

Act if the person has less than 10 years of railroad service or has 10 or more years of service but does not have a current connection with the railroad industry at the time of his/her death.

#### Authority for Conducting the Match

Section 7(b)(7) of the Railroad Retirement Act (45 U.S.C. 231f(h)(7)) provides that the Social Security Administration shall supply information necessary to administer the Railroad Retirement Act.

Sections 202, 205(o) and 215(f) of the Social Security Act (42 U.S.C. 402, 405(o) and 415(f)) relate to benefit provisions, inclusion of railroad compensation together with wages for payment of benefits under certain circumstances, and the recomputation of benefits.

#### Categories of Records and Individuals Covered

All applicants for benefits under the Railroad Retirement Act and current beneficiaries will have a record of any social security wages and the amount of any social security benefits furnished to the RRB by SSA. In addition, all persons who ever worked in the railroad industry after 1936 will have a record of their service and compensation furnished to SSA by RRB. The applicable Privacy Act Systems of Records used in the matching program are as follows: RRB-5, Master File of Railroad Employees' Creditable Compensation; RRB-22, Railroad Retirement, Survivor, Pensioner Benefit System; SSA/OSR, 09-60-0090, Master Beneficiary Record (MBR); and SSA/OSR, 09-60-0059, Master Earnings File (MEF).

#### Inclusive Dates of the Matching Program

The consolidated matching program shall become effective no sooner than 40 days after notice of the matching program is sent to Congress and the Office of Management and Budget (OMB), or 30 days after publication of this notice in the **Federal Register**, whichever date is later. The matching program will continue for 18 months from the effective date and may be extended for an additional 12 months thereafter, if certain conditions are met.

The notice we are giving here is in addition to any individual notice.

A copy of this notice will be or has been furnished to the Office of Management and Budget and the designated committees of both houses of Congress.

Dated: March 20, 1998.

By authority of the Board.

**Beatrice Ezerski,**

*Secretary of the Board.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26846]

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

March 20, 1998.

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 References.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by April 13, 1998, 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.

#### Allegheny Energy, Inc., et al. (70-9147)

Allegheny Energy, Inc. (formerly, Allegheny Power System, Inc.) ("Allegheny"), 10435 Downsview Pike, Hagerstown, Maryland 21740, a registered holding company, has filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b) and 13(b) of the Act and rules 45, 54, and 80-92 under the Act, in connection with a proposed combination with DQE, Inc. ("DQE"), a holding company exempt under sections 3(a)(1) by rule 2 from all provisions of the Act except section 9(a)(2).

As described in more detail below, Allegheny proposes: (1) to acquire, by means of the mergers described below all of the issued and outstanding common stock of DQE ("DQE Common Stock"); and, through this acquisition, (i) all of the issued and outstanding common stock of DQE's direct electric utility subsidiary company, Duquesne Light Company ("Duquesne Light"), and all of the issued and outstanding common stock of Duquesne Light's three electric utility subsidiary companies, Allegheny Development Corporation ("ADC"), DH Energy, Inc. and MT Energy, Inc. and (ii) all of the issued and outstanding common stock of DQE's two direct holding company subsidiaries, Duquesne Enterprises ("DE") and DQE Energy Services ("DES"), each of which is currently exempt under section 3(a)(1) by rule 2 from all provisions of the Act except section 9(a)(2); (2) to form and capitalize a special purpose subsidiary and issue Allegheny common stock ("Allegheny Common Stock") to effect the proposed transactions; (3) to add DQE and certain of its subsidiaries to the Allegheny money pool ("Money Pool"); (4) to provide loans and guarantees to DQE's nonutility subsidiaries; and (5) to authorize Allegheny Power Service Corporation ("AP Services") to render services to DQE's utility and nonutility subsidiaries.

Allegheny, through subsidiaries, is engaged principally in the generation, transmission, distribution and sale of electricity throughout a 29,000 square mile service area covering parts of Maryland, Ohio, Pennsylvania, Virginia and West Virginia. Allegheny has three wholly electric operating companies, Monongahela Power Company ("Monongahela"), The Potomac Edison Company ("Potomac Edison") and West Penn Power Company ("West Penn"). The three utility subsidiaries jointly own Allegheny Generating Company ("AGE"), a Virginia corporation. AGE's only asset is a 40% undivided interest in a pumped-storage hydroelectric generating facility located in Bath County, Virginia and its connecting transmission facilities. AGE's 840-megawatt share of the capacity of the station is sold to its three parents.

Monongahela, an Ohio corporation, is engaged in the generation, transmission and distribution of electricity to 350,062 retail customers and eight wholesale customers in an area of approximately 11,900 square miles with a population of approximately 710,000 in northern West Virginia and an adjacent portion of

Ohio.<sup>1</sup> In the fiscal year ended December 31, 1996, Monongahela provided approximately 24% of Allegheny's consolidated revenues. Monongahela is subject to regulation by the Public Utilities Commission of Ohio and the Public Service Commission for West Virginia.

Potomac Edison, a Virginia corporation, is engaged in the generation, transmission and distribution of electricity to 375,432 retail customers and ten wholesale customers in an area of approximately 7,300 square miles with a population of approximately 782,000 in portions of Maryland, Virginia and West Virginia.<sup>2</sup> In the fiscal year ended December 31, 1996, Potomac Edison provided approximately 31% of Allegheny's consolidated revenues. Potomac Edison is subject to regulation by the State Corporation Commission of Virginia, the West Virginia Commission and the Maryland Public Service Commission.

West Penn, a Pennsylvania corporation, is engaged in the generation, transmission and distribution of electricity to 662,881 retail customers and 15 wholesale customers in an area to approximately 9,900 square miles with a population of approximately 1.399 million in southwestern and north and south central Pennsylvania.<sup>3</sup> In the fiscal year ended December 31, 1996, West Penn provided approximately 45% of Allegheny's consolidated revenues. West Penn is subject to regulation by the Pennsylvania Public Utility Commission ("Pennsylvania Commission").

Wholesale rates for electric energy sold in interstate commerce, wheeling rates for energy transmission in interstate commerce, and certain other activities of Allegheny system companies, including the operation of hydroelectric plants, are subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC").

Allegheny also owns directly all the issued and outstanding stock of two nonutility companies, AYP Capital, Inc. ("AYP Capital") and AP Services. Allegheny conducts its nonutility business through AYP Capital, which has three wholly owned subsidiaries, AYP Energy, Inc., an exempt wholesaler generator and a power marketer; Allegheny Communications Connect, Inc., an exempt telecommunications company; and Allegheny Energy Solutions, Inc., formed as an

unregulated subsidiary to provide electric energy and related services to retail customers as retail energy and service are opened to competition.<sup>4</sup>

For the twelve months ended September 30, 1997, Allegheny's total revenue on a consolidated basis was \$2.3 billion. Consolidated assets of Allegheny and its subsidiaries as of September 30, 1997, were approximately \$6.5 billion, consisting of \$5.2 billion in net electric utility property, plant and equipment and \$1.3 billion in other corporate assets.

DQE's sole utility subsidiary, Duquesne Light, is engaged in the production, transmission, distribution and sale of electric energy. Duquesne Light serves an area of approximately 800 square miles, including Pittsburgh and municipalities, in Allegheny, Beaver and (to a limited extent) Westmoreland Counties, Pennsylvania, having a population of approximately 1.51 million of which 370,000 reside in Pittsburgh. Duquesne Light also sells electricity to other utilities. Duquesne Light owns undivided interests as tenant-in-common in two nuclear facilities and leases an undivided interest in a third ("Nuclear Facilities").<sup>5</sup> Duquesne Light is subject to regulation by the Pennsylvania Commission. The FERC has jurisdiction over wholesale rates for electric energy sold in interstate commerce, wheeling rates for energy transmission in interstate commerce, and certain other activities of Duquesne Light. DQE's electric utility operations are also subject to regulation by the Nuclear Regulatory Commission with respect to the operation of the Nuclear Facilities.

DQE has five direct nonutility subsidiaries. DE makes strategic investments related to DQE's core energy business. DES is a diversified energy services company that offers a wide range of energy solutions for industrial, utility and consumer markets worldwide. DQEnergy Partners, Inc. was formed in December 1996 to align DQE with strategic partners to capitalize on opportunities in the energy services

industry. Montauk, Inc. is a financial services company that makes long-term investments. It was established to provide financing for DQE's unregulated businesses and their customers. Brighter Light Corporation has no active operations.

For the twelve months ended September 30, 1997, DQE's total revenue on a consolidated basis was approximately \$1.22 billion. Consolidated assets of DQE and its subsidiaries as of September 30, 1997, were approximately \$4.7 billion, consisting of \$3.7 billion in net electric utility assets and \$1 billion in nonutility assets.

An Agreement and Plan of Merger, dated as of April 5, 1997 ("Merger Agreement"), among DQE, Allegheny and AYP Sub, Inc., a wholly owned subsidiary that Allegheny will incorporate under Pennsylvania law ("Merger Sub"), provides for a combination of Allegheny and DQE in which Merger Sub will be merged with and into DQE ("Merger"), with DQE as the surviving corporation.

To effectuate the Merger, Allegheny requests authority to form and capitalize Merger Sub. Merger Sub will be incorporated solely for the purpose of effectuating the Merger and, prior to the consummation of the Merger, Merger Sub will have no operations other than those contemplated by the Merger Agreement. The authorized capital stock of Merger Sub will consist of 1,000 shares of common stock, \$.01 par value, all of which will be issued to Allegheny at the price of \$1.00 per share.

Allegheny requests authority to issue up to 90,557,682 shares of Allegheny Common Stock to consummate the Merger. Each share of DQE Common Stock<sup>6</sup> issued and outstanding immediately prior to the effective date of the Merger will be converted into the right to receive, and become exchangeable for, 1.12 shares of Allegheny Common Stock. Upon consummation of the Merger, holders of DQE Common Stock immediately prior to the Merger will own approximately 42% of the outstanding shares of Allegheny Common Stock after the Merger, based on the number of shares of Allegheny Common Stock and DQE

<sup>1</sup> Monongahela also owns generating capacity in Pennsylvania.

<sup>2</sup> Potomac Edison also owns generating capacity in Pennsylvania.

<sup>3</sup> West Penn also owns generating capacity in West Virginia.

<sup>4</sup> Through its utility subsidiaries, Allegheny also owns three other small nonutility companies. Allegheny Pittsburgh Coal Company, which is jointly owned by Monongahela, Potomac Edison and West Penn, owns coal rights in a tract of land in Pennsylvania. West Virginia Power and Transmission Company ("West Virginia Power"), a wholly owned subsidiary of West Penn, and West Penn West Virginia Water Power Company, a wholly owned subsidiary of West Virginia Power, each own tracts of land in West Virginia and Pennsylvania, respectively.

<sup>5</sup> Specifically, Duquesne Light owns a 13.74% interest in Perry Power Station Unit 1 and a 47.5% interest in Beaver Valley Power Station Unit 1, and leases a 13.74% interest in Beaver Valley Power Station Unit 2.

<sup>6</sup> Other than shares owned by Allegheny, Merger Sub and any other subsidiary of Allegheny and shares of DQE Common Stock that are owned by DQE or any subsidiary of DQE, in each case not held on behalf of third parties and which are not shares of DQE Common Stock held by Duquesne Light to provide for redemption of the subsidiary's preference shares under the terms of the subsidiary's 401(k) plan or to provide benefits under another employee benefit plan of Duquesne Light (collectively, "Excluded Shares").

Common Stock outstanding as of September 30, 1997.

After the Merger, DQE will be a wholly owned subsidiary of Allegheny. Allegheny's utility and nonutility subsidiaries will remain subsidiaries of Allegheny. DQE's utility and nonutility subsidiaries will become indirect subsidiaries of DQE. Upon consummation of the Merger, DQE will be a wholly owned subsidiary of Allegheny.

The applicants request authority for certain of DQE's direct and indirect subsidiaries to participate in the Money Pool under the same terms and conditions as Monongahela, Potomac Edison and West Penn (i.e., be permitted to both invest in and borrow from the Money Pool), as stated in the Commission order dated April 18, 1996 (HCAR No. 26506).

The applicants also request authorization for DQE's nonutility subsidiaries to borrow or obtain guarantees from Allegheny under the same terms and conditions as the nonutility subsidiaries of Allegheny, as stated in the Commission order dated October 9, 1996 (HCAR No. 26590).

AP Services is a service company subsidiary. It provides various technical, engineering, accounting, administrative, financial, purchasing, computing, managerial, operational and legal services to Allegheny's subsidiaries, including AYP Capital and its subsidiaries, at cost.

AP Services proposes to enter into service agreements ("Service Agreements") with certain utility and nonutility subsidiaries of DQE (including Duquesne Light), which will become effective upon the consummation of the Merger. The Service Agreements are similar in all material respects to those service agreements which AP Services has signed with its client companies. Under the terms of the Service Agreements, AP Services will render to DQE's subsidiaries, at cost, various technical, engineering, accounting, administrative, financial, purchasing, computing, managerial, operational and legal services. AP Services will account for, allocate and charge its costs of the services provided on a full cost reimbursement basis under a work order system consistent with the Uniform System of Accounts for Mutual and Subsidiary Service Companies. The time AP Services employees spend working for the subsidiaries of DQE will be billed to and paid by the applicable subsidiary on a monthly basis, based upon time records. Each DQE subsidiary

that is party to a Service Agreement will maintain separate financial records and detailed supporting records.

#### **Gulf Power Co., et al. (70-9171)**

Gulf Power Company ("Gulf"), 500 Bayfront Parkway, Pensacola, Florida, 32501, and Mississippi Power Company ("Mississippi"), 2992 West Beach, Gulfport, Mississippi, 39501, wholly owned subsidiaries of The Southern Company, a registered holding company, have filed a declaration under sections 6(a) and 7 of the Act and rule 54 under the Act.

Gulf and Mississippi propose to issue and sell in one or more series through March 31, 2003 senior debentures, senior promissory notes or other senior debt instruments ("Senior Notes") governed by an indenture or other document. The amount of Senior Notes would not exceed \$350 million outstanding for Gulf or \$400 million outstanding for Mississippi.

The provisions of each series of Senior Notes and related instruments would be determined when the sale of each series of Senior Notes occurs. However, Gulf and Mississippi request authority to issue and sell Senior Notes whose terms fall within certain parameters described below.

First, the effective cost of money on Senior Notes will not exceed the greater of 300 basis points over U.S. Treasury securities having comparable maturities or a gross spread over those Treasury securities that is consistent with comparable securities. Second, the maturity of the Senior Notes will not exceed approximately 50 years.

Third, the interest rate on the Senior Notes will be either fixed or adjusted on a periodic basis, either by auction or remarketing procedures that use one or more formulas based on certain reference rates, or by other predetermined methods. Fourth, the Senior Notes will be direct, unsecured and unsubordinated obligations of Gulf or Mississippi ranked equally with all other unsecured and unsubordinated obligations of Gulf or Mississippi.

The proceeds from the issuance and sale of Senior Notes will be used principally (i) to finance capital expenditures, (ii) to acquire, retire or redeem securities, (iii) to repay outstanding short-term borrowings, (iv) to provide working capital and/or (v) for other general corporate purposes.

#### **American Electric Power Company, Inc., et al. (70-9181)**

American Electric Power Company, Inc. ("AEP"), a registered holding

company, and its wholly owned nonutility subsidiary, American Electric Power Service Corporation ("AEPSC"), both of 1 Riverside Plaza, Columbus, Ohio 43215, have filed a declaration under sections 6(a), 7, and 12(b) of the Act and rules 45 and 54 under the Act requesting authorization for AEP to guarantee certain payment obligations of AEPSC.

AEPSC will issue unsecured long-term promissory notes ("Notes") to one or more commercial banks, financial institutions or other institutional investors under the terms and conditions of one or more term-loan agreements ("Proposed Loan Agreement"). The Proposed Loan Agreement and the Notes will have a term of not less than nine months and no more than ten years from the date of borrowing.

The Notes will bear interest at a fixed, fluctuating or combination fixed and fluctuating rate. If the interest rate is fixed, interest on the Notes at the time of issuance will not be greater than 250 basis points above the yield to maturity of United States Treasury obligations which have maturities similar to the maturity date of the Notes. If the interest rate is fluctuating, interest on the Notes will be not be greater than 200 basis points above the rate of interest announced publicly by a major bank from time to time as its base or prime rate. The actual rate of interest on the Notes will be as further determined by AEPSC and the lender.

AEPSC intends to use proceeds from the Notes to pay long-term debt at, or prior to, maturity, to repay short-term debt, for working capital or other corporate purposes.<sup>2</sup>

AEP proposes to issue guarantees ("Guarantees") in support of the Notes in an aggregate amount not to exceed \$20 million outstanding at any one time, through December 31, 2003. Under the Guarantees, AEP will be unconditionally obligated to pay amounts due and unpaid by AEPSC in connection with the Notes.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>2</sup> AEPSC currently has a term loan in the principal amount of \$10 million, which will mature on October 14, 1998.