

Equity TIMS through May 31, 1996, so that the Commission may review and discuss the report and several potential changes to Equity TIMS with OCC.⁷

OCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it will enhance OCC's ability to safeguard the securities and funds in its custody or control or for which it is responsible.

(B) Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments have been solicited or received. OCC will notify the Commission of any written comments received by OCC.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Section 17A(b)(3)(F)⁸ of the Act requires the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. Additionally, Section 17A(a)(1) of the Act⁹ encourages the use of efficient, effective, and safe procedures for securities clearance and settlement. The Commission continues to believe that OCC's proposal to utilize Equity TIMS meets the requirements of the Act and that it represents an improvement over OCC's previous margin system in several respects.¹⁰ Nevertheless, while the Commission continues to believe that the margin methodology employed by Equity TIMS is basically sound, the Commission staff must fully analyze OCC's report to the Commission and several potential changes to Equity TIMS before determining whether to grant permanent approval for Equity TIMS.

OCC has requested that the Commission find good cause for approving the proposal prior to the

thirtieth day after the publication of notice of filing of the proposed rule change. The Commission finds such good cause because the Commission believes that OCC's use of Equity TIMS over the past five years has resulted in better assessments of OCC's risk exposure associated with the clearance and settlement of its clearing members' equity option positions and has resulted in calculations of clearing margin that more accurately reflect that risk exposure. Accordingly, to allow OCC to continue to use Equity TIMS while the Commission and OCC further examine Equity TIMS, the Commission finds that good cause exists for approving the proposed rule change prior to the thirtieth day after publication of notice of filing. The Commission also notes that during the four previous temporary approval periods, OCC has not received any adverse comments regarding Equity TIMS from its clearing members.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of OCC. All submissions should refer to File No. SR-OCC-95-07 and should be submitted by August 18, 1995.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act¹¹ that the proposed rule change (File No. SR-OCC-95-07) be, and hereby is, approved through May 31, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹²

Margaret H. McFarland,

Deputy Secretary.

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[Release No. 35-26337]

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

July 21, 1995.

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 August 14, 1995, 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.

Consolidated Natural Gas Company, et al. (70-8577)

Consolidated Natural Gas Company ("CNG"), a registered holding company, located at CNG Tower, 625 Liberty Avenue, Pittsburgh, Pennsylvania 15222-3199, and its wholly-owned subsidiary company, CNG Energy Services Corporation ("Energy Services"), located at One Park Ridge Center, Pittsburgh, Pennsylvania 15244-0746, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 43, 45 and 54 thereunder.

CNG and Energy Services request authorization to form a new subsidiary, CNG Special Products and Services, Inc., ("CSPS"), to engage in the business

⁷ OCC has not filed a proposed rule change regarding the potential changes to Equity TIMS; however, OCC will file a draft proposed rule change so that the Commission will have an opportunity to comment on the changes before OCC officially seeks approval of the changes under Section 19(b)(2) of the Act.

⁸ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁹ 15 U.S.C. 78q-1(a)(1) (1988).

¹⁰ *Supra* note 4.

¹¹ 15 U.S.C. 78s(b)(2) (1988).

¹² 17 CFR 200.30-3(a)(12) (1994).

of providing certain energy-related services ("Customer Services")¹ to customers of CNG's local distribution companies ("LDCs") and to others, primarily customers of utilities not affiliated with CNG. Applicants also request authorization, through December 31, 2000, for CNG to lend Energy Services an aggregate of up to \$10 million on a revolving basis and for Energy Services, in turn, to provide CSPS with "mirror image" financing reflecting the same source and combination of funds as utilized between CNG and Energy Services.

Energy Services proposes to obtain the funds to lend to CSPS by some combination of (1) selling shares of its common stock, \$1.00 par value, to CNG, (2) obtaining open account advances from CNG, or (3) obtaining long-term loans from CNG. Open account advances from CNG to Energy Services would be made under a letter agreement with Energy Services and would be repaid on or before a date not more than one year from the date of the first advance with interest at the same effective rate of interest as CNG's weighted average effective rate for commercial paper and revolving credit borrowings. If no such borrowings are outstanding, the interest rate would be predicated on the Federal Fund's effective rate of interest as quoted daily by the Federal Reserve Bank of New York. Long-term loans to Energy Services would be evidenced by long-term non-negotiable notes of Energy Services (documented by book entry

¹ The Customer Services offered by CSPS would include the following: (1) "Service Line Maintenance Program" (repair of service lines owned by and located on customers' property, in exchange for a nominal monthly fee); (2) "Appliance Guard" (an extended service warranty covering the cost of repairing customers' appliances); (3) "Payment Power" (bill payment protection, up to \$400 a month for six months); (4) "Routine Furnace Services" (routine furnace inspection and repair); (5) "One-Package Appliance Inspection and Replacement" (annual inspection, maintenance or replacement of any appliance, including hot water heaters); (6) "Community Bill Payment Center" (a centralized bill payment center for "one stop" payment of all utility and municipal bills); (7) "Energy Audits and Services" (energy audits for institutional customers together with a turnkey service package); (8) "Propane Services" (in areas where it is not economical for local distribution companies to extend natural gas service via underground pipelines); (9) "Gas Fired Electric Generators" (installation of temporary or permanent gas-fired turbines for on-site generation and consumption of electricity); and (10) "Pipeline Maintenance, Construction and Managerial Support Services for Others" (management of construction of and required maintenance on pipelines owned by other utilities and provision of consulting services to small non-affiliated utilities). Applicants state that this is not an exhaustive list of Customer Services and propose to offer other services of a similar nature without additional Commission authorization unless additional funding for CSPS is necessary.

only) maturing over a period of time (not in excess of 30 years) to be determined by the officers of CNG, with the interest predicated on and substantially equal to CNG's cost of funds for comparable borrowings by the parent. In the event CNG has not had recent comparable borrowings, the rate would be tied to the Salomon Brothers indicative rate for comparable debt issuances published in Salomon Brothers, Inc. Bond Market Roundup or similar publication on the date nearest to the time of takedown. All loans would be prepayable at any time without premium or penalty.

CNG will obtain the funds it loans to Energy Services through internal cash generation, issuance of long-term debt securities, as authorized by Commission order dated March 6, 1995 (HCAR No. 26245), borrowings under credit agreements, as authorized by Commission order dated June 29, 1995 (HCAR No. 26321), or through other authorizations approved or to be approved by the Commission.

Applicants expect CSPS to conduct its Customer Services business both within and outside of the four states of Virginia, West Virginia, Pennsylvania and Ohio where CNG's LDCs are located (collectively, "LDC States"). However, applicants state that during the twelve-month period beginning on the first day of January in the year following the date CSPS commences its Customer Services business pursuant to a Commission order issued in this matter, and for each subsequent calendar year thereafter, total revenues of CSPS derived from customers in the LDC States will exceed total revenues of CSPS derived from customers in all other states.

Applicants state that CNG's LDSs will assist CSPS with customer billing, accounting, and other energy-related services and anticipate that these services can be provided to CSPS by the current staff at the LDSs. They state that all services required to conduct the Customer Services business that are provided to CSPS by the LDCs or any other CNG system company will be billed in accordance with section 13(b) of the Act and rules 87, 90 and 91 thereunder.

National Fuel Gas Company, et al. 70-8649

National Fuel Gas Company ("National"), a registered holding company, and Horizon Energy Development, Inc. ("Horizon") (collectively, "Applicants"), a to-be-acquired wholly-owned subsidiary company of National, both located at 10 Lafayette Square, Buffalo, New York 14203, have filed an application-

declaration under sections 6(a), 7, 9(a), 10, 12(b), 13(b), 32 and 33 of the Act and rules 43, 45, 53 and 83 thereunder.

National proposes to acquire, for a purchase price of \$500,000 all of the issued and outstanding common stock of Horizon, a newly formed New York corporation. National proposes to capitalize Horizon by providing debt and equity capital not to exceed \$150 million at any time outstanding through December 31, 2001. Horizon proposes to invest up to \$150 million at any time outstanding through December 31, 2001 in a combination of debt, equity, guarantees, and the assumption of liabilities ("Investment Limit") in authorized project activities ("Project Activities").

National proposes to invest in Horizon in the form of acquisitions of capital stock, capital contributions, open account advances and/or loans (collectively, "Investments"). Aggregate Investments shall not exceed \$150 million at any time outstanding. Any loans by National to Horizon having maturities of less than nine months shall have terms and conditions parallel to those of similar loans obtained by National. The interest rates on such loans shall not exceed the current LIBOR rates plus 200 basis points. Any loans by National to Horizon having maturities of more than nine months shall have terms and conditions parallel to those of similar loans obtained by National, the proceeds of which shall not exceed the current yields of Treasuries having similar maturities plus 200 basis points.

The proposed Project Activities include development activities concerning investments in, and financing the acquisitions of, one or more companies ("Intermediate Companies") engaged directly or indirectly and exclusively in the business of holding the securities of one or more exempt wholesale generators, ("EWGs"), and foreign utility companies ("FUCOs"), (collectively, "Exempt Projects"). Project Activities also include consulting services and development activities throughout the United States regarding qualifying cogeneration and small power production facilities as defined in the Public Utility Regulatory Policies Act of 1978, and independent power production facilities, (collectively, "Domestic Power Projects.")

Horizon proposes to undertake preliminary development and administrative activities in regard to Domestic Power Projects. Preliminary development activities would include investigating sites, preliminary engineering and licensing activities,

acquiring options and rights, contract drafting and negotiating, preparing proposals and other necessary activities to identify and analyze feasible investment opportunities and to initiate the commercialization of a project. Administrative activities include ongoing personnel, accounting, engineering, legal, financial and other support activities necessary for Horizon to manage its development activities and investments in Domestic Power Projects.

Applicants proposed to acquire interests in, finance the acquisition of, and hold the securities of, one or more Intermediate Companies, without filing specific project applications or declarations, within the limitations set forth herein. Applicants request authority for Intermediate Companies to issue and acquire equity and debt securities, with or without recourse to the Applicants, to or from persons other than the Applicants including banks, insurance companies, and other financial institutions ("IC Debt Financing"), for the purpose of financing (including any refinancing of) investments in Exempt Projects.

The Intermediate Companies' investments in Exempt Projects may take the form of the issuance or acquisition of common stock, capital contributions, open account advances, other loans, or the borrowing of funds. Securities issued or acquired by Intermediate Companies may be issued or acquired in one or more transactions from time to time through December 31, 2001. Applicants propose that debt securities issued to persons other than the Applicants, or acquired by Intermediate Companies, may include secured and unsecured promissory notes, and other evidence of recourse and nonrecourse indebtedness.

Securities issued or acquired by Intermediate Companies may be denominated in either U.S. dollars or foreign currencies. The Applicant state that the amount and type of such securities, and the terms thereof, including (in the case of any indebtedness) interest rate, maturity, prepayment or redemption privileges, and the forms of any collateral security granted with respect thereto, would be negotiated on a case by case basis, taking into account differences from project to project in desirable debt-equity ratios, projections of earnings and cash flow, depreciation lives, and other similar financial and performance characteristics. Accordingly, the Applicants propose that they have the flexibility to negotiate the terms and conditions of such securities without further approval by the Commission.

Applicants also request authority to issue guarantees and assume liabilities for development activities in connection with the proposed Exempt Projects and Intermediate Companies up to the proposed Investment Limit. The Applicants further propose to obtain recourse and nonrecourse debt financing, from unaffiliated third parties to finance investments in Project Activities ("Debt Financing"). All outstanding Debt Financing, including IC Debt Financing, guaranteed by National, or having some other form of recourse to National ("Recourse Debt"), shall not, when aggregated with all other Investments, guarantees and assumed liabilities relating to Project Activities, exceed the Investment Limit at any time. National may charge a commercially reasonable rate for the provisions of such guarantees. Debt Financing not having recourse to National ("Nonrecourse Debt"), shall not constitute part of the proposed Investment Limit.

The term of any Recourse Debt will not exceed 40 years and its interest rate will not exceed 200 basis points over comparable U.S. Treasury securities in effect on the date of issue. The term of any Nonrecourse Debt will not exceed 40 years, and its interest rate (if payable in U.S. dollars) will not exceed 600 basis points over comparable U.S. Treasury securities in effect on the date of issue. If any Recourse Debt or Nonrecourse Debt is denominated in foreign currencies, the terms and interest rate will be commercially reasonable at the time of borrowing. Applicants or the Intermediate Companies may also pay commercially reasonable commitment and other fees with respect to Debt Financing.

Notwithstanding the foregoing, the Applicants state that no equity security having a stated par value would be issued or sold by an Intermediate Company for a consideration that is less than such par value; and that any note, bond or other evidence of indebtedness issued or sold by any Intermediate Company will mature not later than 40 years from the date of issuance thereof, and will bear interest at a rate not to exceed the following: (1) If such note, bond or other indebtedness is U.S. dollar denominated, at a fixed rate not to exceed 6.0% over the yield to maturity on an actively traded, non-callable, U.S. Treasury note having a maturity equal to the average life of such note, bond or other indebtedness, or at a floating rate not to exceed 6.0% over LIBOR from time to time; and (2) if such note, bond or other indebtedness is denominated in the currency of a country other than the United States, the terms and interest rate will be

commercially reasonable at the time of borrowing.

Horizon also proposes to participate directly or through Intermediate Companies in joint ventures with non-associates which joint ventures are exclusively in the business of researching investment opportunities in, and owning and developing, Exempt Projects. Horizon further requests authorization to acquire interests in Intermediate Companies prior to such Intermediate Companies acquiring their interests in Exempt Projects, provided that such Intermediate Companies engage and will engage exclusively in the business of investing in Exempt Projects.

Applicants request an exemption from section 13(b) under rule 83 of the Act, for any subsidiary company of National providing services to EWGs which derive no part of their income, directly or indirectly, from the generation of electric energy for sale within the United States, or FUCOs.

Entergy Corporation, et al. 70-8653

Entergy Corporation ("Entergy"), a registered holding company, and its wholly owned subsidiary companies, New Orleans Public Service Inc., Louisiana Power & Light Company, located at 639 Loyola Avenue, New Orleans, Louisiana 70113; Arkansas Power & Light Company, 425 West Capitol Avenue, Little Rock, Arkansas 72201; Gulf States Utilities Company, 350 Pine Street, Beaumont, Texas 77701; Mississippi Power & Light Company, 308 Pearl Street, Jackson, Mississippi 39215 (collectively, "System Operating Companies"); System Energy Resources, Inc. ("SERI"), 1340 Echelon Parkway, Jackson, Mississippi 39213; Entergy Services, Inc. ("ESI"), 639 Loyola Avenue, New Orleans, Louisiana 70113; Entergy Enterprises, Inc. ("EEI"), 900 South Shackleford Road, Little Rock, Arkansas 72211; and Entergy Systems and Service, Inc. ("SASI"), 4740 Shelby Drive, Suite 105, Memphis, Tennessee 38118, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b), and 13(b) of the Act and rules 43, 45, 54, 87, 90 and 91 thereunder.

Entergy proposes to organize a new subsidiary to be called Entergy Technologies Company ("ETC") and to provide funding to ETC, through December 31, 1998, up to an aggregate principal amount of \$100 million. Entergy proposes to incorporate ETC under Delaware law as a direct wholly owned subsidiary of EEI, with an authorized capital of up to 1,000 shares of common stock with a par value of \$.01 per share. EEI would subscribe to

and purchase all of ETC's common stock for a price of \$1,000 per share, using funds contributed or loaned to EEI by Entergy. EEI would provide ETC with additional funding, through December 31, 1998, in the form of capital contributions, open account advances, or loans, or combination thereof, in an aggregate amount not to exceed \$100 million. Entergy proposes to provide funding to EEI for reinvestment in ETC out of Entergy's internally generated cash and other available cash resources. Loans from Entergy to EEI and from EEI to ETC will bear interest at a rate per annum not in excess of the prime commercial lending rate announced from time to time by a money center bank designated by Entergy plus 3%, and will have a final maturity not to exceed 20 years from the loan origination date.

In addition, ETC seeks authority to incur borrowings from external sources in an aggregate amount not to exceed \$100 million at any one time outstanding. Such borrowings would be evidenced by notes issued by ETC, would have final maturities not to exceed 20 years from their date of issuance, and would bear interest at rates not to exceed the greater of: (1) The prime rate as described above plus 5% per annum; or (2) 14% per annum. EEI and/or Entergy propose to guarantee such loans.

ETC would use the proceeds of such investments by EEI and external borrowings to make payments to the System Operating Companies and ESI, to pay debt service and to meet its working capital and other cash needs.

ETC proposes to enter into arrangements with the System Operating Companies, and other Entergy subsidiary companies permitting ETC to use and make available to nonassociate companies from time to time certain unused capacity on the Entergy System's Telecommunications Backbone System ("Backbone System") for the purpose of providing interstate "long haul" or "carrier of carriers" services.²

ETC would enter into one or more Capacity Use and Service Agreements ("Agreement") with the System Operating Companies and ESI under which they would make available to ETC unused capacity on the Backbone System, as determined from time to time. The System Operating Companies

and ESI would retain full ownership of, and rights to operate and maintain, their respective portions of the Backbone System. Capacity on the Backbone System would not be deemed unused or made available to ETC for any period of time in which it would interfere with the actual and anticipated usage of the Backbone System for utility purposes by other System companies.

Under the Agreements, ETC would receive only the right to commercialize for interstate carrier of carriers purposes the unused communications capacity on the Backbone System (i.e., the right to commercialize the signal transmission and carrying capability of the Backbone System). Accordingly, the System Operating Companies would not transfer ownership or control of the Backbone System to ETC or to any nonassociate company.

ETC would be responsible pursuant to the Agreements for monitoring, establishing and evaluating operational standards for use of the Backbone System by its nonassociates. ETC also would cause to be developed, constructed and installed, at no cost to the System Operating Companies or ESI, equipment and facilities to link the Backbone System to the telecommunications systems of other carriers. Any such equipment or facilities located on utility property would be owned by the appropriate System Operating Company or ESI. ETC also, under certain circumstances, would make additional investments in advanced electronics and other new technologies that could serve to enhance the transmission capability of the Backbone System. ETC would pay for the full costs (including both capital and increased operating and maintenance expenses) of such upgrades, if such upgrades are not primarily for utility-related purposes or if they would not have been necessary but for the use of capacity by ETC pursuant to the Agreement(s).

ETC may acquire rights to use the capacity of telecommunications systems of non-System parties in order to enhance its ability to commercialize the unused capacity on the Backbone System. This would be done at no cost to the System Operating Companies. Arrangements with nonassociates may take the form of capacity exchanges or other reciprocal use or "in kind" transactions, pooling arrangements, consortia, joint ventures or other transactions involving the use of, or access to, the unused capacity on the Backbone System. The purposes of these transactions would include, but not be limited to, providing alternative or extended routing for fiber-based or

wireless telecommunications, creating back-up or other redundant telecommunications networks, and other measures designed to enhance the capability and value of the Backbone System. The particular terms and conditions regarding the provision of interstate carrier of carriers telecommunications services by ETC to nonassociates would be negotiated at arm's length between such parties. In addition, ETC proposes to provide unused capacity on the Backbone System, at cost to associate companies that are not regulated utilities, including EEI and SASI.

ETC also proposes to engage in research and development activities relating to telecommunications and information systems and products that might potentially be deployed on a utility or non-utility basis, or both. ETC will be a "clearinghouse" for telecommunications and information systems technologies, undertaking research and development activities, field testing various manufacturers' equipment, and evaluating prototype technologies and equipment that may be useful in enhancing the operation of utility and nonutility telecommunications facilities. Entergy believes such activities will facilitate the design and development of communications practices and applications in connection with the Backbone System. In conjunction with such activities, ETC may acquire ownership of, or licenses to use or sublicense, telecommunications products or technologies, and may provide consulting services.

Entergy expects to staff ETC initially through a combination of recruiting (e.g., marketing and business staff) and transfers from ESI. Total staffing is not expected to exceed thirty employees, including up to ten employees transferred from ESI. In accordance with the terms of settlement arrangements among the Entergy System Operating Companies and certain of their retail regulators ("Settlement Arrangement"),³ Entergy would not effect any personnel transfers that would adversely affect ESI or any System Operating Company. Moreover, no more than one percent (1%) of the total number of the personnel of the System Operating Companies and ESI would be utilized by ETC at any one time in connection with its authorized activities.

In exchange for the right under the Agreements, ETC would pay to the respective System companies a monthly

² The Backbone System is the Entergy system's fiber optic network, high capacity analog and digital telecommunications system, related coaxial cables, computers, software and other telecommunications equipment, facilities and property, and any future extensions and additions to such systems, equipment, facilities and property.

³ The settlement arrangement is currently pending before the Commission under file no. 70-8529.

charge calculated pursuant to the Settlement Arrangements to fully reimburse each System company for its direct and indirect costs associated with that portion of the capacity of the Backbone System being made available to ETC. ETC will receive from the System Operating Companies under the Agreements, installation, operations, maintenance and repair services relating to their respective portions of the Backbone System. ESI and the System Operating Companies would also charge ETC for the fully allocated direct and indirect cost of the telecommunications services provided in accordance with the Settlement Arrangements.

The System Operating Companies would apply such payments to reduce their costs of service, to the extent that the related facilities are in rate base or otherwise are used in utility operations. The Agreements will contain provisions that ensure that ETC's usage, and the usage by nonassociates, of the Backbone System would not in any way interfere with the operation of the Backbone System by the System Operating Companies and ESI.

To the extent that any upgrades of the Backbone System are contemplated primarily for utility purposes, the System Operating Companies or ESI would fund the costs of and deploy the assets, and payments under the Capacity Use and Service Agreements would be adjusted accordingly. ETC would pay for the full costs (including both capital and increased operating and maintenance expenses) of such upgrades, if such upgrades are not primarily for utility-related purposes or if they would not have been necessary but for the use of capacity by ETC pursuant to the Agreements. ETC will further agree under the Agreement(s) to indemnify and hold harmless the System Companies and ESI from any claims, liabilities and costs arising out of or related to ETC's activities with respect to its customers' use of the Backbone System.

Although ETC will have its own managerial, technical and administrative staff, pending full deployment of its own workforce, and from time to time thereafter, ETC will receive services from ESI and the System Operating Companies, including managerial, accounting, technical, engineering, legal and other services. Therefore, ETC will enter into a service agreement with ESI whereby ESI would perform or cause to be performed for ETC these various services relating to the Backbone System, similar to the services that ESI currently provides to other nonutility Entergy system companies such as EEL.

Leidy Hub, Inc., et al. (70-8655)

Leidy Hub, Inc. ("Leidy Hub"), 10 Lafayette Square, Buffalo, New York 14203, a wholly-owned nonutility subsidiary of National Fuel Gas Company ("NFG"), a registered public utility holding company, and NFG, 30 Rockefeller Plaza, New York, New York 10112, have filed an application-declaration with this Commission under sections 9(a), 10, 12(b) and 13(b) of the Act and rule 45 thereunder.

Leidy Hub proposes to acquire a 14.5% interest in Enerchange, a Delaware member-managed limited liability company, from Hub Services, a nonaffiliated Delaware corporation and a wholly owned subsidiary of NGC Corporation. Enerchange was formed, among other reasons: (i) To develop, implement and operate an electronic gas trading and nomination system; and (ii) to manage, own and operate Enerchange's interests in the Chicago Hub, the California Energy HUB and the Ellisburg-Leigy Northeast Hub, each a natural gas market area hub. As a member of Enerchange, Leidy Hub would make capital contributions from time to time as required by Enerchange's Executive Committee pursuant to the Limited Liability Company Agreement of Enerchange, L.L.C.⁴ If another member of Enerchange failed to make any required capital contribution, Leidy Hub proposes that it may make loans to Enerchange to compensate for the defaulting member's unpaid capital contribution. The amount of the loan would be based on the ratio of Leidy Hub's 14.5% interest to the interests of the other nondefaulting members of Enerchange. Enerchange plans to join with a subsidiary of Energy Exchange, Inc., a nonaffiliated Canadian corporation, to acquire a 50% interest in QuickTrade, a Delaware member-managed limited liability company to be formed in the future.⁵ QuickTrade would develop and operate an electronic trading and nomination system which could be accessed via computer by buyers and sellers of natural gas to make and accept binding offers to buy or sell gas at specific locations, generally at market hubs. Subscribers to QuickTrade's system would be able to see, on-line in real time, the price at which gas is being sold at any location listed on the system (without being able to see the names of

the parties involved). Subscribers will also be able to nominate directly to interstate pipelines to transport or store the gas being sold via the system. The operations of QuickTrade would be limited to "cash forward contracts" typically settled by actual physical delivery. QuickTrade will not be involved with futures contracts.

Enerchange would subscribe to the QuickTrade system and use it to buy and sell natural gas and to engage in market-making activities. Specifically, Enerchange would act as an intermediary between potential buyers and sellers of natural gas, including, without limitation, electronic solicitation of transactions between anonymous sellers and buyers, implementation and documentation of such transactions, and assumption of the performance and credit risk associated with such transactions.

It is also proposed that NFG guarantee certain obligations of Leidy Hub, Enerchange and QuickTrade and that Leidy Hub guarantee certain obligations of Enerchange and QuickTrade in a total amount not to exceed \$5 million outstanding at any time from time to time for a period not to exceed four years through December 31, 2000. The obligations of Leidy Hub, Enerchange and QuickTrade to be guaranteed would be incurred as a result of the activities undertaken by Enerchange and QuickTrade related to the supply of natural gas. Whenever Enerchange is required to provide a guarantee, it would be provided 14.5% by NFG and/or Leidy Hub and 85.5% by the other members of Enerchange and/or their corporate parents. Such guarantees include the guarantee of obligations associated with: (i) Gas transportation agreements to be entered into by Enerchange with local distribution companies or pipelines; (ii) gas purchase and sale agreements entered into by Enerchange; and (iii) any and all other agreements relating to the transportation, storage or supply (including marketing) of natural gas.

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

Margaret H. McFarland,

Deputy Secretary.

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⁴ Leidy Hub and NFG state that such capital contributions would be exempt from the requirement for a declaration under section 12(b) pursuant to rule 45(b)(4).

⁵ Leidy Hub and NFG state that Enerchange's participation in this transaction would be exempt from the requirement for a declaration because Enerchange satisfies the requirements of rule 16.