

fairly intended by the policy and provisions of the Act, and that, therefore, the Commission should grant the requested order.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27174]

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

May 5, 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 transaction(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 May 30, 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 May 30, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Conectiv, et al. (70-9655)

Conectiv, a registered public utility holding company; Atlantic City Electric Company ("ACE"), and Delmarva Power & Light Company ("Delmarva"), each a public utility subsidiary of Conectiv; ACE-REIT, Inc. ("ACE-REIT"), Conectiv Atlantic Generation, LLC ("CAG"), nonutility subsidiaries of ACE;

and Conectiv Delmarva Generation, Inc. ("CDG"), a nonutility subsidiary of Delmarva (collectively, "Applicants"), all located at 800 King Street, Wilmington, Delaware 19899, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(c), 12(d) and 32 of the Act and rules 43, 45, 46 and 54 under the Act.

Applicants state that Conectiv intends to convert Delmarva and ACE into subsidiaries that provide only regulated electric transmission and distribution services and, in the case of Delmarva, regulated gas distribution services. As part of this plan, Conectiv is implementing a strategy of divesting baseload generating facilities and retaining "mid-merit" facilities, *e.g.*, those facilities that can quickly increase or decrease their KW per hour output level on an economic basis. In connection with this strategy, Delmarva and ACE intend to transfer ownership of certain generating facilities to a special purpose holding company, Conectiv Energy Holding Company ("CEH"), that Conectiv proposes to establish and own, to hold these facilities. The Delmarva facilities have approximately 1,364 MW of net generating capacity, with an approximate value of \$301.4 million net of deferred taxes ("Delmarva Generation Assets").¹ The ACE facilities have approximately 502 MW of net generating capacity valued at approximately \$77.2 million net of deferred taxes ("ACE Generation Assets"). Applicants request several authorizations to accomplish this transfer and for other related matters.

Transfer of ACE and Delmarva Generation Assets

ACE proposes to acquire additional ownership interests in its subsidiary, CAG, which is currently inactive, and to transfer the ACE Generation Assets to CAG, in exchange for those interests. ACE also requests authority to acquire additional common stock of its subsidiary, ACE-REIT, which is also inactive, and to transfer to ACE-REIT its ownership interest in CAG in exchange for that common stock.² ACE proposes

¹ These assets include approximately 127 MW of net generating capacity (with book value of \$26 million net of deferred taxes) to be transferred by Delmarva to CDG that may be transferred to a nonassociate exempt wholesale generator ("EWG") in exchange for like-kind assets under a like-kind exchange agreement. In addition, ACE and Delmarva intend to transfer certain other generating assets to EWGs and propose in another filing, S.E.C. File NO. 70-9607, to transfer certain generating assets to nonassociate non-EWGs.

² Applicants propose to use ACE-REIT as an intermediate holding company over the ACE Generation Assets in order to minimize the tax consequences of the transfer.

to issue a dividend to Conectiv of ACE-REIT's common stock.

Similarly, Delmarva proposes to acquire additional common stock of its subsidiary, CDG, which is currently inactive, and to transfer the Delmarva Generation Assets to CDG in exchange for that common stock. Delmarva proposes to issue a dividend to Conectiv of CDG's common stock. In accordance with generally accepted accounting principles: The dividends by ACE of ACE-REIT common stock and by Delmarva of CDG common stock will be treated as dividends out of capital surplus.³

In addition, Conectiv requests authority to establish and acquire all of the common shares of CEH⁴ as an intermediate holding company that would hold the equity securities of CDG, ACE-REIT and indirectly, CAG.⁵ Accordingly, Applicants request authority for Conectiv to contribute the equity securities of CDG and ACE-REIT and, indirectly, CAG to CEH. These transactions would make CDG and ACE-REIT direct subsidiaries and CAG an indirect subsidiary of CEH. Applicants also request that the Commission deem ACE-REIT not to be a utility holding company solely for purposes of section 11(b)(2) of the Act.

Financings

Applicants request authority for CEH, ACE-REIT, CAG and CDG to engage in certain financings until such time as CAG and CDG qualify as EWGs and the financing of the companies can be accomplished through rule 52 or until March 31, 2000, whichever first occurs ("Authorized Period"). Specifically, CEH requests authority to issue equity or long- or short-term debt securities to

³ Applicants note that the capital dividend by Delmarva of the CDG common stock will cause its common equity to total capitalization ratio to fall below 30% until the sale of other generation assets to third parties is completed. The closing of this sale is scheduled for September 1, 2000 subject to the prior receipt of certain state regulatory approvals. The capital dividend by ACE will also cause the common equity to total capitalization ratio for ACE to fall below 30%.

⁴ CEH will not be an operating company, will have no employees and will function as an intermediary holding company that will be a utility holding company until such time as CDG and CAG are qualified as EWGs. Applicants state that following authorization by the Commission, CEH will issue a nominal number of shares of equity to Conectiv in exchange for a nominal amount of cash not to exceed \$1000.

⁵ Conectiv intends for CEH to invest in one or more EWGs and to consolidate or dispose of ownership interests in any such EWG so long as the aggregate limitation on such investments, imposed by rule 53 or other applicable order, is not exceeded. Separately, Conectiv intends to contribute to CEH the equity securities of a rule 58 company engaged in energy marketing, Conectiv Energy Supply, Inc.

Conectiv to finance its ongoing business needs through the Authorization Period. Any debt will bear interest at a rate designed to approximate Conectiv's cost of money and will mature in 30 years or less. Conectiv also requests authorization for CEH to participate in the Conectiv system money pool ("Money Pool"). The total debt and equity proposed to be issued by CEH, either directly to Conectiv or through the Money Pool, will not exceed \$750 million, less the amount of any debt issued by a CEH subsidiary directly to Conectiv, as described below.

In addition, ACE-REIT, CAG and CDG request authority to issue equity or long- or short-term debt securities to CEH or Conectiv through the Authorization Period. Any debt issued will mature in 30 years or less and will bear interest at a rate designed to approximate the lender's cost of money. Also, Applicants request authority for CAG, CDG, and ACE-REIT to participate in the Money Pool. Applicants propose that the total amount of debt and equity securities issued, either directly to Conectiv or through the Money Pool, by CDG will not exceed \$150 million and by ACE-REIT and CAG will not exceed \$100 million each.

Like Kind Exchange

Applicants anticipate that facilities having approximately 127 MW of net generating capacity owned by Delmarva to be transferred to CDG, will be subject to an obligation to transfer these assets to a nonassociate in a like-kind exchange ("To Be Transferred Assets"). First, Conectiv Energy, Inc. ("CEI"), which owns certain generating assets currently under construction ("New Hay Road Facilities"), would be transferred to a third party intermediary. Then, the To Be Transferred Assets would be sold to the nonassociate in exchange for the acquisition by CDG of either: (a) the New Hay Road Facilities at a time when the investment in the New Hay Road Facilities equals or approximates the value of the To Be Transferred Assets; or (b) other suitable generation assets (either, "To Be Acquired Assets"). If CDG is not an EWG at the time of the acquisition of the To Be Acquired Assets, Applicants request authority to acquire those assets as utility assets.

Western Resources, Inc. 70-9665

Western Resources, Inc. ("WRI"), 818 Kansas Avenue, Topeka, Kansas 66612, a Kansas utility company and a public utility holding company claiming an exemption under section 3(a) by rule 2 from all provisions of the Act, except section 9(a)(2), has filed an application under sections 9(a)(2) and 10 of the Act

in connection with the acquisition of a utility subsidiary.

WRI conducts utility operations through its KPL division and its subsidiary, Kansas Gas and Electric Company ("KGE"), which together provided approximately 628,000 customers in 471 communities in the state of Kansas with electricity. In addition, WRI has a 45% economic interest in ONEOK, Inc., an Oklahoma corporation that distributes natural gas to more than 1.4 million customers with natural gas.⁶ Through various other subsidiaries, WRI is engaged in owning interests in power plants and projects and providing monitored security alarm and home paging services. For the year ending December 31, 1999, WRI reported consolidated revenues of approximately \$2.0 million and net income of \$12.5 million and had \$8.0 billion in consolidated assets at the end of that period.

One nonutility subsidiary company, Westar Generating II Inc. ("WG"), is engaged in constructing two General Electric combustion turbine generators ("CTs"). The CTs are expected to be rated for a capacity of approximately 74 MW of net dependable capacity at peak conditions and are expected to become commercially operational at a KGE generating facility on June 1, 2000. Once the construction is complete and operation begins, WG will qualify as a public utility under section 2(a)(3) of the Act. Accordingly, WRI has requested authority to acquire WG as a public utility company.

WRI's costs associated with the acquisition of WG will be equal to that of the equipment and construction costs incurred by WG, which is expected to be approximately \$63 million. The CTs will be connected to KGE at its generating facility directly through a new bus to be tied to a grid located at the facility. Initially, WG intends to sell all capacity and energy generated by the CTs to WRI at a cost-based rate under a power purchase agreement between WRI and WG.

In addition, WRI intends to claim an exemption as an intrastate holding company under section 3(a) of the Act and rule 2 with regards to the ownership of WR as a public utility company.

⁶The economic interest is derived solely from approximately 9.9% of the voting stock and shares of nonvoting convertible preferred stock of ONEOK. The staff of the Commission issued a no-action letter in 1997 on the proposition that ONEOK is not a subsidiary of WRI and that WRI does not control ONEOK. (See *Western Resources, Inc.*, SEC No-Action Letter (Nov. 24, 1997).

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC-2443; File No. 812-11858]

Valley Forge Life Insurance Company, et al.

May 5, 2000.

AGENCY: Securities and Exchange Commission ("SEC" or "Commission").

ACTION: Notice of Application for an Order under Section 6(c) of the Investment Company Act of 1940 (the "1940 Act" or "Act") granting exemptions from the provisions of Sections 2(a)(32), 22(c), and 27(i)(2)(A) of the 1940 Act and Rule 22c-1 thereunder, to permit the recapture of immediate interest payments applied to purchase payments made under certain deferred variable annuity contracts.

SUMMARY OF APPLICATION: Applicants seek an order under Section 6(c) of the 1940 Act to the extent necessary to permit, under specified circumstances, the recapture of immediate interest payments applied to purchase payments made under deferred variable annuity contracts (the "Contracts") that Valley Forge Life Insurance Company ("Valley Forge") will issue through Valley Forge Life Insurance Company Variable Annuity Separate Account ("VFL Separate Account"), as well as other contracts that Valley Forge may issue in the future through VFL Separate Account or any other future separate accounts of Valley Forge ("Future Accounts") that are substantially similar in all material respects to the Contracts (the "Future Contracts"). Applicants also request that the order being sought extend to any other National Association of Securities Dealers, Inc. ("NASD") member broker-dealer controlling or controlled by, or under common control with, Valley Forge, whether existing or created in the future, that serves as a distributor or principal underwriter of the Contracts or Future Contracts offered through VFL Separate Account or any Future Accounts ("Valley Forge Broker-Dealers(s)").

APPLICANTS: Valley Forge Life, VFL Separate Account, the Future Accounts and CNA Investor Services, Inc. (collectively, "Applicants").