

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 35-26717]

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

May 9, 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 June 2, 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.

**New England Electric System, et al. (70-8783)**

New England Electric System ("NEES"), a registered holding company, and its nonutility subsidiary company, New England Electric Resources, Inc. ("NEERI") (together, "Applicants"), both located at 25 Research Drive, Westborough, Massachusetts 01582, have filed a post-effective amendment to their application-declaration under sections 6(a), 7, 9(a), 10, 12(b), 13(b), 32, and 33 of the Act and rules 45 and 53 thereunder.

By order dated April 15, 1996 (HCAR No. 26504) ("Order"), the Commission authorized NEES and/or NEERI to acquire interests in, finance the acquisition, and hold the securities, of one or more exempt wholesale generators ("EWGs") and foreign utility companies ("FUCOs") (together, Exempt

Companies"), as those terms are defined respectively in sections 32 and 33 of the Act ("NEES Investments"), either directly or indirectly, through a project entity ("Project Parent"). The Project Parents may issue securities to NEES and/or NEERI and NEES and/or NEERI may acquire the securities. The NEES Investments may take the form of capital stock or shares, debt securities, trust certificates, capital contributions, open account advances and partnership interests or other equity or participation interests, bid bonds or other credit support to secure obligations incurred by NEERI and/or Project Parents in connection with Exempt Company investments or of NEERI's undertaking to contribute equity to a Project Parent. The Order authorized NEES and/or NEERI to make up to \$60 million in NEES Investments, provided that the investments would not cause NEES' "aggregate investment", as defined in rule 53(a)(i), in EWGs and FUCOs to exceed 50% of the NEES system's "consolidated retained earnings", as defined in rule 53(a)(ii).

NEES and NEERI now propose to remove the \$60 million limitation on NEES Investments. NEES and NEERI also propose to, from time-to-time through December 31, 1998: (1) Guarantee the indebtedness or other obligations of one or more Exempt Companies; (2) assume the liabilities of one or more Exempt Companies; and/or (3) enter into guarantees and letters of credit reimbursement agreements in support of equity contribution obligations or otherwise in connection with project development activities for one or more Exempt Companies.

As proposed, NEES Investments may be made from NEES to NEERI and/or Project Parents directly or indirectly. Any open account advance made by NEES will be non-interest bearing and shall have a maturity not exceeding one year. Any promissory note issued to NEES by NEERI or a Project Parent, or to NEERI by a Project Parent, and any promissory note or other similar evidence of indebtedness issued by a Project Parent to a person other than NEES or NEERI with respect to which NEES or NEERI may issue a guarantee, would mature not later than 30 years after the date of issuance. It would bear interest at a rate not greater than the prime rate of a bank to be designated by NEES in the case of a promissory note issued to NEES or NEERI. In the case of any note or similar evidence of indebtedness issued to a person other than NEES or NEERI and guaranteed by NEES or NEERI, the rate would not exceed: (a) The greater of 250 basis points above the lending bank's or other

recognized prime rate and 50 basis points above the federal funds rate; (b) 400 basis points above the specified London Interbank Offered Rate plus any applicable reserve requirement; or (c) a negotiated fixed rate 500 basis points above the 30 years "current coupon" treasury bond rate if such note or other indebtedness in U.S. dollar denominated. If such note or other indebtedness is denominated in the currency of a foreign nation, the interest rate will not exceed a fixed or floating rate which, when adjusted for the prevailing rate of inflation, would be equivalent to a rate on a U.S. dollar denominated borrowing of identical average life that does not exceed 10% over the highest rate set forth above.

NEES may enter into reimbursement agreements with banks to support letters of credit delivered as security for NEES' or NEERI's equity contribution obligation to a Project Parent or otherwise in connection with a Project Parent's or NEERI's Exempt Company project development activities. Any reimbursement agreement supporting a letter of credit would have a term not in excess of 30 years. Drawings under any such letter of credit would bear interest at not more than 5% above the prime rate of the letter of credit bank as in effect from time-to-time, and letter of credit fees would not exceed 1% annually of the face amount of the letter of credit.

**DQE, Inc., et al. (70-9027)**

DQE, Inc., Cherrington Corporate Center, Suite 100, 500 Cherrington Parkway, Coraopolis, Pennsylvania, 15108-3184 ("DQE"), a public utility holding company exempt under section 3(a)(1) and rule 2 from all provisions of the Act except section 9(a)(2), and its energy services subsidiary, DQE Energy Services, Inc., One North Shore Center, 12 Federal Street, Suite 200, Pittsburgh, Pennsylvania 15212 ("Energy Services") and Energy Services' subsidiary, DH Energy, Inc., One North Shore Center, 12 Federal Street, Suite 200, Pittsburgh, Pennsylvania 15212 ("DH Energy") collectively, "Applicants"), have filed an application under sections under 9(a)(2) and 10 of the Act.

By order dated March 24, 1995 (HCAR No. 26257), Allegheny Development Corporation ("ADC"), an indirect public utility energy services subsidiary of DQE, was authorized to acquire utility assets to provide energy services to the Midfield Terminal Complex at the Greater Pittsburgh International Airport. The energy services provided by ADC are generated by four boilers and seven chillers to provide hot and cold water to the complex and three capacitors

connecting DQE's generating facilities to the airport facilities.

DQE and Energy Services now propose to cause the execution of an Operation and Maintenance Services Agreement ("O&M Agreement") between ADC and an entity that will be formed as a subsidiary of Energy Services ("Newco"). The term of the O&M Agreement will be 5 years and Newco will receive compensation in the approximate amount of \$4.5 million. Under the O&M Agreement, Newco will serve as operator of ADC's electrical and thermal energy facility located at the Midfield Terminal Complex.

On January 22, 1997, ADC entered into: (1) The Heinz Facility Lease ("Lease") between Heinz USA ("Heinz") and ADC; and (2) the Energy Supply Agreement ("Supply Agreement"), among Heinz, ADC and Duquesne Energy, Inc., a subsidiary of Energy Services. Both agreements provided for the assignment of all of ADC's rights and obligations to DH Energy. The Applicants now propose to have ADC assign to DH Energy all of ADC's rights and obligations under the two agreements.

The Lease provides, among other things, that DH Energy will lease, operate and maintain an inside the fence energy facility ("Facility") for Heinz that will provide energy in the form of steam, electricity and compressed air. The Facility has two 3 MV steam turbine generators capable of generating 40 million kilowatt hours of electricity per year and coal/gas fired boilers capable of generating one billion pounds of steam per year. Under the Supply Agreement, DH Energy will be obligated to sell to Heinz electricity and steam produced by the Facility for use in Heinz' manufacturing processes.

Following the consummation of the transactions, the Applicants state that DQE and Energy Services will be exempt public utility holding companies under section 3(a)(1) and rule 2 of the Act.

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. 34-38614; File No. SR-BSE-96-10]

### Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 3 and 4 to Proposed Rule Change by the Boston Stock Exchange, Inc., To Amend the Execution Guarantee Rule and BEACON Rule 5

May 12, 1997.

#### I. Introduction

On December 1, 1997,<sup>1</sup> the Boston Stock Exchange, Inc. ("BSE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> a proposed rule change to amend Chapter II, Section 33, the Execution Guarantee Rule ("Execution Guarantee Rule"), and Chapter XXXIII, Section 5, the Boston Exchange Automated Communication Order-Routing Network ("BEACON System") Rule ("BEACON Rule 5").

The proposed rule change, including Amendment Nos. 1 and 2, was published for comment in Securities Exchange Act Release No. 38331 (February 24, 1997), 62 FR 9470 (March 3, 1997). No comment letters were received on the proposal. The Exchange subsequently filed Amendment Nos. 3 and 4 to the proposed rule change on March 26, 1997 and April 7, 1997, respectively.<sup>4</sup>

<sup>1</sup> The Exchange also filed Amendment Nos. 1 and 2 on February 14, 1997 and February 19, 1997, respectively, the substance of which was incorporated into the notice. See letters from Karen A. Aluisse, Assistant Vice President, BSE, to Michael Walinkas, Senior Special Counsel, Market Regulation, Commission, dated February 10, 1997 ("Amendment No. 1") and February 13, 1997 ("Amendment No. 2") respectively.

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> Amendment No. 3 amends proposed Interpretation and Policy .05 to the Execution Guarantee Rule to state that an adjustment in price may be allowed if the displayed quotations of the Consolidated Quote System ("CQS") can be demonstrated to be in error or a market center is experiencing system problems which result in an invalid quotation in CQS. Amendment No. 4 amends proposed Interpretation and Policy .06 to state that specialists can seek relief from the requirements of the Execution Guarantee Rule from two out of three floor officials, and specifies that floor officials include floor members of the Board of Governors and the Market Performance Committee. See letters from Karen A. Aluisse, Assistant Vice President, BSE, to Michael Walinkas, Senior Special Counsel, Market Regulation, Commission, dated March 20, 1997

## II. Background and Description

The BSE proposes to amend certain provisions of the Execution Guarantee Rule and BEACON Rule 5. The Execution Guarantee Rule provides customers with primary market price protection on small size orders ranging in size from 100 shares up to and including 1,299 shares, regardless of the displayed bid or offer size in the primary market at the time the order is entered. The proposed rule change deletes the current language of the Execution Guarantee Rule that indicates that the 1,299 share guarantee applies "regardless of the size of the order." The proposed rule change now states that BSE specialists must guarantee execution on all agency market and marketable limit orders from 100 up to and including 1,299 shares.

The proposed rule change also eliminates the 2,500 execution guarantee for most actively traded stocks ("MATS") from the Execution Guarantee Rule. The proposed rule change moves rule text covering the obligation for filling limit orders from the Interpretations and Policies section to the body of the Execution Guarantee Rule and labels it as paragraph (c). The proposed rule change also rennumbers and clarifies the remaining Interpretations and Policies to the Execution Guarantee Rule.

The proposed rule change clarifies proposed Interpretation and Policy .03 of the Execution Guarantee Rule to limit a specialist's obligation for simultaneous orders to the accumulated displayed national best bid and offer ("NBBO") size. Under proposed Interpretation and Policy .04, the size of limit order executions will be governed by the size displayed on the Consolidated Quote System ("CQS"). Amendment No. 3 amends proposed Interpretation and Policy .05 to state an adjustment in execution price may be allowed (as prescribed in proposed Interpretation and Policy .06) if the displayed quotations of the CQS can be shown to be in error or a market center is experiencing system problems that result in invalid quotations in CQS. Finally, under proposed Interpretation and Policy .06, as amended by Amendment No. 4, specialists can obtain relief from the requirements of the remainder of the Execution Guarantee Rule<sup>5</sup> upon approval from

("Amendment No. 3") and April 4, 1997 ("Amendment No. 4"), respectively.

<sup>5</sup> The Commission notes that the proposed Interpretation and Policy .06 also amends the rule to state that the specialist can now seek relief from the remainder of the entire Execution Guarantee Rule, rather than from just the Interpretations and Policies.