

Regulation M for de minimis transactions. The Commission estimates that 1,716 respondents collect information under Rule 101 and that approximately 40,641 hours in the aggregate are required annually for these collections. In addition, the Commission estimates that 791 respondents collect information under Rule 102 and that approximately 1,691 hours in the aggregate are required annually for these collections.

Rule 103 permits passive market-making in Nasdaq securities during a distribution. A distribution participant that seeks use of this exception would be required to disclose to third parties its intention to engage in passive market making. The Commission estimates that 227 respondents collect information under Rule 103 and that approximately 227 hours in the aggregate are required annually for these collections.

Rule 104 permits stabilizing by a distribution participant during a distribution so long as the distribution participant discloses information to the market and investors. This rule requires disclosure in offering materials of the potential stabilizing transactions and that the distribution participant inform the market when a stabilizing bid is made. It also requires the distribution participants (i.e., the syndicate manager) to maintain information regarding syndicate covering transactions and penalty bids. The Commission estimates that 641 respondents collect information under Rule 104 and that approximately 64.1 hours in the aggregate are required annually for these collections.

Rule 17a-2 requires underwriters to maintain information regarding stabilizing activities conducted in accordance with Rule 104. The Commission estimates that 641 respondents collect information under Rule 17a-2 and that approximately 3,205 hours in the aggregate are required annually for these collections.

The collections of information under Regulation M and Rule 17a-2 are necessary for covered persons to obtain certain benefits or to comply with certain requirements. The collections of information are necessary to provide the Commission with information regarding syndicate covering transactions and penalty bids. The Commission may review this information during periodic examinations or with respect to investigations. Except for the information required to be kept under Rule 104(i) and Rule 17a-2(c), none of the information required to be collected or disclosed for PRA purposes will be kept confidential.

An agency may not conduct or sponsor, and a person is not required to

respond to, a collection of information unless the agency displays a valid OMB control number.

The recordkeeping requirement of Rule 17a-2 requires the information be maintained in a separate file, or in a separately retrievable format, for a period of three years, the first two years in an easily accessible place, consistent with the requirements of Exchange Act Rule 17a-4(f).

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10202, New Executive Office Building, Washington, D.C. 20503; and (ii) Michael E. Bartell, Associate Executive Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Comments must be submitted to OMB within 30 days of this notice.

Dated: April 8, 1999.

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27005]

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

April 12, 1999.

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) summarized below. The application(s) and/or declaration(s) and any amendments 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 May 4, 1999, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, 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 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 May 4, 1999, the applicant(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

### Interstate Energy Corporation (79-9455)

Interstate Energy Corporation ("Interstate"), a registered holding company, and its nonutility subsidiary, Alliant Energy Resources, Inc. ("Alliant" and, together with Interstate, "Applicants"), both of 222 West Washington Avenue, Madison, Wisconsin 53703, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b), 12(c), 13(b), 32 and 33 of the Act and rules 45, 46, 53, 54, 58, 87, 90 and 91 under the Act.

#### Background

Interstate's four public-utility subsidiaries are Wisconsin Power & Light Company, South Beloit Water, Gas and Electric Company, Interstate Power Company, and IES Utilities, Inc. (collectively, "Operating Companies"). Together, the Operating Companies provide public-utility service to approximately 895,000 electric and 378,000 retail gas customers in parts of Wisconsin, Iowa, Minnesota, and Illinois.

Alliant serves as the holding company for substantially all of Interstate's nonutility investments and subsidiaries, which include interests in companies engaged in: environmental consulting and engineering services; the development, ownership and management of affordable multi-unit housing properties; the sale of various financial services, including the origination and sale of mortgages for tax-advantaged affordable housing; energy-related businesses, including, among others, the brokering and marketing of electricity and natural gas, gas supply and fuel management services, oil and gas production, steam production and sale, and energy-management services; ownership and/or operation of foreign utility systems; transportation; and management of investments in telecommunications.

#### Proposed Transactions

Each of Interstate and Alliant, on behalf of itself and its respective current and future direct and indirect nonutility subsidiaries ("Nonutility Subsidiaries"), seek approval for a program of external financing, credit support arrangements,

and other related proposals for the period through December 31, 2001 ("Authorization Period"), as follows:

#### Common Stock

Interstate proposes to issue and sell from time to time during the Authorization Period up to 15 million shares of its common stock, \$.01 par value per share ("Common Stock"). Interstate may issue and sell Common Stock or options exercisable for Common Stock and issue Common Stock upon the exercise of options. Interstate proposes to issue and sell Common Stock under underwriting agreements of a type generally standard in the industry or through private placements or other non-public offerings to one or more persons. All Common Stock sales would be at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

#### Debentures

Interstate proposes to issue and sell from time to time during the Authorization Period up to \$400 million principal amount of Debentures in one or more series, provided that the aggregate principal amount of short-term indebtedness issued by Interstate under the terms of prior Commission authorization<sup>1</sup> and the Debentures at any time outstanding would not exceed \$1.1 billion ("Interstate Debt Limitation"). The Debentures (a) may be convertible into any other securities of Interstate, (b) would have maturities ranging from one to 40 years, (c) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above their principal amount, (d) may be entitled to mandatory or optional sinking fund provisions, (e) may provide for reset of the coupon under a remarketing arrangement, and (f) may be called from existing investors by a third party. Interstate proposes that the maturity dates, interest rates, redemption and sinking fund provisions and conversion features, if any, for the Debentures of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, be established by

negotiation or competitive bidding and reflected in the applicable transaction documents. Interstate undertakes that without further Commission authorization it would not issue any Debentures that are not at the time of original issuance rated at least investment grade by a nationally recognized statistical rating organization.

#### Other Securities

In addition to the specific securities for which authorization is sought in the application-declaration, Interstate proposes to issue and sell other types of securities from time to time during the Authorization Period, in order to minimize financing costs or to obtain new capital under then existing market conditions.

#### Nonutility Subsidiary Financings

Alliant states that it and its subsidiaries are engaged in and expect to continue to be active in the development and expansion of their existing energy-related, transportation, telecommunications and other nonutility businesses in the Interstate holding company system. In order to finance investments in these businesses, Applicants state that it will be necessary for the Nonutility Subsidiaries to engage in financing transactions, almost all of which are expected to be exempt under rule 52(b) of the Act. Alliant requests that the Commission reserve jurisdiction over the issuance by any Nonutility Subsidiary of any non-rule 52 exempt securities, pending completion of the record.

Applicants state that any promissory note, bond or other evidence of indebtedness issued by a Nonutility Subsidiary that is guaranteed as to principal or interest by Interstate (each, a "Guaranteed Note") would mature no more than 40 years after the date of issuance and bear interest at a fixed or floating rate which, in the case of a fixed rate, would be no greater than 300 basis points over the yield to maturity of a United States Treasury obligation having a remaining term approximately equal to the average life of the Guaranteed Note at the time issued, and, in the case of a floating rate, would be not greater than 300 basis points over the rate of interest announced publicly by a major money center bank as its base or prime rate. In addition, a Nonutility Subsidiary may agree to pay a commitment fee not to exceed 1.5% of the average daily unused balance under any committed line of credit and/or maintain compensating balances not to exceed 20% of the amount of any committed line.

#### Interstate Guarantees

Interstate requests authorization to enter into guarantees, obtain letters of credit, enter into expense agreements or otherwise provide credit support (collectively, "Interstate Guarantees") with respect to the obligations of Alliant, any Operating Company or any Nonutility Subsidiary (collectively, "Subsidiaries") as may be appropriate to enable the Subsidiary to carry on in the ordinary course of its business, in an aggregate principal amount not to exceed \$600 million outstanding at any one time. Interstate proposes to charge each Subsidiary a fee for each guarantee provided on its behalf that is determined by multiplying the amount of the Interstate Guarantee provided by the cost of obtaining the liquidity necessary to perform the guarantee (for example, bank line commitment fees or letter of credit fees, plus other transactional expenses) for the period of time the guarantee remains outstanding.

#### Nonutility Subsidiary Guarantees

In addition, Alliant and other Nonutility Subsidiaries request authority to provide to other Nonutility Subsidiaries guarantees and other forms of credit support ("Nonutility Subsidiary Guarantees") in an aggregate principal amount not to exceed \$300 million outstanding at any one time. The Nonutility Subsidiary providing the credit support may charge its associate company a fee for each guarantee provided on its behalf determined in the same manner as the Interstate Guarantees.

#### Hedging Transactions

Interstate and the Nonutility Subsidiaries request authorization to enter into interest rate hedging transactions with respect to existing indebtedness ("Interest Rate Hedges"), subject to certain limitations and restrictions, in order to reduce or manage interest rate cost. Interest Rate Hedges would only be entered into with counterparties ("Approved Counterparties") whose senior debt ratings, or the senior debt ratings of the parent companies of the counterparties, as published by Standard and Poor's Ratings Group, are equal to or greater than BBB, or an equivalent rating from Moody's Investors Service, Fitch Investors Service or Duff and Phelps. Applicants state that Interest Rate Hedges would involve the use of financial instruments commonly used in today's capital markets, such as interest rate swaps, caps, collars, floors, and structured note (i.e., a debt instrument in which the principal and/or interest

<sup>1</sup> See *Interstate Energy Corporation*, HCAR No. 26956 (December 18, 1998). Under this order, Interstate and Alliant are authorized to, among other things, issue notes and/or commercial paper from time to time through December 31, 2000 and to establish and utilize separate money pools for intrasystem borrowings for Interstate's utility and non-utility subsidiaries. Specifically, Interstate is authorized to issue and sell notes and/or commercial paper in an aggregate principal amount at any time outstanding not to exceed \$750 million.

payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury Securities. The transactions would be for fixed periods and stated notional amounts. Fees, commissions and other amounts payable to the counterparty or exchange (excluding, however, the swap or option payments) in connection with an Interest Rate Hedge would not exceed those generally obtainable in competitive markets for parties of comparable credit quality.

#### Anticipatory Hedges

In addition, Interstate and the Nonutility Subsidiaries request authorization to enter into interest rate hedging transactions with respect to anticipated debt offerings ("Anticipatory Hedges"), subject to certain limitations and restrictions. Anticipatory Hedges would only be entered into with Approved Counterparties, and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (i) a forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury Securities and/or a forward swap (each, a "Forward Sale"), (ii) the purchase of put options on U.S. Treasury Securities ("Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options on U.S. Treasury Securities ("Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of U.S. Treasury Securities, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including structured notes, caps and collars, appropriate for the Anticipatory Hedges. Anticipatory Hedges may be executed on-exchange ("On-Exchange Trades") with brokers by opening futures and/or options positions traded on the Chicago Board of Trade, the opening of over-the-counter positions with one or more counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. Interstate or a Nonutility Subsidiary would determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. Interstate or a Nonutility Subsidiary would determine the optimal structure of each Anticipatory Hedge transaction at the time of execution. Interstate or a Nonutility Subsidiary may decide to lock in interest rates and/or limit its exposure to interest rate increases. All open positions under Anticipatory Hedges would be closed on or prior to the date of the new issuance and neither

Interstate nor any Nonutility Subsidiary would, at any time, take possession or make delivery of the underlying U.S. Treasury Securities.

#### Financing Subsidiaries

Interstate and Alliant request authority to acquire, directly or indirectly, the equity securities of one or more corporations, trusts, partnerships or other entities created specifically for the purpose of facilitating the financing of the authorized and exempt activities (including exempt and authorized acquisitions) of Interstate and the Nonutility Subsidiaries by issuing long-term debt or equity securities, including monthly income preferred securities, to third parties and the transfer of the proceeds of these financings to Interstate or the Nonutility Subsidiaries. Applicants request that the Commission reserve jurisdiction over the transfer of proceeds of these financings to Interstate, pending completion of the record.

Interstate may, if required, guarantee or enter into expense agreements in respect of the obligations of any Financing Subsidiaries. If the direct parent company of a Financing Subsidiary is authorized in this proceeding or any future proceeding to issue long-term debt or similar types of equity securities, then the amount of the securities issued by that Financing Subsidiary would count against the limitation applicable to its parent for those securities. In these cases, however, the guaranty by the parent of that security issued by its Financing Subsidiary would not be counted against the limitations on Interstate Guarantees or Nonutility Subsidiary Guarantees, as the case may be. In other cases, in which the parent company is not authorized in this proceeding or in a future proceeding to issue similar types of securities, the amount of any guarantee not exempt under rules 45(b)(7) and 52 that is entered into by the parent company with respect to securities issued by its Financing Subsidiary would be counted against the limitation on Interstate Guarantees or Nonutility Subsidiary Guarantees, as the case may be.

#### Intermediate Subsidiaries

Interstate and Alliant propose to acquire, directly or indirectly, the securities of one or more Intermediate Subsidiaries, which would be organized exclusively for the purpose of acquiring, holding and/or financing the acquisition of the securities of or the interest in one or more (a) "exempt wholesale generators" (as defined in section 32 of the Act, "EWGs") or "foreign utility

companies" (as defined in section 33 of the Act, "FUCOs"), (b) companies whose securities are acquired under rule 58 of the Act ("Rule 58 Subsidiaries"), (c) "exempt telecommunications companies" (as defined in section 34 of the Act, "ETCs"), or (d) other non-exempt Nonutility Subsidiaries (as authorized in this proceeding or in a separate proceeding), provided that Intermediate Subsidiaries may also engage in development activities and administrative activities relating to these subsidiaries. Intermediate Subsidiaries may also provide management, administrative, project development and operating services to these entities. An Intermediate Subsidiary may be organized, among other things, (1) in order to facilitate the making of bids or proposals to develop or acquire an interest in any EWG or FUCO, Rule 58 Subsidiary, ETC or other non-exempt Nonutility Subsidiary; (2) after the award of the bid proposal, in order to facilitate closing on the purchase or financing of the acquired company, (3) at any time after the consummation of an acquisition of an interest in any acquired company in order, among other things, to effect an adjustment in the respective ownership interests in the business held by Interstate or Alliant and non-affiliated investors; (4) to facilitate the sale of ownership interests in one or more acquired nonutility companies; (5) to comply with applicable laws of foreign jurisdictions limiting or otherwise relating to the ownership of domestic companies by foreign nationals; (6) as a part of tax planning in order to limit Interstate's exposure to U.S. and foreign taxes; (7) to further insulate Interstate and the Operating Companies from operational or other business risks that may be associated with investments in nonutility companies; or (8) for other lawful business purposes.

#### Investments in Energy Assets

Alliant and other Nonutility Subsidiaries request authority to acquire or construct in one or more transactions from time to time during the Authorization Period, nonutility energy assets in the United States, including natural gas production, gathering, processing, storage and transportation facilities and equipment, liquid oil reserves and storage facilities, and associated facilities (collectively, "Energy Assets"), that would be incidental to the oil and gas exploration and production and energy marketing, brokering and trading operations of Alliant's subsidiaries. Alliant requests authorization to invest up to \$125 million ("Investment Limitation")

during the Authorization Period in Energy Assets or in the equity securities of existing or new companies substantially all of whose physical properties consist or would consist of the Energy Assets.<sup>2</sup> Energy Assets (or equity securities of companies owning Energy Assets) may be acquired for cash or in exchange for Common Stock or other securities of Interstate, Alliant, or other Nonutility Subsidiary of Alliant, or any combination of these forms of compensation. If Common Stock of Interstate is used as consideration in connection with an acquisition, the market value on the date of issuance would be counted against the proposed Investment Limitation. The stated amount or principal amount of any other securities issued as consideration in the transaction would also be counted against the Investment Limitation. Under no circumstances would Alliant or any oil or gas production or marketing subsidiary acquire, directly or indirectly, any assets or properties the ownership or operation of which would cause the companies to be considered an "electric utility company" or "gas utility company" as defined under the Act.

#### Sales of Services and Goods Among Alliant and Other Nonutility Subsidiaries

Alliant and other Nonutility Subsidiaries propose to provide services and sell goods to each other at fair market prices determined without regard to cost, and therefore request an exemption (to the extent that rule 92(b) of the Act does not apply) under section 13(b) from the cost standards of rules 90 and 91 as applicable to these transactions, in any case in which any of the following circumstances may apply:

(i) The client company is a FUCO or foreign EWG which derives no part of its income, directly or indirectly, from the generation, transmission, or distribution of electric energy for sale within the United States.

(ii) The client company is an EWG which sells electricity at market-based rates which have been approved by the Federal Energy Regulatory Commission ("FERC");

(iii) The client company is a "qualifying facility" ("QF") within the meaning of the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA") that sells electricity

exclusively (a) at rates negotiated at arm's length to one or more industrial or commercial customers purchasing the electricity for their own use and not for resale, and/or (b) to an electric utility company at the purchaser's "avoided cost" as determined under PURPA regulations;

(iv) The client company is a domestic EWG or QF that sells electricity at rates based upon its cost of service, as approved by FERC or any state public utility commission having jurisdiction, provided that the purchaser is not an Operating Company within the Interstate system; or

(v) The client is an ETC, a Rule 58 Subsidiary, or any other Nonutility Subsidiary that does not derive any part of its income from sales of goods, services or other property to an Operating Company within the Interstate system.

#### Activities of Rule 58 Subsidiaries Within and Outside the United States

Alliant, on behalf of any current or future Rule 58 Subsidiaries, requests authority to engage in certain business activities permitted by rule 58 both within and outside the United States. These activities include: (i) the brokering and marketing of electricity, natural gas and other energy commodities; (ii) energy management services; and (iii) engineering, consulting and other technical support services.

#### Payment of Dividends Out of Capital and Unearned Surplus

Alliant also proposes, on behalf of itself and each of its current and future non-exempt Nonutility Subsidiaries, that these non-exempt Nonutility Subsidiaries be permitted to pay dividends with respect to the securities of these companies, from time to time during the Authorization Period, out of capital and unearned surplus (including revaluation reserve), to the extent permitted under applicable corporate law and the terms of any credit agreements and indentures that restrict the amount and timing of distributions to shareholders.

#### Use of Proceeds

Applicants state that the proceeds from the financing authorizations sought in this proceeding would be used for general corporate purposes, including (i) financing, in part, investments by and capital expenditures of Interstate and its Nonutility Subsidiaries, including the funding of future investments in EWGs, FUCOs, and Rule 58 Subsidiaries, (ii) the repayment, redemption, refunding or

purchase by Interstate or any Nonutility Subsidiary of any of its own securities under rule 42 of the Act, and (iii) financing working capital requirements of Interstate and its Nonutility Subsidiaries.

Applicants represent that no financing proceeds would be used to acquire the equity securities of any new subsidiary unless the acquisition has been approved by the Commission in this proceeding or in a separate proceeding or under an available exemption under the Act or rules under the Act, including sections 32 and 33 and rule 58. Interstate states that the aggregate amount of proceeds of financing and Interstate Guarantees approved by the Commission in this proceeding used to fund investments in EWGs and FUCOs would not, when added to Interstate's "aggregate investment" (as defined in rule 53 of the Act) in all these entities at any point in time, exceed 50% of Interstate's "consolidated retained earnings" (also as defined in rule 53). Currently, Interstate's "aggregate investment" in EWGs and FUCOs is \$73 million, or approximately 14% of Interstate's "consolidated retained earnings" for the four quarters ended December 31, 1998 (\$537 million). Further, Interstate represents that proceeds of financing and Interstate Guarantees and Nonutility Guarantees utilized to fund investments in Rule 58 Subsidiaries would be subject to the limitations of that rule. Lastly, Interstate represents that it would not seek to recover through higher rates any of the Operating Companies losses attributable to any operations of its Nonutility Subsidiaries.

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

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27004]

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

April 9, 1999.

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

<sup>2</sup> Companies whose physical properties consist of Energy Assets may also be currently engaged in energy (gas or electric or both) marketing activities. To the extent necessary, Applicants request authorization to continue these activities in the event they acquire these types of companies.