

p.m. on March 15, 1999 (ten days of the issuance date of this order).

Conclusion

For all the reasons set forth above, NEP's intervention petition and hearing request are granted and its alternative petition for summary relief is deferred. United's untimely intervention petition is denied. The hearing process shall move forward under the terms set out above.

It is so ordered.

For the Commission.¹⁶

Dated at Rockville, Maryland, this 5th day of March, 1999.

Annette L. Vietti-Cook,

Secretary of the Commission.

[FR Doc. 99-6112 Filed 3-11-99; 8:45 am]

BILLING CODE 7590-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26987]

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

March 5, 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 March 30, 1999, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applicant(s) and/or declarants(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 issues in the matter. After March 30, 1999, the application(s)

and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Cinergy Corporation (70-9439)

Notice of Proposal to Amend Director Retirement Plans and Issue Shares of Common Stock; Order Authorizing Proxy Solicitation.

Cinergy Corporation, a registered holding company ("Cinergy"), 139 East Fourth Street, Cincinnati, Ohio 45202, has filed an application-declaration under sections 6(a), 7, 9(a), 10, and 12(e) of the Act and rules 54, 62 and 65.

Cinergy proposes to: (1) amend its existing retirement plan ("Amended Plan") to eliminate future accruals of benefits and provided for the conversion of currently accrued benefits to Cinergy common stock ("Common Stock"); (2) adopt a new retirement plan ("New Plan") to supersede the Amended Plan; (3) solicit proxies to be voted in favor of the Amended Plan and New Plan at the annual shareholders meeting; and (4) issue up to 250,000 shares of Common Stock from time to time through December 31, 2004.

Specifically, Cinergy proposes to amend its existing retirement plan for directors, under which non-employee directors of Cinergy, its two principal public utility subsidiaries, Cincinnati Gas & Electric Company, an Ohio electric and gas utility, and PSI Energy, Inc., an Indiana electricity utility, and its service company subsidiary, Cinergy Services, Inc. have accrued benefits. Under the existing plan, benefits have been accrued based upon years of service and have been payable, upon retirement, in cash. Under the Amended Plan these benefits would, upon retirement, be payable in Common Stock. Cinergy also proposes to adopt a New Plan for current and future non-employee directors under which future accruals of retirement benefits will be paid entirely in shares of Common Stock.

Cinergy requests authority to issue up to 250,000 shares of Common Stock under the Amended and New Plans from time to time through December 31, 2004. Common Stock distributed under the Amended and New Plans may be newly issued or treasury shares or shares purchased on the open market.

Cinergy seeks authorization to solicit proxies from holders of its outstanding shares of Common Stock to obtain their approval of the Amended and New Plan at the annual meeting of shareholders scheduled for April 21, 1999.

Cinergy requests that the effectiveness of the application-declaration with respect to the proxy solicitation be

permitted to become effective immediately under rule 62(d). It appears to the Commission that the application-declaration, to the extent that it relates to the proposed solicitation of proxies, should be permitted to become effective immediately under rule 62(d).

It is ordered, that the application-declaration, to the extent that it relates to the proposed solicitation of proxies, be permitted to become effective immediately, under rule 62 and subject to the terms and conditions prescribed in rule 24 under the Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-6085 Filed 3-11-99; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-26989]

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

March 5, 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 applications(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 April 6, 1999, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarants(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 April 6, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

¹⁶ Commissioner McGaffigan would have preferred that the Commission, or a part thereof, be the presiding officer in this transfer proceeding.

American Electric Power Company, Inc. and Central and South West Corporation (70-9381)

American Electric Power Company, Inc. ("AEP"), 1 Riverside Plaza, Columbus, Ohio 43215, and Central and South West Corporation ("CSW"), 1616 Woodall Rodgers Freeway, Dallas, Texas 75266, each a registered holding company (collectively, "Applicants"), have filed a joint application-declaration under sections 6(a), 7, 9(a), 10, 11, 12(b), 12(c), 13(b), 32 and 33 of the Act and rules 43, 45, 46, 53, 54, 83, 87, 88, 90 and 91 under the Act.

Summary of Proposal

As described in more detail below, AEP proposes: (1) To acquire, by means of the merger described below, all of the issued and outstanding common stock of CSW ("CSW Common Stock") and, as a result of the acquisition of CSW Common Stock, acquire (a) all of the issued and outstanding common stock of CSW's four direct electric utility subsidiary companies and (b) all of the issued and outstanding common stock of CSW's nonutility subsidiaries; (2) to capitalize a special purpose subsidiary and issue shares of AEP common stock ("AEP Common Stock") to effect the proposed transactions; (3) to provide loans and guarantees to CSW's nonutility subsidiaries; (4) that its service company subsidiary, American Electric Power Service Corporation ("AEP Service") render services to AEP's and CSW's utility and nonutility subsidiaries; (5) to retain CSW as a subsidiary public utility holding company registered under section 5 of the Act for a period of not more than eight years following the proposed merger; and (6) to retain CSW's nonutility businesses.

AEP and Subsidiaries

AEP, a New York corporation, was incorporated under the laws of the State of New York in 1906 and reorganized in 1925. AEP is a registered public utility holding company that owns all of the outstanding shares of common stock of seven U.S. electric utility operating subsidiaries: Appalachian Power Company ("Appalachian Power"), Columbus Southern Power Company ("Columbus Southern Power"), Indiana Michigan Power Company ("Indiana Michigan Power"), Kentucky Power Company ("Kentucky Power"), Kingsport Power Company ("Kingsport Power"), Ohio Power Company ("Ohio Power") and Wheeling Power Company ("Wheeling Power"). Most of the operating revenues of AEP and its subsidiaries are derived from sales of

electricity. AEP also owns, either directly or indirectly, all of the common stock of four material nonutility businesses—AEP Resources, Inc. ("AEP Resources"), AEP Resources Service Company ("AEPRESCO"), AEP Communications, LLC ("AEP Communications"), and AEP Energy Services, Inc. ("AEP Energy Services")—and all of the common stock of two other businesses—AEP Generating Company ("AEP Generating") and AEP Service. AEP indirectly owns 50% of the outstanding share capital of Yorkshire Electricity Group plc.

AEP and its subsidiaries are subject to regulation by the Commission under the Act. Certain of AEP's subsidiaries are also subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Federal Power Act ("FPA") with respect to rates for interstate sale at wholesale and transmission of electric power, accounting and other matters.

AEP's electric utility operating subsidiaries serve approximately three million customers in Indiana, Kentucky, Michigan, Ohio, Tennessee, Virginia and West Virginia. The generating and transmission facilities of these subsidiaries are physically interconnected, and their operations are coordinated, as a single integrated electric utility system.¹ Transmission networks are interconnected with extensive distribution facilities in the territories served.

At December 31, 1997, the U.S. subsidiaries of AEP had a total of 17,844 employees. AEP itself has no employees. The seven electric utility operating subsidiaries of AEP are each described below:

Appalachian Power, organized in Virginia in 1926, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 877,000 customers in the southwestern portion of Virginia and southern West Virginia. Appalachian Power also supplies electric power at wholesale to other electric utility companies and municipalities in those states and in Tennessee. Appalachian Power's retail rates and certain other matters are subject to regulation by the West Virginia Public Service Commission ("West Virginia Commission") and the State Corporation Commission of Virginia.

Columbus Southern Power, organized in Ohio in 1937 (the earliest direct predecessor company having been organized in 1883), is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 621,000 customers

in central and southern Ohio. Columbus Southern Power also supplies electric power at wholesale to other electric utilities and to municipally owned distribution systems within its service area. Columbus Southern Power's retail rates and certain other matters are subject to regulation by the Public Utilities Commission of Ohio ("Ohio Commission").

Indiana Michigan Power, organized in Indiana in 1925, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 549,000 customers in northern and eastern Indiana and southwestern Michigan. Indiana Michigan Power also supplies electric power at wholesale to other electric utility companies, rural electric cooperatives and municipalities. Indiana Michigan Power's retail rates and certain other matters are subject to regulation by the Indiana Utility Regulatory Commission and the Michigan Public Service Commission. Indiana Michigan Power also is subject to regulation by the Nuclear Regulatory Commission ("NRC") under the Atomic Energy Act of 1954, as amended ("Atomic Energy Act") with respect to the operation of its nuclear generation plant.

Kentucky Power, organized in Kentucky in 1919, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 168,000 customers in eastern Kentucky. Kentucky Power also supplies electric power at wholesale to other utilities and municipalities in Kentucky. Kentucky Power's retail rates and certain other matters are subject to regulation by the Kentucky Public Service Commission.

Kingsport Power, organized in Virginia in 1917, provides electric service to approximately 43,000 customers in Kingsport and eight neighboring communities in northeastern Tennessee. Kingsport Power's retail rates and certain other matters are subject to regulation by the Tennessee Regulatory Authority.

Ohio Power, organized in Ohio in 1907 and reincorporated in 1924, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 679,000 customers in the northwestern, east central, eastern and southern sections of Ohio. Ohio Power also supplies electric power at wholesale to other electric utility companies and municipalities. Ohio Power's retail rates and certain other matters are subject to regulation by the Ohio Commission.

Wheeling Power, organized in West Virginia in 1883 and reincorporated in 1911, provides electric service to approximately 42,000 customers in northern West Virginia. Wheeling Power owns no generating facilities. It purchases electric power distributed to its customers from Ohio Power. The principal industries served by Wheeling Power include chemicals, coal mining and primary metal products. Wheeling Power's retail rates and certain other matters are subject to regulation by the West Virginia Commission.

AEP Generating was organized in Ohio in 1982 as an electric generating company. AEP Generating sells power at

¹ The Commission has found that the AEP system is a single integrated electric utility system. See *American Elec. Power Co., Inc.*, HCAR No. 20633 (July 21, 1978).

wholesale to Indiana Michigan Power and Kentucky Power, as well as to Virginia Electric and Power Company, an unaffiliated public utility. AEP Generating has no employees.

AEP Service provides, at cost, accounting, administrative, information systems, engineering, financial, legal, maintenance and other services to the AEP companies. The executive officers of AEP and its public utility subsidiaries are all employees of AEP Service.

AEP engages in nonutility businesses primarily through AEP Resources, AEPRESCO, AEP Communications, and AEP Energy Services, each of which is described below:

AEP Resources' primary business is development of, and investment in, "exempt wholesale generators" (as defined in section 32 of the Act, "EWGs"), "foreign utility companies" (as defined in section 33 of the Act, "FUCOs"), qualifying cogeneration facilities and other energy-related domestic and international investment opportunities and projects.

AEPRESCO offers engineering, construction, project management and other consulting services for projects involving transmission, distribution or generation of electric power both domestically and internationally.

AEP Communications was formed in 1997 to pursue opportunities in the telecommunications field. AEP Communications operates a fiber optic line that runs through Kentucky, Ohio, Virginia and West Virginia.

AEP Energy Services is authorized to engage in energy-related activities, including marketing electricity, gas and other energy commodities. AEP Energy Services is an energy-related company as defined in rule 58 under the Act.

AEP Common Stock is listed on the New York Stock Exchange ("NYSE"). As of August 31, 1998, there were 190,915,648 shares of AEP Common Stock outstanding. AEP's consolidated operating revenues for the twelve months ended June 30, 1998, after eliminating intercompany transactions, were \$8,195,575,000. Consolidated assets of AEP and its subsidiaries as of June 30, 1998, were approximately \$17.8 billion, consisting of \$11.6 billion in net electric utility property, plant and equipment and \$6.2 billion in other corporate assets.

CSW and Subsidiaries

CSW, incorporated under the laws of Delaware in 1925, owns all of the common stock of four U.S. electric utility operating subsidiaries: Central Power and Light Company ("CP&L"), Public Service Company of Oklahoma ("PSO"), Southwestern Electric Power

Company ("SWEPCO") and West Texas Utilities Company ("WTU"). CSW also owns all of the common stock of Central and South West Services, Inc. ("CSW Services"), CSW Energy, Inc. ("CSW Energy"), CSW International, Inc. ("CSW International"), CSW Energy Services, Inc. ("CSW Energy Services"), C3 Communications, Inc. ("C3 Communications"), CSW Credit, Inc. ("CSW Credit") and EnerShop, Inc. ("EnerShop"). In addition, CSW owns 80% of the outstanding shares of common stock of CSW Leasing, Inc. ("CSW Leasing").

CSW's four electric utility subsidiaries are public utility companies engaged in generating, purchasing, transmitting, distributing and selling electricity. The generating, transmission and distribution facilities of these subsidiaries are physically interconnected, and their operations are coordinated, as a single integrated electric utility system.² CSW's U.S. electric utility operating subsidiaries serve approximately 1.7 million customers in portions of Texas, Oklahoma, Louisiana and Arkansas. These companies serve a mix of residential, commercial and diversified industrial customers.

CSW and its subsidiaries are subject to regulation by the Commission under the Act. Certain of CSW's subsidiaries are also subject to regulation by the FERC under the FPA with respect to rates for interstate sale at wholesale and transmission of electric power, accounting and other matters and construction and operation of hydroelectric projects.

At December 31, 1997, the U.S. subsidiaries of CSW had 7,254 employees. CSW itself has no employees. The four electric utility operating subsidiaries of CSW are described below:

CP&L, organized in Texas in 1945, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 628,000 customers in portions of south Texas. CP&L also supplies electric power at wholesale to other electric utility companies and municipalities. The Public Utility Commission of Texas ("Texas Commission") has original jurisdiction over retail rates in the unincorporated areas of the state and appellate jurisdiction over retail rates in the incorporated areas served by CP&L. CP&L is also subject to regulation by the NRC under the Atomic Energy Act with respect to the operation of its ownership interest in a nuclear generating plant.

² See *Central and South West Corp.*, HCAR No. 22439 (April 1, 1982) (terminating a Section 11(b)(1) hearing and upholding a 1945 determination by the Commission that CSW comprises one integrated public utility system).

PSO, organized in Oklahoma in 1913, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 481,000 customers in portions of eastern and southwestern Oklahoma. PSO also supplies electric power at wholesale to other electric utility companies and municipalities. PSO is subject to the jurisdiction of the Corporation Commission of the State of Oklahoma with respect to retail rates.

SWEPCO, organized in Delaware in 1912, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 416,000 customers in portions of northeastern Texas, northwestern Louisiana and western Arkansas. SWEPCO also supplies electric power at wholesale to other electric utility companies and municipalities. SWEPCO is subject to the jurisdiction of the Arkansas Public Service Commission and the Louisiana Public Service Commission with respect to retail rates. In addition, the Texas Commission has original jurisdiction over retail rates in the unincorporated areas and appellate jurisdiction over retail rates in the incorporated areas served by SWEPCO in Texas.

WTU, organized in Texas in 1927, is engaged in the generation, sale, purchase, transmission and distribution of electric power to approximately 187,000 customers in portions of central west Texas. WTU also supplies electric power at wholesale to other electric utility companies and municipalities. The Texas Commission has original jurisdiction over retail rates in the unincorporated areas and appellate jurisdiction over retail rates in the incorporated areas served by WTU.

CSW Services performs, at cost, various accounting, engineering, tax, legal, financial, electronic data processing, centralized economic dispatching of electric power and other services for the CSW companies, primarily for CSW's U.S. electric utility subsidiaries. After the Merger, services performed by CSW Services will be performed by AEP Service.

CSW's material nonutility businesses are conducted through CSW Energy, CSW International, CSW Energy Services, C3 Communications, CSW Credit, EnerShop and CSW Leasing, each of which is described below:

CSW Energy develops, owns and operates independent power production and cogeneration facilities within the United States. Currently, CSW Energy has ownership interests in seven projects, six in operation and one in development.

CSW International engages in international activities, including developing, acquiring, financing and owning EWGs and FUCOs, either alone or with local or other partners.

CSW Energy Services, an energy-related company under the Act, was formed to compete in restructured

electric utility markets and serves as an energy service provider to wholesale and retail customers. It also engages in the business of marketing, selling, and leasing to certain consumers throughout the United States certain electric vehicles and retrofit kits subject to limitations imposed by the Commission.

C3 Communications has two main lines of business. C3 Communications' Utility Automation Division specializes in providing automated meter reading and related services to investor owned municipal and cooperative electric utilities. C3 Communications also offers systems to aggregate meter data from a variety of technologies and vendor products that span multiple communication mode infrastructures including broadband, wireless network, power line carrier and telephony-based systems. C3 Communications is an "exempt telecommunication company" under section 34 of the Act.

CSW Credit was originally formed to purchase, without recourse, accounts receivable from the CSW electric utility subsidiaries to reduce working capital requirements.³ Because CSW Credit's capital structure is more highly leveraged than that of the CSW electric utility subsidiaries, CSW's overall cost of capital is lower. Subsequent to its formation, DSW Credit's business has expanded to include the purchase, without recourse, of accounts receivable from certain nonaffiliated parties subject to limitations imposed by the Commission.⁴

EnerShop, an energy-related company under the Act, provides energy services to commercial, industrial, institutional and governmental customers in Texas.

CSW Leasing is a joint venture with CIT Group/Capital Equipment Financing. It was formed to invest in leveraged leases for the purpose of managing the CSW system's tax liability.⁵

CSW Common Stock is listed on the NYSE. As of August 31, 1998, there were 212,461,876 shares of CSW Common Stock outstanding. CSW's consolidated operating revenues for the twelve months ended June 30, 1998, after eliminating intercompany transactions, were approximately \$5.4 billion. Consolidated assets of CSW and its subsidiaries as of June 30, 1998 were approximately \$13.8 billion, consisting of \$8.4 billion in net electric utility property, plant and equipment and \$5.4 billion in other corporate assets.

The Proposed Merger

An Agreement and Plan of Merger, dated as of December 21, 1997 ("Merger Agreement") among AEP, CSW and Augusta Acquisition Corporation, a wholly owned subsidiary that AEP has incorporated under Delaware law ("Merger Sub"), provides for a combination of AEP and CSW in which Merger Sub will be merged with and into CSW ("Merger"), with CSW as the surviving corporation.

Merger Sub was organized solely for the purpose of the Merger and has not conducted any activities other than in connection with the Merger. Merger Sub has no subsidiaries. Under the Merger Agreement, each share of common stock of Merger Sub, par value \$0.01 per share, to be issued to AEP and outstanding immediately before the consummation of the Merger will be converted into one share of CSW Common Stock, upon consummation of the Merger. Thus, the sole purpose for Merger Sub is to serve as an acquisition subsidiary of AEP for purposes of effecting the Merger. AEP requests authority to acquire the common stock of Merger Sub in order to effect the proposed Merger.

AEP also requests authority to issue shares of AEP Common Stock to consummate the Merger. Each share of CSW Common Stock (other than shares of CSW Common Stock owned by AEP, Merger Sub or any other direct or indirect subsidiary of AEP, as well as shares of CSW Common Stock that are owned by CSW or any direct or indirect subsidiary of CSW, in each case not held on behalf of third parties) issued and outstanding immediately prior to the effective date of the Merger will be converted into the right to receive, and become exchangeable for, 0.60 shares of AEP Common Stock. The former holders of CSW Common Stock will own approximately 40% of the outstanding shares of AEP Common Stock after the Merger. Each outstanding share of AEP Common Stock will be unchanged as a result of the Merger. Applicants state that the Merger is expected to have no effect on the outstanding public debt and preferred securities of CSW and the respective subsidiaries of AEP and CSW, which are described in the application.

After the Merger, CSW will be a wholly owned subsidiary of AEP. Therefore, Applicants request that CSW survive as a holding company interposed between AEP and the CSW electric utility subsidiaries, as well as a portion of the other subsidiaries it currently owns, for a period of up to eight years following the closing of the

Merger. AEP's utility and nonutility subsidiaries would remain subsidiaries of AEP. CSW's utility and nonutility subsidiaries would become indirect subsidiaries of AEP, other than CSW Services, which would be merged into AEP Service, and CSW Credit, which would be held directly by AEP. AEP, CSW and each of their subsidiaries after the Merger are referred to collectively as the "Combined Company."

The Board of Directors of the Combined Company immediately following the Merger will be composed of 15 members and will be reconstituted to include all the then-current board members of AEP, the current Chairman of CSW, and four additional outside directors of CSW to be nominated by AEP. The headquarters of the Combined Company will be located in Columbus, Ohio.

Related Proposals

Intrasystem Financings; CSW Money Pool. In order to maximize the efficiencies resulting from the Merger, Applicants seek authority for the Combined Company to reorganize, consolidate and, where necessary, restate certain of the intrasystem financing and other authorizations previously issued by the Commission to each of AEP, CSW, and their respective subsidiaries, as discussed in more detail below.

Currently, the CSW system uses short-term debt, primarily commercial paper, to meet working capital requirements and other interim capital needs. In addition, to improve efficiency, CSW has established a system money pool ("CSW Money Pool") to coordinate short-term borrowings for CSW, its electric utility subsidiary companies and CSW Services, as set forth in prior Commission orders.⁶ AEP has no equivalent to the CSW Money Pool. Applicants request authority, effective upon consummation of the Merger, for the Combined Company to continue the Money Pool and to manage and fund it consistent with all the terms and conditions of the CSW Money Pool Orders, and all previous orders of this Commission relating to the Money Pool, subject to the following: (1) CSW's \$2,500,000,000 short-term borrowing authorization will transfer to the Combined Company and Combined Company's short-term borrowing limit shall be increased from \$500,000,000 to \$4,675,000,000 (consisting of (a) \$2,500,000,000 authorized for CSW, (b)

³ See HCAR No. 24157 (July 31, 1986).

⁴ See HCAR No. 25138 (August 30, 1990); HCAR No. 25696 (December 8, 1992); HCAR No. 25720 (December 20, 1992); HCAR No. 26627 (December 13, 1996); HCAR No. 26684 (March 11, 1997).

⁵ See HCAR No. 23578 (January 22, 1985).

⁶ See e.g. *Central and South West Corp.*, HCAR No. 26697 (March 28, 1997); *Central and South West Corp.*, HCAR No. 26854 (April 3, 1998) ("CSW Money Pool Orders").

\$2,135,000,000 authorized for AEP and AEP's utility subsidiaries, and (c) \$40,000,000 for AEP Service); (2) the Combined Company and AEP's utility subsidiaries will be added as participants to the Money Pool and permitted to issue short-term debt up to the amounts specified in Commission order dated May 4, 1998 (HCAR No. 26867); and (3) AEP Service will be added as a participant to the Money Pool, although its borrowings would be exempt under rule 52(b). Applicants request that following the Merger, both the Combined Company and CSW (for a transitional period) will have in aggregate the authority that CSW has with respect to the orders referenced above.

CSW Credit purchases, without recourse, the accounts receivable of CSW's U.S. electric utility subsidiary companies and certain nonaffiliated utility companies. The sale of accounts receivable provides CSW's U.S. electric utility subsidiary companies with cash immediately, resulting in reduced working capital needs and revenue requirements. In addition, because CSW Credit's capital structure is more highly leveraged than that of CSW's U.S. electric utility subsidiaries and due to CSW Credit's higher short-term debt ratings, CSW's overall cost of capital is lower. CSW Credit issues commercial paper to meet its financing needs. Applicants request approval, effective upon consummation of the Merger, for the Combined Company to acquire directly, and for CSW to transfer to the Combined Company, the business of CSW Credit through: (1) the merger of CSW Credit with a subsidiary of the Combined Company to be formed, if appropriate, (2) the distribution or payment as a dividend of the common stock of CSW Credit from CSW to the Combined Company, or (3) the acquisition of the assets or common stock of CSW Credit by a subsidiary of the Combined Company to be formed, if appropriate. Applicants request that, upon the acquisition of the business of CSW Credit by the Combined Company, the resulting company ("New Credit") succeed to all of the authority of CSW Credit as set forth in prior Commission orders.⁷

Financing for CSW and Its Subsidiaries

Applicants request authorization for CSW and CSW's nonutility subsidiaries to borrow or obtain guarantees from AEP under the same terms and conditions as CSW and the nonutility subsidiaries of CSW are currently

authorized by Commission orders described below.

CSW has supported the financing and other activities of its subsidiaries through obtaining Commission approval to issue and guarantee certain indebtedness. After the Merger it may be more efficient or commercially necessary for the Combined Company to support certain of the financing arrangements and business activity previously supported by CSW. Applicants request approval for the Combined Company, upon consummation of the Merger, to support those financing and other activities presently supported by CSW, including the issuance and guaranteeing of indebtedness, under certain orders of the Commission.⁸ It is Applicants' intention that, following the Merger, both the Combined Company and CSW will simultaneously have in aggregate the authority that CSW currently has with respect to those orders. The Combined Company does not seek to increase this authority.

Acquisition, Consolidation and Reorganization of nonutility Businesses.

Certain of the nonutility businesses of CSW (each, a "CSW Nonutility Business") conduct activities that are substantially equivalent to the activities of one or more nonutility subsidiaries of AEP (each, an "AEP Nonutility Business"). Applicants request approval, as deemed appropriate by management, for the Combined Company to acquire directly or indirectly, and for CSW to transfer to the Combined Company, CSW Nonutility Businesses through: (1) merger or one or more CSW Nonutility Businesses with one or more wholly owned nonutility subsidiaries (either presently existing and performing substantially equivalent activities or to be formed, if appropriate) of the Combined Company (each, a "Combined Nonutility Business"), (2) the distribution or payment as a dividend of the common stock of one or more CSW Nonutility Businesses from

CSW to the Combined Company, or (3) the acquisition of the assets or common stock of one or more CSW Nonutility Businesses by one or more Combined Nonutility Businesses. Applicants request approval, if management deems appropriate, to consolidate each CSW Nonutility Business with its corresponding AEP Nonutility Business into a single Combined Nonutility Business directly or indirectly owned by the Combined Company. Applicants request approval for the Combined Company to transfer to CSW, and CSW to acquire, any AEP Nonutility Business or to consolidate any AEP Nonutility Businesses with and into any like CSW Nonutility Business consistent with the principles and authority noted above. Applicants request that upon consolidation, each resulting Combined Nonutility Business succeed to all of the authority of each corresponding CSW Nonutility Business and AEP Nonutility Business, respectively, as set forth in the applicable Commission orders.

Merger of CSW Services Into AEP Service; Amended Service Agreements

Applicants request approval, effective upon consummation of the Merger, to merge CSW Services with and into AEP Service. Applicants also request that, upon the merger of CSW Services into AEP Service, AEP Service succeed to certain of the authority of CSW Services as set forth in various Commission orders and that these activities with respect to CSW Services include AEP Service.⁹

Under service agreements with each of the subsidiary companies of AEP, AEP Service provides various technical, engineering, accounting, administrative, financial, purchasing, computing, managerial, operational and legal services to each of the AEP subsidiary companies. Under the service agreements, these services are provided at cost. Similarly, under service agreements with each of the subsidiary companies of CSW, CSW Services provides various technical, engineering, accounting, administrative, financial, purchasing, computing, managerial, operational and legal services to each of

⁸ Specifically, Applicants proposed that the authority of CSW as stated in the following Commission orders be vested in both CSW and the Combined Company: (i) *Central and South West Corp.*, HCAR No. 26910 (August 24, 1998); (ii) *Central and South West Corp.*, HCAR No. 26767 (October 21, 1997); (iii) *Central and South West Corp.*, HCAR No. 26766 (Oct. 21, 1997); (iv) *Central and South West Corp.*, HCAR No. 26762 (Sept. 30, 1997); and (v) *Central and South West Corp.*, HCAR No. 26522 (May 29, 1996). In addition, the Applicants propose that the guarantee authority of CSW as stated in *Central and South West Corp.*, HCAR No. 26811 (December 30, 1997) be vested in both CSW and the Combined Company and that all other authority of CSW as stated in that order be vested in the Combined Company.

⁹ Specifically, Applicants request that AEP Service succeed to the authority of CSW Services as stated in: (i) *Central Power and Light Co.*, HCAR No. 26931 (October 21, 1998); (ii) *Central and South West Services, Inc.*, HCAR No. 26898 (July 21, 1998); (iii) *Central and South West Services, Inc.*, HCAR No. 26795 (December 11, 1997); and (iv) *Central Power and Light Corp.*, HCAR No. 26771 (October 31, 1997). Applicants, further request that the activities with respect to CSW Services authorized in these orders include AEP Service, and where applicable, the utility operating companies and the service territories of the Combined Company's system.

⁷ See *supra* notes 3 and 4.

the CSW subsidiary companies. Under the service agreements, these services are provided at cost.

Upon consummation of the Merger, CSW Services would be merged with AEP Service, and AEP Service would be the surviving service company for the Combined Company. Applicants intend that AEP Service would enter into an amended service agreement with AEP's subsidiary companies and CSW's subsidiary companies. Under the amended service agreement, AEP Service would provide the services previously provided by the two service companies, CSW Services and AEP Service.

Under the terms of the amended service agreement, AEP service will render to the subsidiary companies of the Combined Company, at cost, various technical, engineering, accounting, administrative, financial, purchasing, computing, managerial, operational and legal services. AEP Service will account for, allocate and charge its costs of the services provided on a full cost reimbursement basis under a work order system consistent with the Uniform System of Accounts for Mutual and Subsidiary Service Companies. Costs incurred in connection with services performed for a specific subsidiary company will be billed 100% to that subsidiary company. Costs incurred in connection with services performed for two or more subsidiary companies will be allocated in accordance with various allocation factors. Indirect costs incurred by AEP Service which are not directly allocable to one or more subsidiary companies will be allocated and billed in proportion to how either direct salaries or total costs are billed to the subsidiary companies depending on the nature of the indirect costs themselves. The time AEP Service employees spend working for each subsidiary will be billed to and paid by the applicable subsidiary on a monthly basis, based upon time records. Each subsidiary company will maintain separate financial records and detailed supporting records. Applicants request that the Commission approve the amended service agreement between AEP Service and the subsidiary companies of the Combined Company and the related allocation factors.

Investment in EWGs and FUCOs

By orders dated April 27, 1998 (HCAR No. 26864) and May 10, 1996 (HCAR No. 26516) (collectively, "AEP EWG/FUCO Orders"), the Commission authorized AEP to issue and sell securities up to 100% of its

consolidated retained earnings (approximately \$1,645,000,000 at June 30, 1998 (for investment in EWGs and FUCOs through AEP Resources. By order dated January 24, 1997 (HCAR No. 26653) ("CSW EWG/FUCO Order"), the Commission authorized CSW to issue and sell securities in an amount up to 100% of its consolidated retained earnings (approximately \$1,732,000,000 at June 30, 1998) for investment in EWGs and FUCOs through CSW Energy and CSW International. Applicants proposed that the CSW EWG/FUCO Order terminate upon consummation of the Merger and that the authority of the Combined Company to issue and sell securities in an amount up to 100% of its consolidated retained earnings for investment in EWGs and FUCOs be the same as that provided by the AEP EWG/FUCO Orders, except that for purposes of determining the amount of consolidated retained earnings as contemplated by the AEP EWG/FUCO Orders, "consolidated retained earnings" will consist of the consolidated retained earnings of the Combined Company.

Effect of Merger on Certain Stock-Based Benefit Plans

By order dated November 27, 1996 (HCAR No. 26616), the Commission confirmed previous authority and authorized CSW to offer, through December 31, 2001, 10,000,000 shares of CSW Common Stock under its Dividend Reinvestment and Stock Purchase Plan ("CSW Dividend Plan"), of which approximately 2,000,000 remain unissued. By order dated August 13, 1996 (HCAR No. 26553) ("AEP Dividend Plan Order") the Commission confirmed previous authority and authorized AEP to offer, through December 31, 2000, 54,000,000 shares of AEP Common Stock under its Dividend Reinvestment and Direct Stock Purchase Plan ("AEP Dividend Plan"). Applicants request that, as soon as practicable upon consummation of the Merger, (1) the authority of the CSW Dividend Plan be terminated, and (2) the Combined Company be authorized to issue 55,200,000 shares of AEP Common Stock through December 31, 2000 under the AEP Dividend Plan consistent otherwise with all the terms and conditions set forth in the AEP Dividend Plan Order.

By order dated November 21, 1995 (HCAR No. 26413) ("CSW Thrift Plan Order"), the Commission confirmed previous authority and authorized CSW to issue and sell a total of 5,000,000 shares of CSW Common Stock to the

trustee of the Central and South West Thrift Plan ("CSW Thrift Plan"), of which approximately 4,400,000 remain unissued. By order dated December 1, 1997 (HCAR No. 26786) ("AEP Savings Plan Order"), the Commission confirmed previous authority and authorized AEP to sell, through December 31, 2001, 8,800,000 shares of AEP Common Stock to the trustee of the American Electric Power System Employees Savings Plan ("AEP Saving Plan"). Applicants request that, upon consummation of the Merger, (1) authority of CSW to issue shares of CSW Common Stock to the CSW Thrift Plan be terminated, and (2) the Combined Company be authorized to issue 11,440,000 shares of AEP Common Stock through December 31, 2001 in connection with the AEP Savings Plan and the CSW Thrift Plan, for a transitional period, consistent otherwise with all the terms and conditions of the AEP Savings Plan Order and the CSW Thrift Plan Order, respectively.

By order dated April 7, 1992 (HCAR No. 25511) ("CSW Incentive Plan Order"), the Commission authorized CSW to adopt the Central and South West Corporation 1992 Long Term Incentive Plan ("CSW Incentive Plan") under which certain key employees would be eligible, through December 31, 2001, to receive certain performance and equity-based awards including (a) stock options, (b) stock appreciation rights, (c) performance units, (d) phantom stock, and (e) restricted shares of common stock. Applicants request that, upon consummation of the Merger, the Combined Company succeed to the authority of CSW to permit it (1) to honor the awards granted by CSW prior to the consummation of the Merger, (2) to administer the plan (subject to any necessary shareholder or regulatory approval) on a Combined Company basis and grant any remaining awards, and (3) to reserve and issue sufficient shares of AEP Common Stock under subparagraphs (1) and (2) above in connection with the CSW Incentive Plan consistent otherwise with all the terms and conditions.

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

Margaret H. McFarland,

Deputy Secretary.

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