

the Underlying Fund and to the Underlying Fund as a whole that will exceed the costs of the Servicing Arrangement borne by each class of shareholders of the Underlying Fund and by the Underlying Fund as a whole ("Net Benefits"). In making the annual determination, one of the factors the Board must consider is the amount of Net Benefits actually experienced by each class of shareholders of the Underlying Fund and the Underlying Fund as a whole during the preceding year. For these reasons, applicants believe that the requested relief meets the standards of section 17(d) and rule 17d-1.

#### Applicants' Conditions

The applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The Balanced Series, the Affiliated Fund, and the Bond-Debt Fund will comply with section 12(d)(1)(G) of the Act, except for the requirement set forth in section 12(d)(1)(G)(i)(II) to the extent that the Balanced Series invests in securities as described in the application.

2. Before approving any advisory contract under section 15 of the Act, the directors of the Investment Trust, including a majority of the directors who are not "interested persons," shall find that the advisory fees, if any, charged under such contract are based on services provided that are in addition to, rather than duplicative of, services provided pursuant to the advisory contracts of the Affiliated Fund and the Bond-Debt Fund. Such finding, and the basis upon which the finding was made, will be recorded fully in the minute books of the Investment Trust.

3. Prior to an Underlying Fund's entering into a Servicing Arrangement, and at least annually thereafter, the board of directors of the Underlying Fund, including a majority of directors who are not interested persons of the Underlying Fund (the "Board"), must determine that the Servicing Arrangement will result in quantifiable benefits to each class of shareholders of the Underlying Fund and to the Underlying Fund as a whole that will exceed the costs of the Servicing Arrangement borne by each class of shareholders of the Underlying Fund and by the Underlying Fund as a whole ("Net Benefits"). In making the annual determination, one of the factors the Board must consider is the amount of Net Benefits actually experienced by each class of shareholders of the Underlying Fund and the Underlying Fund as a whole during the preceding year. The Underlying Fund will

preserve for a period of not less than six years from the date of a Board determination, the first two years in an easily accessible place, a record of the determination and the basis and information upon which the determination was made. This record will be subject to examination by the SEC and its staff.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-8720 Filed 4-2-98; 8:45 am]

BILLING CODE 8010-01-M

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26851]

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

March 27, 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 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 April 21, 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.

#### Central and South West Services, Inc. (70-8531)

Central and South West Services, Inc. ("CSWS"), 1616 Woodall Rodgers

Freeway, P.O. Box 660164, Dallas, Texas 75266, a service company subsidiary of Central and South West Corporation ("CSW"), a registered holding company, has filed a post-effective amendment to an application under sections 9(a) and 10 of the Act and rule 54 under the Act.

By orders dated April 26, 1995 (HCAR No. 26280) and December 11, 1997 (HCAR No. 26794) ("Orders"), the Commission authorized CSWS to use excess resources in its engineering and construction department, not needed to provide services to associates within the CSW system at any given time, to provide power plant control system procurement, integration and programming services, and power plant engineering and construction services to nonassociate utilities through December 31, 2002.

CSWS now proposes to expand the authority granted in the Orders to more clearly identify the excess engineering and construction services<sup>1</sup> and provide related environmental<sup>2</sup> and equipment maintenance services<sup>3</sup> to nonassociate companies.

#### American Electric Power Co., et al. (70-8693)

American Electric Power Company, Inc. ("AEP"), 1 Riverside Plaza, Columbus, Ohio, 43215, a registered holding company, and its eight wholly owned electric utility subsidiary companies, Appalachian Power Company ("Appalachian"), Kingsport Power Company ("Kingsport"), both at 40 Franklin Road, S.W., Roanoke, Virginia, 24011, Columbus Southern Power Company ("Columbus"), 215 North Front Street, Columbus, Ohio, 43215, Indiana Michigan Power Company ("Indiana"), One Summit Square, P.O. Box 60, Fort Wayne, Indiana, 46801, Kentucky Power

<sup>1</sup> The engineering and construction services will relate to: consulting; design engineering; power quality; predictive maintenance; energy efficiency; field construction support and field construction; control system integration and engineering; project development (small cogeneration, steam production and renewable resources); production facilities operation; instrument engineering; electrical engineering; mechanical engineering; civil engineering and procurement activities.

<sup>2</sup> The environmental services activities will relate to: Gas emission equipment; continuous emission monitoring system; environmental laboratory; environmental & occupational health strategic planning; environmental & occupational health permitting; environmental & occupational health management systems; and environmental & occupational health compliance management.

<sup>3</sup> The equipment maintenance services ("Equipment Services") will be limited to equipment used by CSW and its subsidiaries in their core utility business. The Equipment Services will consist of: repair, overhaul, and upgrades to equipment; machine shop services; vibration analysis and equipment balancing; welding and fabrication; field consulting and machining.

Company ("Kentucky"), 1701 Central Avenue, Ashland, Kentucky, 41101, Ohio Power Company ("Ohio"), 301 Cleveland Avenue, S.W., Canton, Ohio, 44701, AEP Generating Company ("Generating"), 1 Riverside Plaza, Columbus, Ohio, 43215, and Wheeling Power Company ("Wheeling"), 51 Sixteenth St., Wheeling, West Virginia, 26003, have filed a post-effective amendment to a declaration filed under sections 6(a), 7 and 12(b) of the Act and rules 45 and 54 under the Act.

By order dated December 8, 1995, (HCAR No. 26424) ("Order"), the Commission authorized AEP, Appalachian, Columbus, Indiana, Kentucky and Ohio to issue and sell, through December 31, 2000, short-term notes to banks and commercial paper. The Order also authorized Generating, Kingsport, and Wheeling to issue and sell, through December 21, 2000, short-term notes to banks.

The Order authorized short-term notes and/or commercial paper in amounts not to exceed:

Company	Amount
AEP .....	\$150,000,000
Appalachian .....	250,000,000
Columbus .....	175,000,000
Indiana .....	175,000,000
Kentucky .....	150,000,000
Generating .....	100,000,000
Kingsport .....	30,000,000
Ohio .....	250,000,000
Wheeling .....	30,000,000
Total .....	1,310,000,000

Applicants now request that the Order be amended to authorize short-term notes ("Notes") and commercial paper ("Commercial Paper") in the following increased amounts:

Company	Amount
AEP .....	\$500,000,000
Appalachian .....	325,000,000
Columbus .....	300,000,000
Indiana .....	300,000,000
Kentucky .....	150,000,000
Generating .....	100,000,000
Kingsport .....	30,000,000
Ohio .....	400,000,000
Wheeling .....	30,000,000
Total .....	2,135,000,000

Applicants also request that the Commission extend its authorization through December 31, 2003. Finally, AEP requests authorization to guarantee up to \$40 million in short-term debt of American Electric Power Service Corporation. The debt AEP requests authority to guarantee matures within 270 days.

The Notes will mature within 270 days. The Commercial Paper will be in the form of promissory notes in denominations of not less than \$50,000 and will mature within 270 days.

Applicants also request authorization to issue unsecured promissory notes or other evidence of their reimbursement obligations in respect of letters of credit issued on their behalf by certain banks. All promissory notes or other evidence of reimbursement obligations, together with other short-term indebtedness authorized, would be in an aggregate amount not to exceed the above-itemized aggregate amounts authorized for each Applicant and would mature within 270 days.

#### **New England Electric System, et al. (70-9089)**

New England Electric System ("NEES"), a registered holding company, and its subsidiary companies, Massachusetts Electric Company, Narragansett Energy Resources Company, New England Electric Transmission Corporation, New England Energy Incorporated, New England Hydro-Transmission Electric Company, Inc., New England Hydro-Transmission Corporation, New England Power Company ("NEP"), and New England Power Service Company, all located at 25 Research Drive, Westborough, Massachusetts 01582, and Granite State Electric Company, 407 Miracle Mile, Suite 1, Lebanon, New Hampshire 03766, Nantucket Electric Company, 25 Fairgrounds Road, Nantucket, Massachusetts 02554, and The Narragansett Electric Company, 280 Melrose Street, Providence Rhode Island 02901 (collectively, "Applicants"), have filed a post-effective amendment to their application-declaration under sections 6(a), 7, 9(a), 10, and 12(b) of the Act and rules 43 and 45 under the Act.

By order dated October 29, 1997 (HCAR No. 26768) ("October 1997 Order"), the Commission, among other things, authorized, for the period from November 1, 1997 through October 31, 2001: (1) NEP to borrow from the NEES intrasystem money pool ("Money Pool"); (2) any one Applicant, or a combination of several Applicants, to loan money to one or more of the Applicants through the Money Pool under the current terms of the Money Pool; (3) NEP to borrow from banks; and/or (4) NEP to issue commercial paper. The October 1997 Order authorized NEP to borrow money and/or issue commercial paper in an amount up to \$375 million.

Applicants now propose that NEP be authorized to increase from \$375 million to \$750 million the total amount

of the short-term borrowing authorized by the October 1997 Order. As of March 1, 1998, NEP had \$209 million of short-term debt outstanding in the form of commercial paper and money pool borrowings. In addition, NEP has \$372 million of variable rate tax-exempt mortgage bonds outstanding ("Bonds"). Under the terms of these Bonds, NEP is obligated to repurchase the bonds in the event they cannot be remarketed to investors. NEP has a \$205 million bond purchase facility to support this obligation. Thus, NEP requires \$376 million to support the remaining Bonds plus the authorized level of short-term debt.

NEP currently has 1,100 megawatts of purchased power contracts. NEP may have opportunities to negotiate or buy out these purchased power contracts, which may require lump sum, up front payments. Also, upon divestiture of its non-nuclear generation assets, NEP is required to defease by either first call or maturity its outstanding mortgage bonds (\$711 million of which support fixed or variable rate tax-exempt mortgage bonds and \$240 million of which are publicly held). The repurchase of some of these publicly held bonds through a tender offer or open market purchases may achieve cost savings. Therefore, NEP seeks to increase its short-term borrowing authority by an additional \$375 million.

#### **American Electric Power Company, Inc., et al. (70-9145)**

American Electric Power Company, Inc. ("AEP"), a registered holding company, and its wholly owned nonutility subsidiaries AEP Resources, Inc. ("AEPR"), AEP Energy Services, Inc. ("AEPES"), and AEP Resources Services company ("Resco"), all located at 1 Riverside Plaza, Columbus, Ohio 43215, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b), 12(c) and 13(b) of the Act and rules 45, 46, 54, 87 and 90 under the Act.

AEPR requests authority to enter, either directly or indirectly, into a joint venture ("Management Company") with Conoco Inc. ("Conoco"), a subsidiary of E.I. du Pont de Nemours and Company ("DuPont"). The Management Company would provide energy-related services to industrial, commercial and institutional customers. AEPR also requests authority to enter, either directly or indirectly, into a joint venture ("Capital Company") with Conoco and DuPont that would provide financing to Management Company customers for energy-related assets and for the purchase of services from Management Company.

The energy-related services to be provided by Management Company would include energy facility management services, energy conservation services, procurement services, other energy services and incidental services. These services would be provided either directly by Management Company or by special purpose subsidiaries established to conduct these activities.

Energy facility management services include the day-to-day operations, maintenance, and management, and other technical and administrative services required to operate, maintain and manage certain energy-related assets ("Energy Facilities"), as well as long-term planning and budgeting for and evaluation of improvements to those assets. "Energy Facilities" include facilities and equipment that are used by industrial, commercial and institutional entities to produce, convert, store and distribute (i) thermal energy products, such as processed steam, heat, hot water, chilled water, and air conditioning, (ii) electricity, (iii) compressed air, (iv) processed and potable water, (v) industrial gases, such as nitrogen, and (vi) other similar products. Energy Facilities also include related facilities that transport, handle and store fuel, such as coal handling and oil storage tanks, and facilities that treat waste for these entities, such as scrubbers, precipitators, cooling towers and water treatment facilities.

#### **National Fuel Gas Company, et al. (70-9175)**

National Fuel Gas Company ("National"), a registered holding company, and its wholly owned nonutility subsidiary, National Fuel Gas Supply Corporation ("Supply"), both located at 10 Lafayette Square, Buffalo, New York 14203, have filed an application-declaration under sections 6(a), 7, 9(a) and 10 of the Act and rule 43 under the Act.<sup>4</sup>

<sup>4</sup> National and its subsidiaries are collectively referred to as the "National Fuel Gas System." In addition to Supply, National's subsidiaries consist of National Fuel Gas Distribution Corporation ("Distribution"), Seneca Resources Corporation, Utility Constructors, Inc., Leidy Hub, Inc., Horizon Energy Development, Inc., Data-Track Account Services, Inc., National Fuel Resources, Inc., Highland Land & Minerals, Inc., Niagara Trading Inc., Niagara Independence Marketing Company, and Seneca Independence Pipeline Company. Distribution, National's only utility subsidiary, sells natural gas and provides natural gas transportation services through a local distribution system located in an area in western New York and northwestern Pennsylvania that includes Buffalo, Niagara Falls and Jamestown, New York and Erie and Sharon, Pennsylvania. Neither National nor any of its subsidiaries currently has an ownership interest in an exempt wholesale generator or foreign utility

Supply is engaged in the interstate transportation and storage of natural gas subject to the jurisdiction of the Federal Energy Regulatory Commission. Cunningham Natural Gas Corporation ("Cunningham"), a New York corporation that is not associated with the National Fuel Gas System, is a nonutility company that operates two natural gas wells, one in Allegany County, New York, and the other in Potter County, Pennsylvania.<sup>5</sup>

Supply and Cunningham have entered into an Asset Purchase and Reorganization Agreement dated October 8, 1997 ("Agreement"), under which Supply, subject to certain conditions including Commission approval under the Act, will acquire substantially all the assets of Cunningham ("Assets"). the Assets to be acquired by supply include the following:

- (1) Cunningham's two natural gas wells, and related pipeline's, equipment, vehicles, leases, sales agreements and other property used in the production of natural gas;
  - (2) Cunningham's cash, cash equivalents and receivables (except as identified in footnote 4, below);
  - (3) Approximately 640 acres of undeveloped timber property in Allegany County, New York;
  - (4) Any marketable securities that remain in Cunningham's accounts with two investment brokers<sup>6</sup> at the time the Exchange (as defined below) is consummated ("Closing").<sup>7</sup>
- In exchange for the Assets, Cunningham will receive registered shares of National's common voting stock, \$1 par value ("Shares"), having an aggregate market value ("Consideration") as of the end of the last business day immediately preceding the Closing ("Valuation Date") equal to the sum of the following: (1) the cash and cash equivalents to be transferred to Supply; (2) the market value as of the Valuation Date of any securities to be

company as defined, respectively, in sections 32 and 33 of the Act.

<sup>5</sup> Cunningham also operates a number of shallow oil wells in Pennsylvania.

<sup>6</sup> One account is with Salomon Smith Barney, and the other is with Edward Jones. At this time, these accounts consist entirely of money funds and certificates of deposit.

<sup>7</sup> The following assets of Cunningham will be excluded from the Exchange: (1) Cunningham's oil wells and any equipment or other property used by Cunningham in the production and sale of oil, which will be sold to one or more other parties in separate transactions; (2) an amount of cash or cash equivalents (not to exceed \$300,000) retained by Cunningham to pay deferred compensation obligations predating the Agreement; and (3) two pickup trucks and one brine truck, which will be sold to one or more other parties in separate transactions.

transferred to Supply (although it is expected that no securities will be transferred); (3) the unpaid balance of Cunningham's receivables from its gas sales customer; (4) the fair market value of the real property owned by Cunningham according to appraisals to be commissioned by Supply and Cunningham; and (5) an agreed-upon amount of additional consideration. Applicants have estimated that the sum of the above five asset categories will be approximately \$3.158 million. A final determination of the exact value of the Consideration for the Assets and the precise number of Shares given in exchange for them will be made on the Valuation Date.

Applicants state that, based on *pro forma* financial states, if the exchange of Assets for Shares ("Exchange") had been consummated on November 30, 1997, Cunningham would have received 67,641 Shares, or less than  $\frac{2}{10}$  of 1% of the 38,251,307 shares of National's common stock issued and outstanding as of March 17, 1998, and the market value of the Shares (\$3.158 million) would also have amounted to a small fraction of 1% of the total assets of national and its subsidiaries, which totaled \$2,350,588,000 as of November 30, 1997. Applicants state that the Exchange is expected to qualify for nonrecognition of gain or loss under section 368 of the Internal Revenue Code.

The Shares to be exchanged for Cunningham's Assets will be registered with the Commission under the Securities Act of 1933, issued in compliance with any applicable state Blue Sky Laws, and listed on the New York Stock Exchange. The Shares will be exchanged without preference over any outstanding common stock of National as to dividends or distribution, and will have equal voting rights with, all outstanding common stock of National. In order to effectuate the Exchange, National will issue the Shares to Supply, and Supply will, in turn, pay National an amount equal to the Consideration for the Shares.<sup>8</sup> Supply will then exchange the Shares for the Assets.<sup>9</sup>

Applicants state that section 2(b) of the Gas Related Activities Act of 1990 ("GRAA") is applicable to the proposed acquisition of Cunningham's natural gas

<sup>8</sup> Supply plans to finance this payment to National through borrowings from the National Fuel Gas System money pool. See Holding Co. Act Release No. 26443 (December 28, 1995).

<sup>9</sup> The Agreement contemplates that, following the Exchange, Cunningham would wind up its affairs under a plan of liquidation, where its shareholders would receive the Shares in exchange for their Cunningham common stock.

properties for purposes of determining whether the functional relationship requirement of section 11(b)(1) of the Act is satisfied.<sup>10</sup> In this regard, Applicants state that the proposed acquisition is expected to improve operations of Supply's underground natural gas storage facilities in Allegany and Steuben Counties, New York, and will be: (1) in the interest of Supply's direct and indirect transportation and storage customers, including Distribution, National's public utility subsidiary and its customers; and (2) nondetrimental to its customers, the public interest, investors or the proper functioning of the National Fuel Gas System.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 98-8718 Filed 4-2-98; 8:45 am]

BILLING CODE 8010-01-M

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26850]

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

March 27, 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 declarant(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 April 21, 1998, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant application(s) and/or

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.

#### Northeast Utilities, et al. (70-9185)

##### *Notice of Proposal To Issue Securities; Order Authorizing Solicitation of Proxies*

Northeast Utilities ("NU"), a registered holding company, 174 Brush Hill Avenue, West Springfield, Massachusetts 01090-0010, its utility subsidiaries Western Massachusetts Electric Company and Holyoke Water Power Company, both located at 174 Brush Hill Avenue, West Springfield, Massachusetts 01090-0010, The Connecticut Light and Power Company and Northeast Nuclear Energy Company, both located at 107 Selden Street, Berlin, Connecticut 06037, Public Service Company of New Hampshire and North Atlantic Energy Service Corporation, both located at 1000 Elm Street, Manchester, New Hampshire 03105, and NU's nonutility subsidiary Northeast Utilities Service Company, located at 107 Selden Street, Berlin, Connecticut 06037 (collectively, "Participating Subsidiaries"), have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(e) of the Act and rules 54, 62 and 65 under the Act.

On January 13, 1988, NU's Board of Trustees approved an incentive plan ("Incentive Plan"), an employee share purchase plan ("Purchase Plan" and together with the Incentive Plans, "Plans"), and a stock compensation plan. NU now proposes to solicit proxies from its shareholders for their approval of the Plans at NU's 1998 annual shareholder meeting, scheduled for May 12, 1998.

In addition, NU proposes to issue its common shares, par value \$5 ("Common Stock"), in connection with the Plans. The maximum number of shares that NU may issue for awards or grants under the Incentive Plan<sup>1</sup> in any calendar year is one percent of the number of shares outstanding as of the last day of the previous calendar year. The maximum number of shares that

NU may issue for purchases under the Purchase Plan in any calendar year is one-half of percent of the number of shares outstanding as of the last day of the previous calendar year. These limitations are subject to adjustment in the event of a recapitalization, stock split, merger, combination, exchange or similar corporate transaction.

In addition, the Participating Subsidiaries propose to acquire up to 1.3 million shares of Common Stock on the open market (less than one percent of the shares outstanding as of December 31, 1997) during the years 1998 through 2007. These shares would be used to provide incentive compensation to employees other than through grants and awards under the Incentive Plan.

Assuming shareholder approval, the Incentive Plan will be effective as of January 1, 1998 and the Purchase Plan will be effective on July 1, 1998. The Plans will terminate ten years from their respective effective dates, unless terminated earlier by the Board or, for the Incentive Plan, unless extended by Board vote, subject to shareholder approval. Each of the Plans will be administered by the Compensation Committee of NU's board of trustees (or its delegate), which is composed exclusively of non-employee members of the board.

The Incentive Plan provides for annual cash or stock-based bonus awards for eligible officers of NU and participating subsidiaries based on fulfillment of various company and individual performance goals. The Incentive Plan also provides for grants for eligible officers, employees and contractors of NU and participating subsidiaries of NU. The grants may take the form of stock options, restricted stock, stock appreciation rights, or performance units whose value depends on the value of the Common Stock. The Incentive Plan also provides for the grant of stock options to non-employee trustees of NU, at prices equal to fair market value as of the date of the grant.

Under the Purchase Plan, eligible employees of the Participating Subsidiaries will be given the opportunity to purchase newly-issued shares of Common Stock periodically through payroll deduction. The price of a share will generally be 85 percent of its fair market price. Officers who receive stock option grants under the Incentive Plan will not be eligible for the discounted price, but may purchase shares under the Purchase Plan at a price generally set equal to their fair market value.

NU states that the purpose of the Incentive Plan is to provide incentive

<sup>10</sup> Section 2(b) of the GRAA provides that the functional relationship requirement of section 11(b)(1) of the Act will be deemed satisfied if the Commission determines that "(1) \* \* \* such acquisition is in the interest of consumers of each gas utility company of [the] registered company or consumers of any other subsidiary of such registered company; and (2) \* \* \* such acquisition will not be detrimental to the interest of consumers of any such gas utility company or other subsidiary or to the proper functioning of the registered holding company system."

<sup>1</sup> This includes shares issued upon exercise of options granted under the Plan.