

2000. AEP proposes to solicit proxies for this purpose from the holders of its outstanding common stock to be voted on at the meeting.

AEP requests that an order authorizing the solicitation of proxies be issued as soon as practicable under rule 62(d). It appears to the Commission that AEP's declaration regarding the proposed solicitation of proxies should be permitted to become effective immediately under rule 62.

*It is ordered* that the declaration regarding 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 Office of Public Utility Regulation, under delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27152]

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

March 13, 2000.

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 transactions(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch 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 4, 2000, 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 the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts 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 4, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### National Fuel Gas, et al. 70-9153

National Fuel Gas Company ("NFG"), a registered holding company, NFG's wholly owned gas utility subsidiary, National Fuel Gas Distribution Corporation, and NFG's nonutility subsidiaries, National Fuel Gas Supply Corporation, Highland Land & Minerals, Inc., Leidy Hub, Inc., Horizon Energy Development, Inc., Data-Track Account Services, Inc. and Seneca Independence Pipeline Company, each of 10 Lafayette Square, Buffalo, New York 14203, Seneca Resources Corporation, Niagara Independence Marketing Company and Upstate Energy Inc., each of 1201 Louisiana Street, Suite 400, Houston, Texas 77002, and National Fuel Resources, Inc. (collectively, "Current Money Pool Participants") and NFR Power, Inc. ("Power")<sup>1</sup> of 165 Lawrence Bell Drive, Suite 120, Williamsville, New York 14221 (collectively, "Applicants", the Applicants, other than NFG, are referred to collectively as "Subsidiaries"), have filed with this Commission a post-effective amendment under sections 6(a), 7, 9(a), 10, 12(b), 12(f) and 32 of the Act, and rules 45, 53 and 54 under the Act to their application-declaration filed under sections 6(a), 7, 9(a), 10, 12(b), 12(f), 32 and 33 of the Act, and rule 53 under the Act.

By order dated March 20, 1998 (HCAR No. 26847) ("March Order"), the Current Money Pool Participants were authorized to engage in various financing and related transactions through December 31, 2002 ("Authorization Period"). The March Order also authorized, among other things, the Current Money Pool Participants to continue to engage in a money pool arrangement ("Money Pool") through the Authorization Period.

Applicants now request authorization for Power to become a limited participant in the Money Pool through the Authorization Period. Specifically, Power's participation would be limited to depositing surplus funds that it may have from time to time into the Money Pool and withdrawing its own funds as needed. In addition, Power's participation would be subject to the terms and conditions for Money Pool

<sup>1</sup> Power is a nonutility subsidiary of NFG, and, as a result of a determination of the Federal Energy Regulatory Commission dated March 29, 1996 (Docket No. EG96-47-000), is an exempt wholesale generator as defined in section 32(a)(1) of the Act.

participation contained in the March Order.

The March Order also authorized NFG to guarantee securities of, and provide other forms of credit support with respect to obligations of, its Subsidiaries in an aggregate amount not to exceed \$2 billion at any time during the Authorization Period ("Guarantee Authority"). NFG proposes to guarantee securities of Power, and to provide other forms of credit support with respect to obligations of Power as may be necessary or appropriate to enable Power to carry on in the ordinary course of business. Such guarantees and credit support to Power would be subject to the terms and conditions of the Guarantee Authority contained in the March Order.

#### GPU, Inc., et al. (70-9599)

GPU, Inc. ("GPU"), a registered public utility holding company, and its wholly owned subsidiary, GPX Acquisition Corp. ("Acquisition Corp.", and together with GPU, "Applicants"), both located at 300 Madison Avenue, Morristown, New Jersey 07962, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 11(b)(1), 12, and 13(b) of the Act and rules 51, 54, 90 and 91 under the Act.

The Applicants propose to acquire for cash all of the issued and outstanding common shares of MYR Group, Inc. ("MYR"), a Delaware corporation (the "Merger"), under the terms of a Plan and Agreement of Merger, dated as of December 21, 1999 ("Merger Agreement"). MYR is a publicly held utility infrastructure services and electrical contracting company headquartered in Rolling Meadows, Illinois. MYR's common stock is registered under section 12(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is listed for trading on the New York Stock Exchange.

Under the terms of the Merger Agreement, Acquisition Corp. on December 29, 1999 commenced a cash tender offer in accordance with section 14 of the Exchange Act ("Tender Offer") to acquire MYR common stock subject to the terms and conditions of the Tender Offer.<sup>1</sup> Following completion of the Tender Offer, Acquisition Corp. will be merged with and into MYR, with MYR as the surviving entity. MYR will then become a direct wholly owned subsidiary of GPU. On February 24, 2000, the Applicants extended the

<sup>1</sup> The Tender Offer is subject to the terms and conditions of rule 51 under the Act, which states that consummation of the Tender Offer is expressly conditioned upon Commission approval of the Merger under the Act.

Tender Offer expiration date from February 29, 2000 to March 24, 2000.

Under the Merger Agreement, GPU has agreed to pay MYR common-stock shareholders \$30.10 per share in cash for their shares. MYR currently has 6,429,135 shares of common stock outstanding (including 335,927 shares issued under MYR's restricted stock plans). An additional 882,086 MYR shares are issuable under outstanding MYR convertible debt,<sup>2</sup> and a total of 756,650 shares of MYR common stock are issuable under outstanding stock options. Holders of these stock options may elect to convert these options into options to purchase shares of GPU common stock, as described below, or may elect to receive cash in an amount per share equal to the difference between \$30.10 and the per share exercise price. The aggregate purchase price for all shares of MYR common stock outstanding, after taking into account the offsetting payments attributable to the future exercise of stock options, is approximately \$215 million.

Subject to Commission authorization, GPU has agreed to allow the holders of MYR stock options and the holders of outstanding shares of MYR restricted stock to elect, in lieu of the cash payments described above, to: (1) Receive options to purchase shares of GPU common stock in exchange for MYR stock options; or (2) receive shares of GPU common stock in exchange for MYR restricted stock. GPU therefore seeks authority to issue shares of GPU's common stock for this purpose. The amount of GPU common stock issued or issuable under this arrangement will be determined according to a formula intended to provide holders of MYR stock options and MYR restricted stock with equivalent value in GPU common stock. The "Exchange Ratio" will be determined by dividing \$30.10 by the average closing price of GPU common stock for the five trading days immediately preceding the date of consummation of the Merger (the "Operative Price"). The number of shares of GPU common stock issuable in respect of any assumed MYR stock option shall be equal to the product of the number of shares of MYR common stock covered by such option multiplied by the Exchange Ratio, and the per share exercise price for the GPU common stock so issuable shall be equal to the quotient determined by dividing the exercise price per share specified for

<sup>2</sup>MYR redeemed all of this outstanding convertible debt on March 5, 2000 in accordance with the optional redemption provisions of these securities. The total redemption price was \$2,272,538.

such MYR stock option by the Exchange Ratio. The number of shares of GPU common stock issuable in respect of any assumed outstanding shares of MYR restricted stock shall be equal to the product of the number of shares of this restricted stock multiplied by the number determined by dividing \$30.10 by the Operative Price.

GPU will finance the purchase price of MYR with short-term bank borrowings under its existing lines of credit. GPU will account for the acquisition under the "purchase method" of accounting. The expected acquisition premium, the amount of which has not been quantified, will be amortized over a period yet to be determined.

MYR's business consists of providing utility transmission and distribution, infrastructure and related commercial and industrial electrical (and some mechanical) contracting services to utility, industrial, mining, institutional and governmental entities on a nationwide basis. MYR is the fifth largest specialty contractor in the United States and has eight operating subsidiaries across the country.<sup>3</sup> For the nine-month period ended September 30, 1999, MYR had total consolidated assets of \$120,769,000, consolidated gross revenues (referred to as "contract revenues") of \$348,116,000; and consolidated net income of \$9,281,000.<sup>4</sup>

MYR's transmission and distribution services ("T&D Services") represented approximately 54% of MYR's 1999 gross revenues and is MYR's predominant business activity. T&D Services include the construction and maintenance of transmission and distribution power lines and substations for utility, industrial, institutional and governmental facilities. MYR also performs storm and other emergency restoration services for utility networks.

MYR's infrastructure services include telecommunications installation services and traffic signalization work, each of which represented less than 10% of MYR's 1999 gross revenues. Telecommunications services are provided to primary telecommunications carriers, regional

<sup>3</sup>MYR operates through the following subsidiary companies: L.E. Myers Co. in the Southeast, Midwest and Northeast; Harlan Electric Company in Michigan, the Northeast and the Ohio Valley; Sturgeon Electric Company, Inc. in the West; Hawkeye Construction, Inc. in the Pacific Northwest; D.W. Close Company, Inc. in Seattle; Power Piping Company in Pennsylvania, Virginia and the Ohio River Valley; ComTel Technology, Inc. in Colorado and Arizona; and MYRcom in the Southeast and Southwest.

<sup>4</sup>Financial data for the nine months ended September 30, 1999 has been derived from unaudited financial statements.

service providers and commercial clients and include the construction of telecommunications towers, installation of overhead and underground copper and fiber optic cables, and installation and maintenance of LAN/WAN, telephone, video, data, and other similar communication systems.

Traffic signalization services generally consist of electrical construction and maintenance of traffic and light rail signalization equipment, such as fiber optic interconnections for traffic management systems, ramp metering, and highway lighting installation. Customers for these services include government transportation agencies, regional transit districts and municipalities.

MYR's commercial and industrial services ("C&I Services") primarily consist of electrical construction activities such as the installation of complete electrical system wiring for utilities and commercial and industrial facilities. MYR also performs some related heavy mechanical construction services involving the installation of complex piping systems and related mechanical equipment and instrumentation for major new construction projects. In 1999, C&I Services accounted for approximately 33% of MYR's gross revenues.

MYR has entered into a letter of intent ("LOI") to acquire from the two sole stockholders all of the issued and outstanding stock of a relatively small, privately held transmission and distribution electrical contracting company located in Colorado ("T&D Co."). T&D Co. is a regional utility infrastructure contractor engaged solely in the construction and installation of electrical substation, transmission and distribution facilities for both investor-owned and municipal utility systems as well as governmental entities.<sup>5</sup> In addition, T&D Co. constructs and installs fiber optic lines. For 1999, T&D Co.'s gross revenues were approximately \$18 million. MYR currently expects to complete its acquisition of T&D Co. prior to GPU's acquisition of MYR. MYR intends to fund the entire purchase price (approximately \$5 million) from internal sources.

In the event that the T&D Co. transaction is not completed prior to GPU's acquisition of MYR common stock under the Tender Offer, Applicants request further authorization for MYR to acquire the T&D Co.

<sup>5</sup>T&D Co.'s largest customers during 1998 (accounting for about 72% of its gross revenues) were Bonneville Power Administration; IREA; M&A Electric Association; Tri-State G&T; Luke Air Force Base; Lea County Electric; Texas-New Mexico Power; and Western Area Power Administration.

common stock for an aggregate purchase price not to exceed \$5 million.

After the Merger, MYR will provide T&D Services, C&I Services, and other related infrastructure services to both non-affiliates and affiliates of GPU, including GPU's wholly owned utility subsidiary companies.<sup>6</sup> All services provided by MYR to affiliates within the GPU system will be provided at cost pursuant to Rules 90 and 91 under the Act except to the extent the Commission may grant an exemption from such rules or as otherwise provided in the Act. All services provided by MYR to non-affiliates would be offered at market-based rates

#### **New Century Energies, Inc., et al. (70-9539)**

New Century Energies, Inc. ("NCE"), a registered public utility holding company located at 1225 Seventeenth Street, Denver, Colorado, 80202, and Northern States Power Company ("NSP"), public utility holding company exempt from registration by order under section 3(a)(2) of the Act,<sup>1</sup> located at 414 Nicollet Mall, Minneapolis, Minnesota, 55401, (collectively "Applicants") have filed an application-declaration under sections 6(a), 7, 9(a), 9(c)(3), 10, 12(d), 13(b) of the Act, and rules 44, 54, 87, 90 and 91 under the Act.

In summary, NCE and NSP propose to combine their businesses under a new holding company, Xcel Energy Inc. Under an Agreement and Plan of Merger, dated as of March 24, 1999 (the "Merger Agreement"), NCE will merge with and into NSP ("Merger"). NSP, as the surviving corporation, will change its name to Xcel Energy Inc. ("Xcel"). Also as part of the Merger, NSP intends to transfer its existing utility operations currently at the parent company level to a newly formed, wholly owned utility subsidiary of Xcel ("New NSP").<sup>2</sup> Xcel will have six public-utility subsidiaries after the Merger: Public Service Company of Colorado ("PSC"), Cheyenne Light, Fuel and Power Company ("Cheyenne") and Southwestern Public Service Company ("SPS") (collectively, the "NCE Operating Companies"), New NSP, Black Mountain Gas Company

("BMG")<sup>3</sup> and NSP's current utility subsidiary, NSP-Wisconsin ("NSP-W" and, together with BMG and New NSP, "NSP Operating Companies") (collectively, "Xcel Operating Companies"). Xcel will register under section 5 of the Act following the merger. In addition, NSP and NCE propose to engage in various intrasystem transactions. NCE further requests an extension of time provided in an earlier Commission order to complete a planned interconnection between SPS and PSC.

#### *I. Background*

##### *A. NCE*

In accordance with an order of the Commission dated August 1, 1997 ("1997 Order"),<sup>4</sup> NCE's utility operations consist for three integrated utility systems. The two electric utility integrated systems include (1) PSC's and SPS's electric utility operations and (2) the Cheyenne system. The integrated gas utility system is comprised of PSC's and Cheyenne's gas utility operations.<sup>5</sup>

PSC serves approximately 1.2 million electric customers and approximately one million gas customers in Colorado. PSC's transmission facilities are located in Colorado. PSC is a member of the Western Systems Coordinating Council ("WSCC"), an interstate network of transmission facilities owned by public entities and investor-owned utilities. WSCC is the regional reliability coordinating organization for member electric power systems in the entire western electric grid of the United States ("Western Interconnect"). Nearby PSC are the two high voltage direct current ("HVDC") between the WSCC and the eastern electrical grid of the United States ("Eastern Interconnect"). PSC is subject to rate regulation by the Public Utilities Commission of the State of Colorado. PSC is also subject to wholesale rate regulation by the Federal Energy Regulatory Commission (the "FERC") under the Federal Power Act, as amended (the "FPA") and the Natural Gas Act of 1935, as amended (the "NGA")

SPS, a New Mexico corporation, serves approximately 1.2 million electric customers in portions of Texas, New Mexico, Oklahoma and Kansas. SPS' transmission system is located in

parts of Texas, New Mexico, Oklahoma and Kansas. SPS is a member of the Southwest Power Pool ("SPP") and has the ability to purchase or sell energy from power producers in the Eastern Interconnect through its interconnection with Public Service Company of Oklahoma ("PSO"), and electric public utility subsidiary of Central and South West Corporation, a registered holding company, and West Plains Energy-Kansas, a division of UtiliCorp United Inc., a holding company exempt from registration under the Act. SPS also has the ability to purchase and sell energy from power producers in the Western Interconnect through its interconnection with the WSCC. SPS is regulated by the Public Utility Commission of Texas, the New Mexico Public Regulation Commission, the Kansas Corporation Commission and the Oklahoma Corporation Commission. SPS is also subject to regulation by the FERC under the FPA.

Cheyenne, also a member of WSCC, serves approximately 35,000 electric customers and 28,000 gas customers in and around Cheyenne, Wyoming. Cheyenne's limited transmission facilities, which are located in Wyoming, serve primarily to deliver power that Cheyenne purchases from its full requirements supplier, PacifiCorp.<sup>6</sup> Cheyenne is subject to regulation by the Wyoming Public Service Commission.<sup>7</sup> NCE also owns, directly or indirectly, various nonutility subsidiaries.<sup>8</sup> NCE's two directly owned non-utility subsidiaries are West Gas InterState, Inc., a natural gas pipeline company subject to FERC jurisdiction under the NGA, and NC Enterprises, Inc., a holding company for NCE's foreign operations and most of its nonutility businesses.

As of September 30, 1999, 115,533,704 shares of NCE Common Stock and no shares of NCE preferred stock were issued and outstanding. The consolidated assets of NCE, as of September 30, 1999, were approximately \$8.1 billion, representing \$5.1 billion in net electric utility property, plant and equipment (\$1.7 billion for SPS, \$3 billion for PSC and \$42 million for Cheyenne); \$808 million in net gas utility property, plant and equipment (&779 million for PSC and \$29 million for Cheyenne); \$443 million in nonutility subsidiary property, plant

<sup>6</sup> GPU's utility subsidiaries are: Jersey Central Power & Light Company; Pennsylvania Electric Company; and Metropolitan Edison Company.

<sup>1</sup> See *Northern States Power Co., Holding Co. Act* Release No. 22334 (Dec. 23, 1981). Section 3(a)(2) of the Act provides an exemption from registration to a holding company that is "predominantly a public-utility company whose operations as such do not extend beyond the State in which it is organized and states contiguous thereto."

<sup>2</sup> NSP requests authority to organize and capitalize New NSP for this purpose.

<sup>3</sup> Black Mountain Gas Company will be the name of a company NSP has separately proposed to establish (in File No. 70-9337), that would assume the assets and operations of NSP's gas and propane utility business in Arizona, currently run as a division of NSP.

<sup>4</sup> See *New Century Energies, Inc., HCAR No. 26748* (August 1, 1997) (authorizing the formation of the NCE system).

<sup>5</sup> SPS has no gas utility operations.

<sup>6</sup> The lines consist of two 115 kilovolt transmission line segments that total 25.5 miles in length.

<sup>7</sup> Cheyenne does not have any wholesale load.

<sup>8</sup> The application states that the nonutility operations of NCE have all been previously authorized under the Act or have been established under a rule or statutory exemption.

and equipment; and \$1.7 billion in other corporate assets.

Revenues for Cheyenne NCE's utility operations for the 12 months ended September 30, 1999 are as follows (\$ in millions):

	Electric utility revenues	Gas utility revenues
SPS .....	717	.....
PSC .....	1,156	477
Cheyenne .....	40	19

#### B. NSP

NSP is engaged primarily in the generation, transmission and distribution of electricity throughout a 30,000 square mile service area in Minnesota, North Dakota and South Dakota. NSP also purchases, distributes and sells natural gas to retail customers in this area and transports customer-owned gas in approximately 118 communities within this area and in Arizona.<sup>9</sup> As of September 30, 1999, NSP provided retail electric utility service to approximately 1.2 million customers and gas utility service to approximately 385,000 customers. NSP-W generates, transmits and distributes electricity to approximately 210,400 retail customers in an area of approximately 18,900 square miles in northwestern Wisconsin and to approximately 9,100 electric retail customers in an area of approximately 300 square miles in the western portion of Michigan's Upper Peninsula. In addition, NSP-W purchases, distributes and sells natural gas to retail customers or transports customer-owned natural gas in the same service territory to approximately 78,000 in Wisconsin and 5,000 customers in Michigan.<sup>10</sup>

The electric transmission system of NSP and NSP-W is located throughout the service territories of the two utilities in Minnesota, North and South Dakota, Michigan and Wisconsin. NSP and NSP-W are directly connected with each other through numerous transmission lines that they own.<sup>11</sup> In addition, NSP and NSP-W are members of the Mid-Continent Area Power Pool ("MAPP"), the regional reliability council for numerous electric providers in portions of the Midwest. The NSP electric system is interconnected with 19 other utility systems, including

utilities in MAPP and in the Mid-America Interconnected Network.

Retail sales rates, services and other aspects of NSP's retail operations are subject to the jurisdiction of the Minnesota Public Utilities Commission ("Minnesota Commission"), the North Dakota Public Service Commission, the South Dakota Public Utilities Commission and the Arizona Corporation Commission within their respective states. Retail sales rates, services and other aspects of NSP-W's retail operations are subject to the jurisdiction of the Wisconsin Public Service Commission ("Wisconsin Commission") and the Michigan Commission. Certain activities of NSP and NSP-W, including wholesale rates for interstate sales of electricity, the interstate transmission of electricity and the sale of natural gas for resale, are subject to the jurisdiction of the FERC.

NSP is also engaged in various nonutility businesses. NSP directly provides: (i) an appliance services program for its residential customers, (ii) construction of natural gas distribution systems for third parties (primarily end-users and municipal gas systems), (iii) sale and installation of power quality instruments primarily to protect customers' equipment from electric surges, (iv) sale of steam to industrial customers in NSP's service territory, and (v) installation and maintenance of street lighting for municipalities and other customers.

In addition, NSP owns the following subsidiaries: (i) NSP Financing I, a special purpose business trust; (ii) Viking Gas Transmission Company, an interstate natural gas pipeline subject to FERC jurisdiction under the NGA; (iii) Eloigne Company ("Eloigne"), an investor in projects that qualify for low-income housing tax credits; (iv) Energy Masters International, Inc. ("Energy Masters"), an energy services company; (v) Seren Innovations, Inc., a company that provides cable, telephone and high-speed internet access; (vi) Ultra Power Technologies, Inc., a company that markets power-cable testing technology; (vii) First Midwest Auto Park, Inc., an owner of a parking garage; (viii) United Power and Land Company, a real estate investment company; (ix) NRG Energy, Inc., a holding company for many of NSP's nonutility businesses, including significant investments in the independent power projects and foreign operations; (x) Reddy Kilowatt Corporation, the owner of certain energy-related intellectual property rights; (xi) Nuclear Management Company ("NMCC"), a limited liability company that will provide services to the nuclear operations of its members;

and (xii) Natrogas, Inc., a provider of propane services.<sup>12</sup>

Further, Eloigne, Energy Masters and NRG Energy have their own non-utility subsidiaries. Eloigne's subsidiaries all invest in affordable housing projects, while Energy Masters' subsidiary, Energy Solutions International, Inc., provides energy services. According to the Applications, NRG Energy's subsidiaries include exempt wholesale generators ("EWGs"), qualifying facilities ("QFs"), QF holding companies, foreign utility companies ("FUCOs"), and other companies engaged either in activities specified in the various subparts of rule 58(b)(1) or in other nonutility activities that comply with Commission precedent.<sup>13</sup>

NSP-W owns Clearwater Investments, Inc., an investor in housing projects that qualify for low-income housing tax credits, and NSP Land, Inc., a real estate investment company. NSP-W also owns &75.86% of Chippewa and Flambeau Improvement Company, a company that builds and operates dams and reservoirs for hydro-electric plants.

As of September 30, 1999, there were 154,358,267 shares of NSP Common Stock and 1,050,000 shares of NSP cumulative preferred stock issued and outstanding. Consolidated assets of NSP and its subsidiaries as of September 30, 1999 were approximately \$8.7 billion, consisting of \$3.5 billion in net electric utility property, plant and equipment (\$2.9 billion for NSP and \$622 million for NSP-W); \$459 million in net gas utility property, plant and equipment (\$395 million for NSP and \$64 million for NSP-W); and \$2.9 billion in nonutility subsidiary assets, and \$1.7 billion in other corporate assets.

Revenues for NSP's utility operations for the year ended September 30, 1999 are as follows (before intercompany eliminations) (\$ in millions):

	Electric utility revenues	Gas utility revenues
NSP .....	2,343	360
NSP-W .....	335	81

#### II. Description of the Merger

Under the Merger Agreement, each share of NCE common stock issued and outstanding immediately prior to the effective time of the Merger, together with any NCE Rights (as defined

<sup>12</sup> NSP owns 100% of all of these businesses with the exception of its 25% membership interest in NMC.

<sup>13</sup> These activities include payroll and related services, operations and management services, international power project business development, and non-profit community development activities.

<sup>9</sup> As noted above, NSP currently serves these customers in Arizona out of a division that NSP intends to incorporate.

<sup>10</sup> In 1998, NSP-W provided approximately 13% of NSP's consolidated revenues.

<sup>11</sup> The Commission has previously determined that the electric and gas properties, respectively, of NSP each constitute an integrated public-utility system. See *Northern States Power Co.*, supra at note 1.

below),<sup>14</sup> will be converted into the right to receive 1.55 shares (the "Conversion Ratio") of NSP common stock,<sup>15</sup> and each share of NCE common stock, together with any NCE Right, owned by NSP or a subsidiary or held in the treasury of NCE, will be canceled.<sup>16</sup> Based upon the capitalization of NCE and NSP on March 24, 1999 (the date on which the Merger Agreement was signed) and the Conversion Ratio, NCE and NSP shareholders would own 54% and 46%, respectively, of the common equity of Xcel as of that date. As a result of the Merger, PSC, SPS and Cheyenne will come subsidiaries of Xcel along with New NSP and NSP-W.<sup>17</sup>

### III. The Combined Operations

#### A. Overview

The application states that the gas utility operations of the NSP Operating Companies, PSC and Cheyenne, together will constitute a gas integrated public-utility system within the meaning of section 2(a)(29)(B) of the Act. In addition, the application states that the electric utility operations of the NSP Operating Companies, PSC and SPS will be an electric integrated public-utility system (the "Primary System") within the meaning of section 2(a)(29)(A).<sup>18</sup>

Applicants state that the Primary System will not engage in joint economic dispatch. As more particularly described below. Applicants contend that the Primary System will be integrated through, among other things, the coordination of transmission operations, the coordination of generation operations, and the coordination of marketing and administrative operations.

#### B. The Primary System

##### 1. Transmission Coordination.

Applicants state that three of the Xcel Operating Companies, *i.e.*, NSP, NSP-W

<sup>14</sup> The "NCE Rights" are rights issued by NCE that entitled registered holders of purchase from NCE one-hundredth of a share of Series A Junior Participating Preferred Stock for each NCE Right. The NCE Rights were distributed a dividend on each outstanding share of NCE Common Stock as part of NCE's shareholder rights plan, which was approved in the 1997 Order.

<sup>15</sup> As noted above, NSP will change its name to Xcel at or before the Merger.

<sup>16</sup> Each issued and outstanding share of NSP Common Stock and each share of preferred stock of NSP issued and outstanding immediately prior to the effective time of the Merger will remain outstanding.

<sup>17</sup> As noted above, NSP has proposed that BMG become a subsidiary of Xcel after the Merger. See note 3 *supra*.

<sup>18</sup> The Commission determined in the 1997 Order that NCE could own the electric operations of Cheyenne as an additional electric integrated system.

and SPS, will participate in the Midwest Independent Transmission System Operator, Inc. ("MISO").<sup>19</sup> Applicants state that participation in MISO will consolidate in MISO management and control of Applicants' transmission facilities, along with those of the other MISO members, and through their access to the MISO transmission tariff, will enable Applicants to transact with each other and with the other MISO members at single-system transmission rates.

At present, PSO whose service territory lies between SPS and Ameren Corporation ("Ameren"), the nearest member of MISO, does not plan to become a member of MISO. Applicants anticipate, however, that, by the time that MISO becomes fully operational, it will have attracted additional members, which will permit SPS to be connected with MISO through intervening MISO-member utilities. For example, if the SPP were to join MISO,<sup>20</sup> Applicants state that there would be a MISO transmission region between SPS and NSP that would be contiguous to both utilities. Absent changes that result in a connection between SPS, another MISO member and NSP, however, SPS intends to obtain a firm, 200 MW bi-directional transmission path from the point at which SPS connects with PSO to the point at which PSO connects with Ameren.

Applicants also state that, whether or not these changes occur, they plan to achieve additional operational efficiencies for the combined electric operations through reservation of a 100 MW firm transmission unit-directional path from SPS to New NSP, through SPP and Ameren for the period 2002 through 2004 (the "Contract Path").<sup>21</sup>

<sup>19</sup> The participating transmission owners in MISO currently are: Allegheny Energy, Alliant Corporation (on behalf of IES Utilities, Inc., Interstate Power Company, South Benoit Water, Gas & Electric Company, and Wisconsin Power Company), Ameren (on behalf of Central Illinois Public Service Company and Union Electric Company), Central Illinois Light Company, Cinergy Corp. (on behalf of Cincinnati Gas & Electric Company, PSI Energy, Inc., and Union Light, Heat & Power), Commonwealth Edison Company (including Commonwealth Edison Company of Indiana), Hoosier Energy Rural Electric Cooperative, Inc., Illinois Power Company, Kentucky Utilities Company, Louisville Gas & Electric Company, Northern States Power Company, Southern Illinois Power Cooperative, Southern Indiana Gas & Electric Company, Wabash Valley Power Association, Inc. and Wisconsin Electric Power Company. PSC will not be a member of MISO.

<sup>20</sup> Applicants state that the SPP currently plans to join MISO.

<sup>21</sup> Applicants state that the Contract Path, like virtually every firm contract path, has some market concentrating effects as a result of loop-flows, as well as market-deconcentrating effects. For this reason, Applicants have treated the Contract Path

The Contract Path would permit a flow of 100 MW from a point of receipt in SPS's service territory (its Tolk generating station) to a point of delivery in NSP-W's service territory (its Sherbourne County generation station).

2. *Coordination of Generation Operations.* Applicants state that they have entered into a joint operating agreement ("Joint Operating Agreement"), according to which they will coordinate the operation and dispatch of the electric generating resources of the Xcel Operating Companies. Applicants assert that although not providing for joint economic dispatch the Joint Operating Agreement will provide for coordinated dispatch. Under this arrangement, system dispatchers will arrange for economy energy sales where the sales would lower the operating costs of the purchasing Xcel Operating Company.

The Joint Operating Agreement also provides for short-term capacity and associated energy sales, subject to the same limitations. In addition, the Joint Operating Agreement provides for joint generation planning and the common procurement of resources. Further, the Joint Operating Agreement vests New Century Services, Inc., (to be renamed Xcel Energy Services Inc.) ("New Century Services"), currently NCE's service company subsidiary, with the responsibility of arranging joint sales and purchases of electricity and makes provision for the allocation of associated costs and revenues.

3. *Marketing and Administrative Coordination.* The Xcel Operating Companies will coordinate through joint marketing efforts, both as buyers and sellers. The Xcel Operating Companies already have the ability to reach common suppliers, purchasers, and trading hubs in various combinations.

Applicants state that virtually all administrative and general services will be performed for the Xcel system by New Century Services. Applicants note that the accounting functions of the combined system will be consolidated. Applicants further state that there will also be coordination and integration of information system networks; customer service; procurement organizations; organized structures for power generation, energy delivery and customer relations; and support services.

#### C. Combined Gas Operations

The Xcel gas system will operate in Michigan, Wisconsin, Minnesota, North Dakota, South Dakota, Wyoming,

as a separate option from MISO in their filing for FERC approval of the Merger.

Colorado and Arizona. Applicants state that approximately 74% of the 324.7 billion cubic feet of natural gas purchased by the applicants during 1998 were from common supply sources. Applicants also state that NSP and NCE share access, through their respective pipeline transporters, to several industry-recognized market and supply-area hubs.

#### IV. Proposed Intrasystem Transactions

##### A. Extension of Service Company Subsidiary Services

Applicants propose that New Century Services be the service company subsidiary for the Xcel system. Applicants request a finding that New Century Services is so organized and will be so conducted as to meet the requirements of section 13(b) with respect to all associates in the Xcel system. New Century Services will provide Xcel, New NSP, NSP-W, PSC, SPS and Cheyenne, under the Utility Service Agreement, and the nonutility subsidiaries of the combined system, under the Non-Utility Service Agreement, with various services. These include: administrative, management and support services, including services relating to support of electric and gas plant operations (*i.e.*, energy supply management of the bulk power and natural gas supply, procurement of fuels, dispatch of generating units, coordination of electric and natural gas distribution systems, maintenance, construction and engineering work); customer bills and related matters; materials management; facilities; real estate; rights of way; human resources; finance; accounting; internal auditing; information systems; corporate planning and research; public affairs; corporate communications; legal; environmental matters; and executive services. These services will comply with the at-cost standards of section 13(b) and rules 87, 90 and 91 under the Act, unless otherwise exempted as discussed below.

##### B. Services, Goods and Assets Involving the Xcel Operating Companies

The Xcel Operating Companies may provide to one another and other associate companies services incidental to their utility businesses, such as power plant maintenance overhauls and power plant and storm outage emergency repairs. These services will be provided in accordance with rules 87, 90 and 91. Moreover, in accordance with these rules, an Xcel Operating Company may provide certain goods through a leasing arrangement or otherwise to one or more other Xcel Operating Companies, and may use

certain assets for the benefit of one or more other associate companies.

In addition to the foregoing, NSP and NSP-W are currently providing goods and services to, or receiving goods and services from, affiliated interests, as defined under applicable state law, in accordance with agreements approved by the Minnesota Commission. Those transactions between NSP or NSP-W and these affiliated interests performed in accordance with Minnesota law are generally priced on a "fully allocated cost" basis. To the extent necessary, Applicants request an exemption under section 13(b) of the Act from the at-cost requirements of section 13 and rules 90 and 91 with respect to these transactions.

##### C. Nonutility Sale of Goods and Services to EWGs, FUCOs and QFs

The 1997 Order and an order of the Commission dated April 7, 1999 ("1999 Order")<sup>22</sup> granted an exemption from the at-cost requirements of section 13 and rules 90 and 91 for the sale of goods and services by New Century Services and certain nonutility subsidiaries of NCE to associate QFs, EWGs and FUCOs ("Associate Exempt Entities") where certain conditions were met ("Nonutility Exemption"). In the 1999 Order, the Commission reserved jurisdiction over a request for an exemption from the at-cost standards for the sale by these subsidiaries of goods and services to exempt telecommunication companies under section 34 of the Act, to rule 58 companies, or to other nonutility subsidiaries that do not derive any part of their income from sales of goods, services or other property to the NCE Operating Companies ("Requested Additional Exemption"). Applicants now request that the Nonutility Exemption and the Requested Additional Exemption be extended, on the same conditions as those described in the 1999 Order, to the sale of goods and services by certain Xcel nonutility subsidiaries.

Applicants also note that the 1997 NCE Order exempted two NCE nonutility subsidiaries, Utility Engineers Corporation ("UE") and Quixx Power Services, Inc. from the at-cost requirements of section 13(b) with respect to the sale of services to an associate QF.<sup>23</sup> Applicants request that this exemption be extended, to the extent necessary following the Merger, to transactions that are still ongoing.

<sup>22</sup> HCAR No. 27000.

<sup>23</sup> The 1997 Order noted that power from the QF would be sold to SPS.

##### D. Other Sales of Goods and Services by Nonutility Subsidiaries

Applicants note that the 1997 NCE Order authorized an NCE nonutility subsidiary, UE, to perform engineering, development, design, construction and other related services to the NCE Operating Companies at cost. Applicants now request that this authority be extended to enable UE to provide such services to Xcel Operating Companies.

In addition, Applicants request authority for NMC to provide services to New NSP. Applicants note that the Commission recently authorized NMC to provide certain services to IES Utilities, Inc., a utility subsidiary of another registered holding company, Alliant Energy corporation.<sup>24</sup> The services to be provided by NMC to New NSP will comply with the at cost standards of section 13(b).

##### V. Extension of Time To Construct Interconnection

The 1997 Order requires that, "[i]n the event that New Century Energies at any time determines not to construct the tie, or the tie is not substantially completed within five years of the date of consummation of the [PSC/SPS] merger [interconnecting SPS with PSC ("SPS-PSC Interconnection")], New Century Energies will file a post-effective amendment concerning the measures it will take to ensure that the requirements of section 2(a)(29)(A) are satisfied."

Applicants state that the project to complete the SPS-PSC Interconnection will be accomplished in a phased approach and will require various regulatory approvals. The first phase will involve construction of a 230-mile, 345 kV line from Amarillo, Texas to Holcomb, Kansas, expected to be completed in the third quarter of 2001. The second phase will involve construction of a 100-mile, 345 kV line from Holcomb to Lamar, Colorado and a HVDC facility that would interconnect the PSC and SPS systems, as well as the WSCC and SPP regional transmission grids. The application states that this second phase is now scheduled for completion in 2004.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>24</sup> Alliant Energy Corporation, et al., HCAR No. 27096 (October 26, 1999).