Energy"), Columbia Service Partners, Inc. and Columbia Energy Marketing Corporation, all located at 121 Hill Pointe Drive, Suite 100, Canonsburg, Pennsylvania 15317; Columbia's network services subsidiary, Columbia Network Services Corporation ("CNS") and CNS' subsidiary, CNS Microwave, Inc., both located at 1600 Dublin Road, Columbus, Ohio 43215-1082; and Columbia's other subsidiaries, Tristar Ventures Corporation, Tristar Capital Corporation, Tristar Pedrick Limited 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, have filed a post-effective amendment to their joint application-declaration under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 45 and 53.

By order dated December 23, 1996 (HCAR No. 26634) ("Order"), the Commission authorized the Applicants to establish their internal and external financing program, through December 31, 2001. In particular, the Order authorized Columbia, its existing nonutility subsidiaries and any nonutility subsidiaries established before December 31, 2001, to enter into guarantee arrangements, obtain letters of credit, and otherwise provide credit support for their respective subsidiaries in amounts of up to \$500 million ("Guaranties"). Columbia and its existing and future nonutility

subsidiaries now propose to increase the amount of Guaranties to \$2 billion.

Columbia wants to increase its investments in non-rate regulated businesses, particularly gas marketing operations, and will use the Guaranties to support these activities. Columbia notes that, in May 1997, Columbia Energy entered into an agreement to purchase and market the offshore natural gas production for the Kerr-McGee Corporation ("Kerr-McGee") of approximately 250 Mmcf per day. Columbia Energy will manage all of Kerr-McGee's United States natural gas marketing activities including scheduling, nominating, balancing pipeline transportation and providing financial risk management services. Also, Columbia Energy purchased Pennunion Energy Services L.L.C. ("Pennunion"), an energy marketing subsidiary of the Pennzoil Company. The Pennunion acquisition will add sales of 2. Bcf per day.

Conectiv, Inc. (70-9069)

Conectiv, Inc. ("Conectiv"), 800 King Street, Wilmington, Delaware 19899, a Delaware corporation not currently subject to the Act, has filed an application-declaration under sections 6(a), 7, 8, 9(a), 10, 11, and rules 80 through 91, 93 and 94 under the Act.

Conectiv proposes to acquire, by means of the Mergers described below ("Mergers"), all of the issued and outstanding common stock of Delmarva Power & Light Company ("Delmarva") and Atlantic Energy, Inc. ("Atlantic"). Conectiv makes four other requests. Following the Mergers, Conectiv will register under section 5 of the Act.

First, Conectiv requests that Support Conectiv ("Support Conectiv") be designated as a subsidiary service company under rule 88 of the Act.¹ Second, Conectiv requests approval of the terms of the service agreement among companies in the Conectiv system and Support Conectiv. Third, Conectiv seeks Commission approval for it to acquire the gas properties of Delmarva and to continue to operate Delmarva as a combination utility. Fourth, Conectiv seeks Commission approval for it to acquire the nonutility activities, businesses and investments of Delmarva and Atlantic.

Delmarva is a public utility company which provides electric service in Delaware, Maryland and Virginia and gas service in Delaware. As of December 31, 1996, Delmarva provided electric utility service to approximately 442,000 customers in an area encompassing about 6,000 square miles in Delaware (253,000 customers), Maryland (169,000

customers) and Virginia (20,000 customers), and gas utility service to approximately 100,000 customers in an area consisting of about 275 square miles in northern Delaware.

For the year ended December 31, 1996, Delmarva's operating revenues on a consolidated basis were approximately \$1,160 million, of which approximately \$981 million were derived from electric operations, \$114 million from gas operations and \$65 million from other operations. Consolidated assets of Delmarva and its subsidiaries at December 31, 1996 were approximately \$2,979 million, consisting of approximately \$2,536 million in identifiable electric utility property, plant and equipment; approximately \$219 million in identifiable gas utility property, plant and equipment; and approximately \$224 million in other corporate assets.

As of December 31, 1996 Delmarva owned gas property consisting of a liquefied natural gas plant located in Wilmington, Delaware with a storage capacity of 3.045 million gallons and a maximum daily sendout capacity of 49,898 Mcf per day. This facility is used primarily as a peak-shaving facility for Delmarva's gas customers. Delmarva also owns four natural gas city gate stations at various locations in its gas service territory. These stations have a total contract sendout capacity of 125,000 Mcf per day. Delmarva has 111 miles of transmission mains (including 11 miles of joint-use gas pipelines that are used 10% for gas distribution and 90% for electricity production), 1,539 miles of distribution mains and 1,091 miles of service lines. The Delmarva gas facilities are located exclusively in New Castle County, Delaware.

Delmarva has seven direct nonutility subsidiaries: Delmarva Industries, Inc., Delmarva Energy Company, Delmarva Services Company, Conectiv Services, Inc., Conectiv Communications, Inc., Delmarva Capital Investments, Inc. and East Coast Natural Gas Cooperative, L.L.C. ("ECNG").²

² Delmarva Industries, Inc. and Delmarva Energy Company participate in oil and gas exploration and development opportunities.

Delmarva Services Company owns and finances an office building that it leases to Delmarva and/or its affiliates. Delmarva Services Company also owns approximately 2.9% of the common stock of Chesapeake Utilities Corporation, a publicly-traded gas utility company with gas utility operations in Delaware, Maryland and Florida.

Conectiv Services, Inc. acquires and operates service businesses primarily involving heating, ventilation and air conditioning sales, installation and servicing, and other energy-related activities.

Conectiv Communications, Inc. provides a full-range of retail and wholesale telecommunications services.

Delmarva Capital Investments, Inc. is a holding company for a variety of unregulated investments.

ECNG is a limited liability company in which Delmarva holds a 1/3 interest, is engaged in gas related activities.

¹ Support Conectiv will be incorporated before the consummation of the Mergers to serve as the service company for the Conectiv system.

On December 31, 1996, Delmarva's nonutility subsidiaries and investments constituted approximately 4 percent of the consolidated assets of Delmarva and its subsidiaries.

Delmarva also has a nonutility subsidiary trust, Delmarva Power Financing I ("DPF I"), which was formed in 1996 in connection with the issuance by Delmarva of Cumulative Quarterly Income Preferred Securities.

Atlantic is a public utility holding company that claims an exemption from regulation by the Commission under section 3(a)(1) from all provisions of the Act except section 9(a)(2).

The principal subsidiary of Atlantic is Atlantic City Electric Company ("ACE"). ACE is itself a holding company which claims exemption from regulation by the Commission under section 3(a)(1) from all provisions of the Act except section 9(a)(2). ACE is engaged in the generation, transmission, distribution and sale of electric energy. ACE serves a population of approximately 476,000 customers in a 2,700 square-mile area of Southern New Jersey.

ACE currently has one utility subsidiary, Deepwater Operating Company ("Deepwater"). Deepwater operates generating facilities in New Jersey for ACE. Deepwater owns no physical assets. Prior to the closing of the Mergers, the employees of Deepwater will become employees of ACE. ACE also has a nonutility subsidiary trust, Atlantic Capital I ("ACI"), which was formed in 1996 in connection with the issuance by ACE of Cumulative Quarterly Income Preferred Securities.

On a consolidated basis, Atlantic's operating revenues for the calendar year ended December 31, 1996 were approximately \$980 million, and its total assets as of December 31, 1996 were approximately \$2,671 million.

Atlantic has two direct nonutility subsidiaries, Atlantic Energy International, Inc. ("AEII") and AEE.³

At December 31, 1996, Atlantic's nonutility subsidiaries and investments constituted approximately 8.2 percent of the consolidated book value of the assets of Atlantic and its subsidiaries.

Conectiv has no operations other than those contemplated by the Merger Agreement to accomplish the Mergers. At present, Conectiv's common stock,

consisting of 1,000 issued and outstanding shares, is owned by Delmarva and Atlantic, each of which owns 500 shares.

The merger agreement, dated as of August 9, 1996, as amended and restated as of December 26, 1996 ("Merger Agreement"), provides for Atlantic to be merged with and into Conectiv. Also under the Merger Agreement, DS Sub, Inc., a direct subsidiary of Conectiv ("DS Sub"), will be merged with and into Delmarva.⁴

Conectiv will be a public utility holding company and will have two direct utility subsidiaries, Delmarva and ACE, whose only nonutility subsidiaries will be the two trusts: DPF I and ACI. Delmarva's and Atlantic's other direct subsidiaries will also become direct subsidiaries of Conectiv. Support Conectiv will be incorporated as a service company for the Conectiv system.

Conectiv proposes to convert each issued and outstanding share of Delmarva common stock into the right to receive one share of Conectiv common stock ("Conectiv Common Stock"). Each issued and outstanding share of Atlantic common stock shall be converted into the right to receive 0.75 shares of Conectiv Common Stock and 0.125 shares of Class A common stock of Conectiv ("Conectiv Class A Common Stock").⁵

The Mergers will have no effect on the shares of preferred stock of Delmarva issued and outstanding at the time of the consummation of the Mergers, each series of which and each share of which will remain unchanged. Atlantic has no shares of preferred stock outstanding.

⁴ DS Sub has been incorporated as a direct transitory subsidiary of Conectiv established to effectuate the Delmarva Merger. The authorized capital stock of DS Sub consists of 1000 shares of common stock, \$0.01 par value, all of which is held by Conectiv. DS Sub has not had, and prior to the closing of the Mergers will not have, any operations other than the activities contemplated by the Merger Agreement necessary to accomplish the combination of DS Sub and Delmarva.

⁵ The proposed use of two classes of common stock addresses the difference in Delmarva's and Atlantic's evaluations of the growth prospects of, and uncertainties associated with deregulation of, the regulated electric utility business of Atlantic. The Conectiv Class A Common Stock has been created to track the performance of the currently regulated electric utility businesses of ACE. This stock will be issued only to the holders of the Atlantic Common Stock, thereby giving the current holders of Atlantic Common Stock a proportionately greater opportunity to share in the growth prospects of, and a proportionately greater exposure to the uncertainties associated with deregulation of, the regulated electric utility business of Atlantic. The proposed Conectiv Class A Common Stock will have full voting rights with the Conectiv Common Stock.

Conectiv proposes that the Commission authorize Support Conectiv as the system service company. Support Conectiv will provide the Conectiv system companies with a variety of administrative, management, engineering, construction, environmental and support services, either directly or through agreements with associate or nonassociate companies, as needed.

Support Conectiv will enter into a service agreement with most, if not all, companies in the Conectiv system. Support Conectiv's authorized capital stock will consist of up to 3,000 shares of common stock, \$1 par value per share. Conectiv will hold all issued and outstanding shares of Support Conectiv common stock.

Support Conectiv and its associate companies' cost and allocation methods will conform with the "at costs" requirements of section 13 and rules under the Act.

Conectiv also requests authority to provide, directly, or through one or more of its subsidiaries, retail services to residential, commercial and industrial customers. Retail services include energy analysis, project management, design and construction, energy efficient equipment installation and maintenance, facilities management services, environmental services and compliance, fuel procurement, and other similar kinds of managerial and technical services.⁶

Conectiv further requests authority, after consummation of the Mergers for a period of 24 months from the effective date of the Mergers, to transfer certain assets such as real property used for administrative purposes and information technology equipment and software from Delmarva or ACE at cost to Support Conectiv.

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

Margaret H. McFarland,

Deputy Secretary.

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³ AEII brokers used utility equipment to developing countries, and provides utility consulting services related to the design of substations and other utility infrastructure. AEE is a holding company for Atlantic's non-regulated subsidiaries.

⁶ Conectiv states that the retail services may specifically include: (1) service lines repair/extended warranties; (2) surge protection; (3) appliance merchandising/repair/extended warranties; (4) utility bill insurance; and (5) incidental and reasonably necessary products and services related to the choice, purchase or consumption of any of these products and services.