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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26928]

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

October 16, 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 under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) and any amendment 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 November 10, 1998, 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 the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should 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 November 10, 1998, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

American Electric Power Company, Inc., et al. (70-8307)

American Electric Power Company, Inc. ("AEP"), a registered holding company, and AEP Resources Service Company, Inc. ("Resources"), a wholly owned service company subsidiary of AEP, (formerly AEP Energy Services, Inc.), both located at 1 Riverside Plaza, Columbus, Ohio 43215, have filed a post-effective amendment with the Commission under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 45 and 54 under the Act.

By orders dated April 5, 1995 and December 28, 1998 (HCAR Nos. 26267 and 26442, respectively) ("Orders") the Commission authorized AEP, through its direct and indirect subsidiaries, to engage in development activities

(including preliminary studies, research, investigation and consulting) pertaining to independent power facilities, including, among other things, exempt wholesale generators and foreign utility companies. The Orders also authorized AEP to: (1) Guarantee the debt of Resources in an amount not to exceed \$51 million; and (2) issue guarantees and assumptions of liability on behalf of Resources to third parties in an aggregate amount not to exceed \$200 million (collectively, "Guarantee Authority").

AEP now requests that the Commission extend the Guarantee Authority from December 31, 1998 through December 31, 2001 under the terms and conditions stated in the Orders.

Columbia Energy Group, et al. (70-9359)

Columbia Energy Group ("Columbia"), a registered holding company, Columbia's service company subsidiary, Columbia Energy Group Service Corporation, Columbia's liquified natural gas subsidiaries, Columbia LNG Corporation and CLNG Corporation, Columbia's trading subsidiary, Columbia Atlantic Trading Corporation, Columbia's energy services and marketing subsidiaries, Columbia Energy Services Corporation, Columbia Energy Power Marketing Corporation, Columbia Energy Marketing Corporation, Energy.COM Corporation, Columbia Service Partners, Inc., Columbia Assurance Agency, Inc., Columbia Energy Group Capital Corporation, and Columbia Deep Water Services, all located at 13880 Dulles Corner Lane, Herndon, Virginia, 20171-4600, Columbia's exploration and production subsidiaries, Columbia Natural Resources, Inc., Alamco, Inc., Alamco-Delaware, Inc., Hawg Hauling & Disposal, Inc., Phoenix-Alamco Ventures, L.L.C., Clarkburg Gas, L.P., and Columbia Natural Resources Canada, Ltd., all located at 900 Pennsylvania Avenue, Charleston, West Virginia 25302, Columbia's gas transmission subsidiaries, Columbia Gas Transmission Corporation, 12801 Fair Lakes Parkway, Fairfax, Virginia 22030-0416, Columbia Gulf Transmission Company, 2603 Augusta, Suite 125, Houston, Texas 77057, and Columbia's distribution subsidiaries, Columbia Gas of Kentucky, Inc., Columbia Gas of Ohio Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, all located at 200 Civic Center Drive, Columbus, Ohio 42315, Columbia's network service subsidiaries, Columbia Network Services Corporation and CNS

Microwave, both located at 1600 Dublin Road, Columbus, Ohio 43215-1082, Columbia's propane distribution subsidiary, Columbia Propane Corporation, at 9200 Arboretum Parkway, Suite 140, Richmond, Virginia 23236, and Columbia's other subsidiaries, Columbia Electric Corporation, Tristar Pedrick Limited Corporation, Tristar Pedrick General Corporation, Tristar Binghamton General Corporation, Tristar Binghamton Limited Corporation, Tristar Vineland Limited Corporation, Tristar Vineland General Corporation, Tristar Rumford Limited Corporation, Tristar Georgetown General Corporation, Tristar Georgetown Limited Corporation, Tristar Fuel Cells Corporation, TVC Nine Corporation, TVC Ten Corporation, and Tristar System Inc., all located at 13880 Dulles Corner Lane, Herndon, Virginia 20171-4600, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b) and 12(c) of the Act and rules 42, 45 and 54.

By Commission order dated December 23, 1996 (HCAR No. 26634) ("Omnibus Financing Order"), Columbia was authorized to engage in a wide range of financing transactions through December 31, 2001, including long-term debt and equity financing in the amount not to exceed \$5 billion outstanding at any one time, subject to certain terms and conditions. Columbia now proposes, through December 31, 2003, to expand the Omnibus Financing Order and specifically request authorization to increase its long-term intrasystem financing authority to an amount not to exceed \$7 billion, under the terms and conditions stated in the Omnibus Financing Order. The long-term financing could include the issuances of a combination of debentures (which may be in the form of medium-term notes), common stock, preferred stock, and other equity and debt securities. The long-term debt securities could include convertible debt, subordinated debt, bank borrowing, and securities with call and put options.

The Omnibus Financing Order also authorized Columbia to enter into guarantee arrangements, obtain letters of credit, and otherwise provide credit support for its respective subsidiaries in amounts of up to \$500 million ("Guarantees") through December 31, 2001. By Commission order dated November 18, 1997 (HCAR No. 26780), the Guarantee authority was increased to \$2 billion. Columbia now proposes, through December 31, 2003, to increase the amount of its Guarantee authority to \$5 billion under the terms and

conditions stated in the Omnibus Financing Order.

Columbia notes that, as of June 30, 1998, there were outstanding guarantees and letters of credit totaling approximately \$725 million in connection with the operations of Columbia Energy Services Corporation (the gas marketing subsidiary) and Columbia Energy Power Marketing Corporation (the power marketing subsidiary).

Columbia also requests authorization to acquire, retire and redeem securities that it has issued to an associate company, an affiliate, or an affiliate of an associate company.

The Southern Company (70-9335)

The Southern Company ("Southern"), 270 Peachtree Street, NW, Atlanta, Georgia 30303, a registered holding company under the Act, has filed an application-declaration (the "Application") under sections 6(a), 7, 9(a), 10, 12(b), 12(c), 12(f), 32 and 33 of the Act and rules 42, 45, 46 and 53 under the Act.

Southern seeks authorization to organize and acquire all of the common stock of one or more subsidiaries (collectively, the "Financing Subsidiary")¹ to effect various financing transactions ("Financing Transactions") through September 30, 2003. Southern expects the Financing Transactions to include the issuance and sale of up to an aggregate of \$1.5 billion in any combination of preferred securities, debt securities, stock purchase contracts and stock purchase units. Southern further proposes to effect directly (i.e., without the Financing Subsidiary) any Financing Transaction.

Southern proposes to acquire all of the outstanding shares of common stock of the Financing Subsidiary for amounts (inclusive of capital contributions that may be made to the Financing Subsidiary by Southern) aggregating up to 35% of the total capitalization of the Financing Subsidiary. The business of the Financing Subsidiary will be limited to effecting financing transactions for Southern and its affiliates. In connection with the financing transactions, Southern will propose to enter into one or more guarantee or other credit support agreements in favor of the Financing Subsidiary.

Southern also proposes to organize, or have the Financing Subsidiary organize, one or more separate special purpose subsidiaries ("Special Purpose

Subsidiaries") as any one or any combination of (a) a limited liability company, (b) a limited partnership, (c) a business trust or (d) any other entity or structure, foreign or domestic, that Southern considers advantageous.

The respective Special Purpose Subsidiaries then will issue and sell preferred securities ("Preferred Securities"), with a specified par or stated value or liquidation preference per security. Southern or the Financing Subsidiary will acquire all of the common stock or all of the general partnership or other common equity interests, as the case may be, of any Special Purpose Subsidiary for an amount up to 21% of the total equity capitalization of the Special Purpose Subsidiary.² The aggregate of the investment by Southern, the Financing Subsidiary and/or an Investment Sub shall be referred to as the "Equity Contribution." The Financing Subsidiary may issue and sell to any Special Purpose Subsidiary, in one or more series, subordinated debentures, promissory notes or other debt instruments ("Notes") governed by an indenture or other document. The Special Purpose Subsidiary will apply both the Equity Contribution made to it and the proceeds from the sale of Preferred Securities by it to purchase Notes.

Alternatively, the Financing Subsidiary may enter into a loan agreement or agreements with any Special Purpose Subsidiary. Under these agreements, the Special Purpose Subsidiary will loan to the Financing Subsidiary ("Loans") both the Equity Contribution and the proceeds from the sale of the Preferred Securities. The Financing Subsidiary will issue to the Special Purpose Subsidiary Notes evidencing the Loans.³

² If the Special Purpose Subsidiary is organized under an LLC Act that requires at least two members, Southern or the Financing Subsidiary may organize a second special purpose subsidiary ("Investment Sub") to acquire and hold Special Purpose Subsidiary membership interests. In this case, the Investment Sub may acquire all of the common stock, general partnership or other common equity interests of the Special Purpose Subsidiary.

³ Each Note will have a term of up to 50 years. Prior to maturity, the Financing Subsidiary will pay interest only on the Notes at a rate equal to the dividend or distribution rate on the related series of Preferred Securities. The dividend or distribution rate may be either a fixed rate or an adjustable rate to be determined on a periodic basis by auction or remarketing procedures, in accordance with a formula or formulae based upon certain reference rates, or by other predetermined methods. The interest payments will constitute each Prospective Special Purpose Subsidiary's only income and will be used by it to pay dividends or distributions on the Preferred Securities issued by it and dividends or distributions on the common stock or the general

Southern also proposes that it or the Financing Subsidiary guarantee ("Guaranties") (i) payment of dividends or distributions on the Preferred Securities of any Special Purpose Subsidiary if and to the extent the Special Purpose Subsidiary has funds legally available for this purpose, (ii) payments to the Preferred Securities holders of amounts due upon liquidation of the Special Purpose Subsidiary or redemption of the preferred Securities of the Special Purpose Subsidiary, and (iii) certain additional amounts that may be payable in respect of the Preferred Securities.

The Notes and related Guaranties will be subordinate to all other existing and future subordinated indebtedness for borrowed money of the Financing Subsidiary and may have no cross-default provisions with respect to other indebtedness of the Financing Subsidiary—i.e., a default under any other outstanding indebtedness of the Financing Subsidiary would not result in a default under any Note or Guaranty.

Southern proposes that, in addition to, or as an alternative to, any Preferred Securities financing described above, the Financing Subsidiary may issue and sell Notes directly to investors without an intervening Special Purpose Subsidiary. Southern proposes that these Notes will be unsecured, may be either senior or subordinated obligations of the Financing Subsidiary, may be convertible or exchangeable into common stock of Southern or Preferred Securities, but otherwise will have terms and provisions substantially as described above ("Debt Securities").

Southern also proposes that the Financing Subsidiary may issue and sell shares of its preferred stock ("Preferred Stock"). Any issuance of preferred Stock will have a specified par or stated value per share. In accordance with applicable state law, the Preferred Stock will have the voting powers, designations, preferences, rights and qualifications, limitations or restrictions as stated and expressed in the resolutions providing for the issue duly adopted by the board of directors of the Financing Subsidiary. These rights may include rights of conversion or exchange into common stock of Southern or Preferred Securities.

Southern further proposes that the Financing Subsidiary may issue and sell stock purchase contracts ("Stock Purchase Contracts"), including contracts obligating holders to purchase

partnership or other common equity interests of the Special Purpose Subsidiary. The Preferred Securities may be convertible or exchangeable into common stock of Southern.

¹ Southern also proposes to acquire as a Finance Subsidiary Southern Company Capital Funding, Inc., currently a wholly owned subsidiary of Southern Energy, Inc.

from Southern, and Southern to sell to the holders, a specified number of shares of common stock of Southern at a future date or dates. The consideration per share of common stock may be fixed at the time the Stock Purchase Contracts are issued or may be determined by reference to a specific formula set forth in the Stock Purchase Contracts. The Stock Purchase Contracts may be issued separately or as a part of units ("Stock Purchase Units") consisting of a Stock Purchase Contract and Debt Securities, Preferred Securities or other debt obligations of third parties, including U.S. Treasury securities, securing holders' obligations to purchase the common stock of Southern under the Stock Purchase Contracts. The Stock Purchase Contracts may require Southern or the Financing Subsidiary to make periodic payments to the holders of the Stock Purchase Units or vice versa, and the payments may be unsecured or prefunded on some basis.

Southern also proposes that the proceeds of the Preferred Securities, Debt Securities, Preferred Stock, Stock Purchase Contracts and Stock Purchase Units may be utilized to pay dividends to Southern to the extent that may be permitted under the Act and applicable state law, to acquire the securities of associate companies in transactions that are exempt from section 9(a)(1) of the Act under rule 52(d), to make capital contributions or open account advances to subsidiaries in transactions that are exempt from section 12(b) of the Act under rule 45(b)(4), to acquire the securities of one or more "exempt wholesale generators" ("EWGs"), "foreign utility companies" ("FUCOs") or "exempt telecommunications companies," and as authorized by Commission orders or as permitted under other rules of general applicability (including general corporate purposes such as repayment of indebtedness).

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

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40545; File No. SR-CHX-98-25]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Stock Exchange, Inc. Relating to the Addition of an Interpretation to the Minimum Variation Rule

October 13, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 29, 1998,³ the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CHX is proposing to add Interpretation and Policy .06 to Article XX, Rule 22 relating to the trading by members in increments smaller than the minimum variation in order to match bids and offers displayed in other markets for the purpose of preventing Intermarket Trading System ("ITS") trade-throughs. Proposed new language is in *italics*.

Article XX—Minimum Variation

Rule 22 No text change.

* * * Interpretations and Policies

.01 through .05 No text change.

.06 *Notwithstanding the foregoing and any other rule regarding adherence to the minimum variation, a member may execute orders on the Floor in increments smaller than the minimum variation in order to match bids and offers displayed by other markets for the purpose of preventing Intermarket Trading System trade-throughs, provided, however, a limit order executed on the Exchange must continue to be priced at an increment no less than the current minimum variation for such security, and*

specialists must continue to reflect their principal bids and offers in such increments.

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CHX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CHX has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

III. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Over the past 18 months, a number of self regulatory organizations ("SROs"), including the Exchange, the Pacific Exchange, Inc. ("PCX"), the American Stock Exchange ("Amex"), the Nasdaq Stock Market ("Nasdaq"), the New York Stock Exchange ("NYSE") and the Chicago Board Options Exchange ("CBOE"), have reduced the minimum trading and quotation increments of most equity securities to as little as $\frac{1}{16}$ of one dollar.⁴ Subsequent to the reduction to sixteenths, several third market makers have commenced quoting securities in increments smaller than those approved for trading on the exchanges on which the securities are listed or traded.⁵ Several exchanges have responded by permitting their members to execute trades in these finer

⁴ See Exchange Act Release Nos. 38780 (June 26, 1997), 62 FR 36087 (July 3, 1997) (approving a PCX rule change to reduce the minimum quotation increment to $\frac{1}{16}$ for stocks); 38571 (May 5, 1997), 62 FR 25682 (May 9, 1997) (approving an Amex proposal to reduce the minimum trading increment to $\frac{1}{16}$ for certain Amex-listed equity securities); 38678 (May 27, 1997), 62 FR 30363 (June 6, 1997) (approving a Nasdaq rule change to reduce the minimum quotation increment to $\frac{1}{16}$ for certain Nasdaq-listed securities); 38897 (August 1, 1997), 62 FR 42827 (August 8, 1997) (approving a NYSE rule change to reduce the minimum quotation increment to $\frac{1}{16}$ for certain NYSE-listed securities); and 39159 (September 30, 1997), 62 FR 52365 (October 9, 1997) (approving a CBOE rule change to reduce the minimum quotation increment to $\frac{1}{16}$ for stocks).

⁵ For example, Nasdaq systems are capable of trading securities priced under \$10 in increments as fine as $\frac{1}{16}$ of one dollar. Securities priced over \$10 may be traded in increments as fine as $\frac{1}{32}$ of one dollar. As a result, the Nasdaq third market makers may trade Amex listed securities that are traded on CHX and priced at less than \$10 in increments finer than sixteenths.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 was filed on October 13, 1998, the substance of which is incorporated into this notice. Letter from Patricia L. Levy, General Counsel, CHX, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated October 9, 1998.