the Securities from listing and registration on the NYSE.

The Company has stated in its application to the Commission that it has complied with the requirements of NYSE Rule 500, which governs an issuer's voluntary withdrawal of securities from listing on the NYSE.

Any interested person may, on or before October 18, 2000, submit by letter to the Secretary of the Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609, facts bearing upon whether the application has been made in accordance with the rules of Exchange and what terms, if any, should be imposed by the Commission for the protection of investors. The Commission, based on the information submitted to it, will issue an order granting the application after the date mentioned above, unless the Commission determines to order a hearing on the matter.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[6]

Jonathan G. Katz,

Secretary.

[FR Doc. 00–25334 Filed 10–2–00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–27236]

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

September 26, 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 October 20, 2000, to the Secretary, Securities and Exchange Commission, Washington, DC 20549–0609, and serve a copy on the relevant application(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 October 20, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

[6] 17 CFR 200.30–3(a)(1).

NiSource Inc., et al. (70–9681)

NiSource Inc. (''NiSource''), an Indiana corporation, and New NiSource, Inc. (''New NiSource''), a Delaware corporation, both located at 801 East 86th Avenue, Merrillville, Indiana 46410–6272, NiSource's wholly-owned public utility subsidiaries (''NiSource Utility Subsidiaries''), Northern Indiana Public Service Company (''Northern Indiana''), Kokomo Gas and Fuel Company (''Kokomo'') and Northern Indiana Fuel and Light Company (''NIFL''), all located at 801 East 86th Avenue, Merrillville, Indiana 46410–6272, Bay State Gas Company (''Bay State'') and Northern Utilities, Inc., both located at 300 Friberg Parkway, Westborough, Massachusetts 01581–5039, and Columbia Energy Group (''Columbia''), a registered holding company, located at 13880 Dulles Corner Lane, Herndon, Virginia 20171–4600, its five wholly-owned gas utility subsidiaries, Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc. and Columbia Gas of Virginia, Inc. (collectively, ''Columbia Utility Subsidiaries'' and together with NiSource Utility Subsidiaries, ''Utility Subsidiaries''), all located at 200 Civic Center Drive, Columbus, Ohio 43215, and NiSource and Columbia's nonutility subsidiaries, EnergyUSA, Inc. (''Energy USA''), Primary Energy, Inc., NiSource Capital Markets, Inc., NiSource Finance Corp. (''NiSource Finance''), NiSource Pipeline Group, Inc., IWC Resources Corporation, NiSource Development Company, Inc., NI Energy Services, Inc., Hamilton Harbour Insurance Services, Ltd., and NiSource Corporate Services Company, all located at 801 East 86th Avenue, Merrillville, Indiana 46410–6272, Columbia Energy Group Service Corporation, Columbia LNG Corporation, Columbia Atlantic Trading Corporation, Columbia Energy Services Corporation, Columbia Energy Group Capital Corporation, Columbia Pipeline Corporation, Columbia Finance Corporation, and Columbia Electric Corporation, all located at 13880 Dulles Corner Lane, Herndon, Virginia 20171–4600, Columbia Energy Resources, Inc., c/o 900 Pennsylvania Avenue, Charleston, West Virginia 25302, Columbia Gas Transmission Corporation and Columbia Transmission Communications Corporation, both located at 12801 Fair Lakes Parkway, Fairfax, Virginia 22030–0146, Columbia Gulf Transmission Company, located at 2603 Augusta, Suite 125, Houston, Texas 77057, Columbia Network Services Corporation, located at 1600 Dublin Road, Columbus, Ohio 43215–1082, Columbia Propane Corporation, located at 9200 Arboretum Parkway, Suite 140, Richmond, Virginia 23236, and Columbia Insurance Corporation, Ltd., located at 20 Parliament Street, P.O. Box HM 649, Hamilton HM CX, Bermuda (''Nonutility Subsidiaries'' and together with NiSource Utility Subsidiaries and Columbia Utility Subsidiaries, ''Subsidiaries'') (collectively, ''Applicants'') have filed an application declaration under sections 6(a) 7, 9(a), 10, 12(b), 12(c), 13(b), 32 and 33 of the Act and rules 45, 46, 53, 54, 87, 90, 91, and 92 under the Act.

I. Background and Summary

NiSource and New NiSource have previously filed an application (''Merger Application'') [1] seeking approvals required to complete the proposed acquisition by New NiSource of all of the issued and outstanding common stock (''Common Stock'') of NiSource and Columbia. This would occur through mergers of separate subsidiaries of New NiSource with and into each of NiSource and Columbia, followed by the merger of NiSource into New NiSource. Upon consummation of these transactions, New NiSource would immediately be renamed ''NiSource Inc.'' and would register as a holding company under section 5 of the Act. After the Merger, NiSource would own, directly or indirectly, all of the issued and outstanding Common Stock of the NiSource Utility Subsidiaries and the Columbia Utility Subsidiaries.

Upon completion of the Merger, NiSource would also hold, directly or indirectly, all of the Nonutility Subsidiaries and investments owned by NiSource, as well as those currently owned by Columbia. NiSource has proposed that it would maintain Columbia as a direct wholly-owned subsidiary after the Merger. The merger application contemplates that Columbia will remain a registered holding company, will in turn hold all of the

[1] The Commission issued a notice of the Merger Application in S.E.C. File No. 70–9551, Holding Co. Act Release No. 27226 (September 1, 2000).

voting securities of the Columbia Utility Subsidiaries and its investments in other direct and indirect nonutility subsidiaries. Applicants expect that Columbia will continue to supply substantially all of the capital required by its subsidiaries.

Applicants now request authority with respect to the financing arrangements, ongoing financings and other matters pertaining to NiSource and its Subsidiaries after giving effect to the Merger.

In summary, Applicants request authority for the period through December 31, 2003 (''Authorization Period''), unless otherwise noted, for: (1) Maintenance of the facility under which the debt incurred to effect the acquisition (''Acquisition Debt'') is issued, including any extensions, renewals or replacements, and the associated guarantees, during the Authorization Period; (2) issuance and sale of Common Stock and preferred stock (''Preferred Stock''), unsecured long-term indebtedness (''Long-Term Debt'') and other forms of preferred or equity-linked securities having maturities of up to fifty years and not to exceed $12 billion, with certain exceptions; (3) issuance and sale of short-term debt (''Short-Term Debt'') in specified aggregate amounts for the NiSource Utility Subsidiaries not to exceed $2 billion, with certain exceptions; (4) the Nonutility Subsidaries to issue and sell debt and equity securities in order to finance their operations and future nonutility investments, provided that these future investments are exempt under the Act or rules under the Act or have been authorized in a separate proceeding; (5) the guarantee of indebtedness or contractual obligations or to provide other forms of credit support on behalf or for the benefit of the Subsidiaries in an aggregate principal or nominal amount not to exceed $5 billion in addition to the amounts of guarantees and other forms of credit support that Columbia is currently authorized to issue; (6) guarantees of indebtedness or contractual obligations or provide other forms of credit support by Nonutility Subsidiaries (other than Columbia) for the benefit of other Nonutility Subsidiaries in an amount not to exceed $2 billion; (7) entrance into hedging transactions (''Interest Rate Hedges'') with respect to the indebtedness of NiSource and its subsidiaries, and entrance into hedging transactions (''Anticipatory Hedges'') with respect to anticipatory debt issuances; (8) changing the terms of the authorized capitalization of any Subsidiary, provided that, if a Subsidiary is not wholly-owned, all other required shareholder consents have been obtained for the change; (9) acquisition of the equity securities of one or more special-purpose financing subsidiaries (''Financing Subsidiaries''); (10) acquisition, directly or indirectly, of the equity securities of one or more intermediate subsidiaries (''Intermediate Subsidiaries'') organized exclusively for the purpose of acquiring, financing, and holding the securities of one or more existing or future nonutility subsidiaries, including but not limited to ''exempt wholesale generators'' (''EWGs''), ''foreign utility companies'' (''FUCOs''), companies engaged or formed to engage in activities permitted by rule 58 (''Rule 58 Subsidiaries'') or ''exempt telecommunications companies'' (''ETCs'') as defined in sections 32, 33 and 34 of the Act, respectively; (11) exemption from the at-cost requirements of section 13(b) with respect to certain existing arrangements between certain NiSource utility and nonutility subsidiaries for a period of not more than one year after the merger; (12) for Nonutility Subsidiaries to sell goods and services to each other at other than cost, to the extent not exempt under rule 90(d), subject to certain exemptions; (13) engaging in certain categories of activities permitted outside the United States, subject to certain limitations; (14) Columbia to transfer proceeds of non-core assets sales to NiSource; (15) Nonutility Subsidiaries to pay dividends out of capital and unearned surplus to the extent permitted under applicable law and the terms of any credit arrangements to which they may be parties; Subsidiaries also seek to acquire, retire, or redeem the securities that they have issued to any associate company, any affiliate, or any affiliate of an associate company; and (16) a reservation of jurisdiction on the allocation of consolidated income tax liabilities among NiSource and its subsidiaries by agreement.

The proceeds from the financing would be used for general corporate purposes, including: (1) Refinancing of the Acquisition Debt; (2) financing, in part, investments by and capital expenditures of NiSource and its Subsidiaries (including equity contributions, advances and loans to Columbia); (3) funding of future investments in EWGs, FUCOs, and Rule 58 Subsidiaries; (4) the repayment, redemption, refunding or purchase by NiSource or any Subsidiary of any of its own securities; and (5) financing working capital requirements of NiSource and its Subsidiaries.

II. General Terms and Conditions of Financing

Applicants state that assuming that the holders of the maximum number of Columbia's shares elect to exchange their stock for NiSource Common Stock, and that certain non-core assets of NiSource and/or Columbia are sold before or shortly after the Merger, common equity as a percentage of NiSource's *pro forma* consolidated capitalization will be no less than 28.5%. In addition, NiSource commits that within two years after the date of the Commission's order approving the Merger, and for the remainder of the Authorization Period, the combined consolidated capitalization of the new holding company system would include no less than 30% common equity. NiSource also commits to maintain common equity of Columbia as a percentage of Columbia's consolidated capitalization at 30% or above throughout the Authorization Period, and also to maintain common equity as a percentage of capitalization of each of the NiSource Utility Subsidiaries at 30% or above throughout the Authorization Period.

The aggregate principal amount of all indebtedness issued by NiSource or any Financing Subsidiary of NiSource at any time outstanding (including, specifically, Acquisition Debt, Long-Term Debt and Short-Term Debt) would not exceed $10 billion (''NiSource Debt Limitation''). The interest rate on Long-Term Debt, Preferred Stock or other preferred or income-linked securities would not exceed 500 basis points over the appropriate Treasury rate, and the interest rate on Short-Term Debt would not exceed 300 basis points over the London Interbank Offered Rate (''LIBOR''). Underwriting fees and all other fees and expenses incurred in consummating specific financing transactions would not exceed 5% of the proceeds.

III. Current Columbia and NiSource Financing Authority

A. Columbia

Columbia currently has financing authority derived from three orders (collectively, the ''Columbia Financing Orders''). By order dated June 8, 1999,[2] Columbia has authority to issue and sell equity and Long-Term Debt securities in an amount not to exceed $6 billion at any one time outstanding through December 31, 2003. In addition, Columbia is authorized to ''enter into guarantee arrangements, obtain letters of

[2] S.E.C. File No. 70–9359, Holding Co. Act Release No. 27035 (June 8, 1999).

credit, and otherwise provide credit support'' for its subsidiary companies in an amount not to exceed $5 billion at any one time outstanding through December 31, 2003. By order dated December 22, 1997,[3] Columbia has the authority to issue and sell Short-Term Debt securities in an amount not to exceed $2 billion at any one time outstanding through December 31, 2003. Short-Term Debt may include borrowings under a revolving credit facility, the issuance of commercial paper, and bid notes to individual banks participating in the revolving credit facility. The order also authorizes four of the Columbia Utility Subsidiaries to make direct borrowings from Columbia.[4] Columbia's Utility Subsidiaries and certain nonutility subsidiaries also may make short-term borrowings through the Columbia system money pool. Various restrictions on Columbia's current financing authority are set forth in an order dated December 23, 1996.[5]

Under the Columbia Financing Orders, the effective cost of money on debt may not exceed 300 basis points over comparable term U.S. treasury securities; and the effective cost of money on Preferred Stock and other Fix incomes securities may not exceed 500 basis points over 30-year term U.S. treasury securities. Bid notes must bear interest rates comparable to, or lower than, those available through other proposed forms of short-term borrowing with similar terms and have maturities not exceeding 270 days. The underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive bid issue, sale or distribution of any securities may not exceed 5% of the principal or total amount of the financing.

Columbia is authorized under the Columbia Financing Orders to utilize the proceeds of authorized financing for general and corporate purposes including: (1) Financing, in part, of the capital expenditures of Columbia and its subsidiaries; (2) in the case of Short-Term Debt, financing gas storage inventories, other working capital requirements and capital spending of the Columbia system; (3) acquisition interests in EWGs and FUCOs; (4) the acquisition, retirement, or redemption of securities of which Columbia is an issuer without the need for prior Commission approval pursuant to rule 42 or a successor rule; and/or (5) the acquisition of the securities of nonutility companies as permitted under any rule of the Commission permitting these acquisitions.

Applicants are not requesting any changes to the amounts or types of securities and guarantees that Columbia and the Columbia Utility Subsidiaries are authorized to issue under the terms of the Columbia Financing Orders. Applicants request that any securities or guarantees issued by Columbia and the Columbia Utility Subsidiaries would not count against the proposed limits on financing contained in this application declaration. Columbia's Nonutility Subsidiaries request authority to pay dividends out of capital and unearned surplus to the extent permitted under applicable law and the terms of any credit arrangements to which they may be parties. Columbia Utility Subsidiaries also request the authority to acquire, retire, or redeem the securities that they have issued to any associate company, any affiliate, or any affiliate of an associate company.

Following the Merger Columbia would continue to provide capital required by its subsidiaries by issuing short-term and Long-Term Debt securities. NiSource proposes to make open account advances or cash capital contributions to Columbia, purchase additional shares of Columbia Common Stock and/or make loans, directly or through a Financing Subsidiary, evidenced by Columbia's promissory notes. The interest rate and maturity on any borrowings by Columbia from NiSource, or its Financing Subsidiary, would parallel the effective cost and maturity of a comparable debt security issued by the lender.

B. NiSource

In the Merger, New NiSource would issue approximately 124.2 million shares of Common Stock in exchange for the outstanding Common Stock of NiSource, based on the number of those shares outstanding on June 30, 2000, and assuming 30% of the outstanding Columbia shares are exchanged for Common Stock, approximately 96.9 million shares of Common Stock in exchange for the outstanding Common Stock of Columbia.[6] The authorized capital stock of New NiSource consists of 420,000,000 shares, $0.01 par value, of which 400,000,000 are common shares, and 20,000,000 are preferred shares,[7] of which, 4,000,000 have been designated as Series A Junior Participating preferred Shares and reserved for issuance under New NiSource's Shareholder Rights Agreement (''Rights Plan'').

In addition, New NiSource will issue Stock Appreciation Income Linked Securities SM (''SAILS'') as part of the Merger, which will result in the issuance of between 6.4 million and 9.0 million shares of Common Stock on the fourth anniversary of the transaction, assuming 30% of the outstanding Columbia shares are exchanged for the stock consideration in the merger.

The cash portion of the consideration paid to Columbia shareholders in the Merger would range from approximately $4 billion, assuming 30% of the outstanding Columbia shares are exchanged for the NiSource stock consideration, to approximately $6 billion, if all of the Columbia shares are exchanged for the cash and SAILS consideration. NiSource has organized NiSource Finance to facilitate financing the cash portion of the Merger consideration and other costs associated with the Merger. NiSource Finance will make unsecured short-term borrowings under a 364-day revolving credit facility, with the option to convert outstanding loans at the expiration of the period to term loans maturing 364 days afterwards (the ''Acquisition Debt''). Alternatively, NiSource Service would issue commercial paper back-stopped by the credit facilities. NiSource will guarantee the Acquisition Debt.

C. Other Outstanding Securities and Obligations of NiSource

In February 1999, NiSource issued 6,000,000 Premium Income Equity Securities SM (''PIES'') in conjunction with the acquisition of Bay State. Each PIES is a unit consisting of a stock purchase contract issued by NiSource and a preferred security issued by NIPSCO Capital Trust I (''Capital Trust''), a special purpose financing subsidiary of Capital Markets. The stock purchase contracts obligate the holders to purchase from NiSource, no later than February 19, 2003, for a price of $50, a number of shares of NiSource Common Stock based on the closing price for NiSource Common Stock over a twenty day period prior to this date. Based on NiSource's trading price as of June 30, 2000, the aggregate number of shares of Common Stock that NiSource would issue as part of the PIES is

[3] S.E.C. File No. 70–9129, Holding Co. Act Release No. 26798 (Dec. 22, 1997).

[4] Columbia Energy Group Service Corporation and Columbia nonutility subsidiaries reply upon rule 52 for borrowing from Columbia.

[5] S.E.C. File No. 70–8925, Holding Co. Act Release No. 26634 (Dec. 23, 1996).

[6] The actual number of shares of Common Stock issued in the Merger will depend upon, among other things, the number of NiSource and Columbia common shares outstanding on the date on which the Merger is consummated and the elections made by Columbia's shareholders.

[7] NiSource has the same number of authorized shares of common and Preferred Stock as New NiSource, but without par value.

approximately 13.1 million. Each preferred security has a stated liquidation amount of $50 and represents an undivided ownership interest in the assets of Capital Trust and is guaranteed by Capital Markets. The assets of Capital Trust consist solely of the debentures of Capital markets maturing on February 19, 2005 that Capital Trust purchased with the net proceeds of the offering plus equity invested by Capital Markets.

NiSource also currently maintains certain credit arrangements for the benefit of its Subsidiaries that will remain outstanding following the Merger. Specifically, under the terms of a Support Agreement dated April 4, 1989, as amended, between NiSource and Capital Markets, NiSource is obligated to make payments of interest and principal on Capital Markets' obligations in the event of a failure to pay by Capital Markets. Restrictions in the Support Agreement prohibit recourse on the part of Capital Markets' creditors against the stock and assets of Northern Indiana, which are owned by NiSource. Capital Markets has entered into revolving credit agreements for $200 million which may be used to support the issuance of commercial paper. As of June 30, 2000, Capital markets had issued $186 million in commercial paper but there were no borrowing outstanding under the revolving credit agreements. Capital markets also has $178 million available in money market lines of credit with $141.5 million of borrowings outstanding as of June 30, 2000. Capital Markets also had outstanding $300 million of medium-term notes having various maturities between April 2004 and May 2027.

In addition, the Support Agreement backs various guarantees and other forms of credit support that have been provided by Capital markets for the benefit of the NiSource Nonutility Subsidiaries. These include guarantees of securities issued by other subsidiaries, lease payment obligations, obligations under energy marketing contracts, obligations of cogeneration affiliates under operations and maintenance agreements, surety bonds and indemnification obligations. The maximum potential financial exposure of Capital Markets under all of these guarantees was approximately $1 billion on June 30, 2000.

IV. Requested NiSource External Financing

A. Introduction

NiSource requests authority to issue and sell from time to time shares of its authorized Common Stock and preferred Stock and, directly or indirectly through one or more Financing Subsidiaries, Long-Term Debt and other forms of preferred or equity-linked securities having maturities of us to 50 years. The aggregate amount of all the Common Stock, Preferred Stock, Long-Term Debt and other forms of preferred to equity-linked securities at any time outstanding during the Authorization Period would not exceed $12 billion, provided that shares of NiSource Common Stock that are issued with respect to the SAILS and certain other currently outstanding equity-linked securities and shares of Preferred Stock that may be issued under the NiSource Shareholder Rights Agreement will not count against this limit. In addition, NiSource requests authority to issue and sell, directly or indirectly through one or more Financing Subsidiaries, Short-Term Debt in an aggregate principal amount at any time outstanding not to exceed $2 billion. The aggregate principal amount of all indebtedness issued by NiSource or any Financing Subsidiary of NiSource at any time outstanding (including, specifically, Acquisition Debt, Long-Term Debt and Short-Term Debt) would not exceed the NiSource Debt Limitation. The amounts of securities that NiSource is requesting authority to issue and the dollar limitations here are in addition to the amounts of securities Columbia is currently authorized to issue and the dollar limitations imposed on Columbia under the Columbia Financing Orders.

NiSource contemplates that the Common Stock, Preferred Stock, Long-Term Debt and other preferred or equity-linked securities would be issued and sold directly to one or more purchasers in privately-negotiated transactions or to one or more investment banking or underwriting firms or other entities who would resell these securities without registration under the Securities Act of 1933 in reliance upon one or more applicable exemptions from registration, or to the public either (1) through underwriters selected by negotiation or competitive bidding or (2) through selling agents acting either as agent or as principal for resale to the public either directly or through dealers.

B. Continuation, Extension or Renewal of Acquisition Debt

As indicated, the cash portion of the consideration to be paid in the Merger and other associated costs (estimated at approximately $4.0 billion to $6.0 billion) would be financed through borrowings by NiSource Finance under a bank facility. After the Merger, NiSource intends to refinance some or all of the Acquisition Debt from the proceeds of issuances of equity securities and Long-Term debt securities, as described below, and/or cash proceeds from sales of assets. Pending this refinancing, NiSource requests authorization to maintain or replace the facility under which the Acquisition Debt is issued and renew or extend the maturities of borrowings, and to renew or extend the associated guaranty.

C. Other Debt

1. *Long-Term Debt.* Long-Term Debt (1) may be convertible into any other securities of NiSource; (2) will have maturities ranging from one to fifty years; (3) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above the principal amount; (4) may be entitled to mandatory or optional sinking fund provisions; (5) may provide for reset of the coupon under a remarketing arrangement; and (6) may be called from existing investors by a third party. The maturity dates, interest rates, redemption and sinking fund provisions and conversion features, if any, with respect to the Long-Term Debt of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding. Assuming that 30% of the Columbia shares are exchanged for NiSource Common stock in the Merger and that certain non-core assets of NiSource and/or Columbia are sold before or shortly after the Merger, NiSource states that it will be able to maintain a rating for all Long-Term Debt that is at the investment grade level as established by a nationally recognized statistical rating organization.

2. *Short-Term Debt.* Subject to the NiSource Debt Limitation, NiSource proposes to issue and sell from time to time, directly or indirectly through one or more Financing Subsidiaries, Short-Term Debt in an aggregate principal amount at any time outstanding not to exceed $2 billion. The effective cost of money on Short-Term Debt authorized in this proceeding would not exceed at the time of issuance 300 basis points over the LIBOR for maturities of one year or less.

Commercial paper would be sold, directly or indirectly through one or more Financing Subsidiaries, in established domestic or European commercial paper markets. NiSource also proposes to establish, directly or indirectly through one or more

Financing Subsidiaries, credit lines with banks or other institutional lenders in an aggregate principal amount not to exceed the proposed Short-Term Debt limitation. Loans under these lines will have maturities of less than one year from the date of each borrowing. NiSource also proposes to engage in other types of short-term financing generally available to borrowers with comparable credit ratings as it may deem appropriate in light of its needs and market conditions at the time of issuance.

D. Common Stock, Equity Linked Securities and Stock Based Plans

NiSource seeks authority to issue and sell Common Stock or options, warrants or other stock purchase rights exercisable for Common Stock, under underwriting agreements of a type generally standard in the industry. Public distributions would be under private negotiation with underwriters, dealers or agents or effected through competitive bidding among underwriters. In addition, sales would be made through private placements or other non-public offerings to one or more persons. All Common Stock sales would be at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

NiSource would issue and sell Common Stock through underwriters or dealers, through agents, or directly to a limited number of purchasers or a single purchaser. If underwriters are used in the sale of Common Stock, these securities would be acquired by the underwriters for their own account and would be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

NiSource may also issue Common Stock or options, warrants or other stock purchase rights exercisable for Common Stock in public or privately-negotiated transactions as consideration for the equity securities or assets of other companies, provided that the acquisition of any of these equity securities or assets have been authorized in a separate proceeding or is exempt under the Act or the rules under the Act (specifically rule 58).

NiSource also proposes to issue Common Stock and/or purchase shares of its Common Stock (either currently or under forward contracts) in the open market for purposes of reissuing the shares at a later date under the SAILS SM and PIES SM or other equity-linked securities.

In addition, NiSource proposes to issue shares of its Common Stock to satisfy its obligations under its stock-based plans, the 1994 Long-Term Incentive Plan, the Nonemployee Director Stock Incentive Plan and the Employee Stock Purchase Plan. Shares of Common Stock issued under these plans may either be newly issued shares, treasury shares or shares purchased in the open market. NiSource would make open-market purchases of Common Stock in accordance with the terms of or in connection with the operation of the plans under rule 42. NiSource also proposes to issue and/or purchase shares of Common Stock under these existing stock plans, as they may be amended or extended, and similar plans or plan funding arrangements later adopted without any additional prior Commission order. Stock transactions of this variety would thus be treated the same as other stock transactions.

E. Preferred Stock

NiSource would not issue any shares of its authorized Preferred Stock in the Merger and would not have any shares of Preferred Stock outstanding at the time that it registers as a holding company. However, after it registers, NiSource seeks to have the flexibility to issue its authorized Preferred Stock or, directly or indirectly through one of more Financing Subsidiaries, to issue Long-Term Debt and other types of preferred or equity-linked securities (including specifically, trust preferred securities). The proceeds of Preferred Stock, Long-Term Debt or other preferred or equity-linked securities would enable NiSource to reduce the Acquisition Debt and Short-Term Debt or other debt issued or guaranteed by NiSource with more permanent capital, and provide a source of future financing for the operations of and investments in nonutility businesses which are exempt under the Act.

Preferred Stock or other types of preferred or equity-linked securities would be issued in one or more series with the rights, preferences, and priorities as may be designated in the instrument creating each of the series, as determined by NiSource's board of directors. All of these securities will be redeemed no later than fifty years after the issuance. The dividend rate on any series of Preferred Stock or other preferred or equity-linked securities will not exceed at the time of issuance 500 basis points over the yield to maturity of a U.S. Treasury security having a remaining term equal to the term of these securities. Dividends or distributions on Preferred Stock or other preferred or equity-linked will be made periodically and to the extent funds are legally available for this purpose, but may be made subject to terms which allow the issuer to defer individual payments for specified periods. Preferred Stock or other preferred or equity-linked securities may be convertible or exchangeable into shares of Common Stock.

F. NiSource Utility Subsidiaries' Short-Term Debt

The NiSource Utility Subsidiaries request authority to issue and sell from time to time Short-Term Debt in an aggregate amount at any one time outstanding not to exceed the following amounts: (1) Northern Indiana—$1 billion; (2) Kokomo—$50 million; (3) NIFL—$50 million; (4) Bay State—$250 million; and (5) Northern—$50 million. Subject to the limitations, the NiSource Utility Subsidiaries may engage in short-term financing as they may deem appropriate in light of their needs and market conditions at the time of issuance. These short-term financing could include, without limitation, commercial paper sold in established domestic or European commercial paper markets in a manner similar to NiSource, bank lines and debt securities issued under its indentures and note programs. The effective cost of money on Short-Term Debt authorized in this proceeding will not exceed 300 basis points over the LIBOR for maturities of one year or less.

G. NiSource Nonutility Subsidiary Financing

In order to finance investments in energy-related or otherwise functionally-related, nonutility businesses, it will be necessary for the Nonutility Subsidiaries to have the ability to engage in financing transactions that are commonly accepted for these types of investments. NiSource states that, in almost all cases, these financings will be exempt from prior Commission authorization under rule 52(b).[8]

However, in the limited circumstances where the Nonutility Subsidiary making the borrowings is now wholly-owned by NiSource, directly or indirectly, authority is requested under the Act for NiSource or a Nonutility Subsidiary, as the case may be, to make those loans to these subsidiaries at interest rates and maturities designed to provide a return to the lending company of not less than

[8] Financings by Columbia will be carried out under the terms of the Columbia Financing Orders and not under rule 52.

its effective cost of capital. If these loans are made to a Nonutility Subsidiary, the company would not sell any services to any associate Nonutility Subsidiary unless the company falls within one of the categories of companies to which goods and services may be sold on a basis other than ''at cost,'' as described below. Furthermore, in the event those loans are made, NiSource would include in the next certificate filed under 24 in this proceeding substantially the same information as that required on Form U–6B–2 with respect to the transition.

H. Guarantees

1. *NiSource Guarantees.* NiSource requests authority, directly or through one or more Financing Subsidiaries, to guarantee indebtedness or contractual obligations or provide other forms of credit support on behalf or for the benefit of its Subsidiaries in an aggregate amount not to exceed $5 billion at any one time outstanding (''NiSource Guarantees''), provided however, that the amount of any NiSource Guarantees in respect of obligations of any Subsidiaries shall also be subject to the limitations of rule 53(a)(1) or rule 58(a)(1), as applicable.

Any securities issued by Financing Subsidiaries of NiSource that are guaranteed or supported by other forms of credit enhancement provided by NiSource would not count against this limitation, but instead would count against the limitation on the same types of securities that NiSource is authorized to issue. The proposed limitation on NiSource Guarantees would not include the amount of any guarantees or other forms of credit support outstanding at the time of the Merger or guarantees or other forms of credit support provided with respect to securities issued by any Financing Subsidiary (the amounts of which would count only against the proposed limitations on the amounts of debt and equity securities that NiSource may issue).

NiSource proposes to charge each Subsidiary a fee for each guarantee provided on its behalf that is not greater than the cost, if any, of obtaining the liquidity necessary to perform the guarantee (for example, bank line commitment fees or letter of credit fees, plus other transactional expenses) for the period of time the guarantee remains outstanding.

2. *Nonutility Subsidiary Guarantees.* Nonutility Subsidiaries (including Financing Subsidiaries without credit support from NiSource but excluding Columbia) request authority to provide guarantees of indebtedness or contractual obligations or provide other forms of credit support on behalf or for the benefit of other Nonutility Subsidiaries in an aggregate principal or nominal amount not to exceed $2 billion at any one time outstanding (''Nonutility Subsidiary Guaranties''). This authorization is in addition to any guarantees that are exempt under rules 45(b) and 52, provided that the amount of any Nonutility Subsidiary Guaranties in respect of obligations of any Rule 58 Subsidiary shall also be subject to the limitations of rule 58(a)(1). The Nonutility Subsidiary providing any of the credit support may charge its associate company a fee for each guarantee provided on its behalf determined in the same manner as specified above.

I. Interest Rate Management Devices

1. *Interest Rate Hedges.* NiSource and, to the extent not exempt under rule 52, its Subsidiaries request authority to enter into Interest Rate Hedges in order to manage and minimize interest rate costs. Applicants assert that Interest Rate Hedges would only be entered into with counterparties whose senior debt ratings, or the senior debt ratings of the parent companies of the counterparties, as published by Standard and Poor's Ratings Group, are equal to or greater than BBB, or an equivalent rating from Moody's Investors Service, Fitch Investor Service or Duff and Phelps.

Applicants state that Interest Rate Hedges would involve the use of financial instruments commonly used in today's capital markets, such as interest rate swaps, caps, collars, floors, and structured notes (*i.e.*, a debt instrument in which the principal and/or interest payments are indirectly linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury securities.

2. *Anticipatory Hedges.* In addition, Applicants request authority to enter into interest rate hedging transactions with respect to Anticipatory Hedges, subject to certain limitations and restrictions. Anticipatory Hedges would be used to fix and/or limit the interest rate risk associated with any new issuance through (1) a forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury obligations and/or a forward swap (each a ''Forward Sale''); (2) the purchase of put options on U.S. Treasury obligations (a ''Put Options Purchase''); (3) a Put Options Purchase in combination with the sale of call options on U.S. treasury obligations (''Zero Cost Collar''); (4) transactions involving the purchase or sale, including short sales, of U.S. Treasury obligations; or (5) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to structured notes, caps and collars, appropriate for the Anticipatory Hedges.

Anticipatory Hedges might be executed on-exchange (''On-Exchange Trade'') with brokers through the opening of futures and/or options positions traded on the Chicago Board of Trade, the opening of over-the-counter positions traded on the Chicago Board of Trade, the opening of over-the-counter positions with one or more counter parties (''Off-Exchange Trades''), or a combination of On-Exchange Trades and Off-Exchange Trades. NiSource or a subsidiary will determine the optimal structure of each Anticipatory Hedge transaction at the time of execution.

Applicants state that they will comply with the then existing financial disclosure requirements of the Financial Accounting Standards Board associated with hedging transactions.

J. Changes in Capital Stock of Subsidiaries

NiSource and its Subsidiaries request authorization to change the terms of the authorized capital stock capitalization of any wholly-owned Subsidiary or intermediate holding company by an amount deemed appropriate by NiSource or other intermediate parent company.[9] If that authority were granted, a Subsidiary would be able to change the par value or change between par and no-par stock, without additional Commission approval and subject to any necessary state approvals.

K. Financing Subsidiaries

NiSource and its Subsidiaries request authorization to acquire, directly or indirectly, the equity securities of one or more corporations, trusts, partnerships, or other entities (''Financing Subsidiaries'') created specifically for the purpose of facilitating the financing of the authorized and exempt activities of NiSource and its Subsidiaries. This authorization would be in addition to arrangements with NiSource Finance, a wholly-owned special purpose financing subsidiary, and two other special entities owned directly or indirectly by NiSource.[10] The Financing Subsidiaries would issue Long-Term Debt or equity securities but not limited to monthly income preferred securities,

[9] If a subsidiary is not wholly-owned, all other required shareholders consent for the change would be obtained.

[10] NiSource Capital Markets, Inc. (''Capital Markets'') and Capital Trust I, a special purpose financing subsidiary of Capital Markets.

to third parties and would dividend, loan or otherwise transfer the proceeds of these financings or as directed by the Financing Subsidiary's parent company.

NiSource would, if required, guarantee, provide support for or enter into expense agreements in respect of the obligations of any Financing Subsidiary that it organizes. The Subsidiaries may also provide guarantees and enter into expense agreements, if required, on behalf of any Financing Subsidiaries that they organize under rules 45(b)(7) and 52, as applicable. The amount of any Long-Term Debt or preferred securities issued by any Financing Subsidiary would be counted against any limitation on the amounts of similar types of securities that would be issued directly by the parent company of a Financing Subsidiary. In those cases, however, the guaranty by the parent company would not also be counted against the limitations on NiSource Guarantees of Subsidiary Guarantees.

L. Intermediate Subsidiaries

NiSource requests authority to acquire, directly or indirectly, the securities of one or more intermediate subsidiaries (''Intermediate Subsidiaries'') organized exclusively for the purpose of acquiring, financing, and holding the securities of one or more existing or future Nonutility Subsidiaries, including but not limited to EWGs, FUCOs, Rule 58 Subsidiaries or ETCs. Intermediate Subsidiaries may expand up to $250 million on preliminary development activities. To the extent these transactions are not exempt from the Act or otherwise authorized or permitted by rule, regulation or order of the Commission, NiSource requests authority for Intermediate Subsidiaries to provide management, administrative, project development and operating services to these entities as fair market prices under rule 90(d), subject to the limitations set forth in section IV.M.2 of this notice below.

M. Sales of Services and Goods Among Subsidiaries

NiSource seeks exemptions in two areas from the at-cost standards of section 13(b) of the Act and rules 90 and 91 under the Act for the sales of services and goods among Subsidiaries.

1. *Continuation of Certain Existing Arrangements between NiSource Subsidiaries.* NiSource requests an exemption under section 13(b) of the Act in order that certain agreements [11] would remain in place for a period of not more than one year after the Merger. During that period, NiSource would assess the need to maintain these arrangements in place and would either discontinue them or address, in a separate application, the justification for continuing them on a permanent basis.

2. *Sales and Service Contracts Among Nonutility Subsidiaries.* NiSource's Nonutility Subsidiaries (other than Columbia) request authorization to provide services and sell goods to each other at fair market prices determined without regard to cost, and therefore request an exemption (to the extent that Rule 90(d) does not apply) under section 13(b) from the cost standards of rules 90 and 91 as applicable to these transactions, in any case in which the Nonutility Subsidiary purchasing the goods or services is:

(1) A FUCO or foreign EWG that derives no part of its income, directly or indirectly, from the generation, transmission, or distribution of electric energy for sale within the United States;

(2) An EWG that sells electricity at market-based rates that have been approved by the Federal Energy Regulatory Commission (''FERC''), provided that the purchaser is not Northern Indiana;

(3) A ''qualifying facility''(''QF'') within the meaning of the Public Utility Regulatory Policies Act of 1978, as amended (''PURPA'') that sells electricity exclusively (a) at rates negotiated at arms-length to one or more industrial or commercial customers purchasing the electricity for their own use and not for resale, and/or (b) to an electric utility company (other than Northern Indiana) at the purchaser's ''avoided cost'' as determined in accordance with the regulations under PURPA;

(4) A domestic EWG or QF that sells electricity at rates based upon its cost of service, as approved by FERC or any state public utility commission having jurisdiction, provided that the purchaser thereof is not Northern Indiana; or

(5) A Rule 48 Subsidiary or any other Nonutility Subsidiary that (a) is partially owned by NiSource, provided that the ultimate purchaser of the goods or services is not a Utility Subsidiary, NiSource Services (or any other entity within the NiSource system whose activities and operations are primarily related to the provision of goods and services to the Utility Subsidiaries), (b) is engaged solely in the business of developing, owning, operating and/or providing services or goods to Nonutility Subsidiaries described in clauses (1) through (4) immediately above, or (c) does not derive, or indirectly, any material part of its income from sources within the United States and is not a public-utility company operating within the United States.

N. Activities of Rule 58 Subsidiaries Outside the U.S.

NiSource, on behalf of any current or future Rule 58 Subsidiaries, requests authority to engage in certain ''energy-related'' activities permitted by rule 58 outside the United States. These activities would include: (1) The brokering and marketing of electricity, natural gas and other energy commodities (''Energy Marketing''); (2) energy management services (''Energy Management Services''), including the marketing, sale, installation, operation and maintenance of various products and services related to energy management and demand-side management; and (3) engineering, consulting and other technical support services (''Consulting Services'') with respect to energy-related businesses and for individuals.

NiSource requests that the Commission authorize Rule 58 Subsidiaries to (1) engage in Energy Marketing activities in Canada and reserve jurisdiction over Energy Marketing activities outside of Canada pending completion of the record in this proceeding; and (2) provide Energy Management Services and Consulting Services anywhere outside the United States. In addition, NiSource requests that the Commission reserve jurisdiction over other activities of Rule 58 Subsidiaries outside the United States, pending completion of the record.

In addition, NiSource requests authorization for Rule 58 Subsidiaries to engage in gas-related activities outside the United States, subject to certain proposed limitations and a requests for reservation of jurisdiction. Specifically, NiSource requests approval for Rule 58 Subsidiaries to engage in the development, exploration and production of natural gas and oil in Canada and to invest up to $300 million in the equity securities or assets of new or existing companies that derive

[11] SM&P Utility Resources and Miller Pipeline Corp., two NiSource Nonutility Subsidiaries, provide services to certain NiSource Utility Subsidiaries at market rates. In addition, Bay State provides repair and installation services to EnergyUSA, a NiSource holding company which has management responsibility for many of NiSource's nonutility subsidiaries and investments. The services are rendered for propane equipment sold by EnergyUSA under an agreement entered into in December 1999. Bay State also supplies or procures necessary materials. Under the agreement, Bay State charges a flat response fee and standard hourly labor rates. There may be other similar kinds of arrangements in place between NiSource Subsidiaries for the sale of services, some of which may not be cost-based.

substantially all of their income from these activities.

In addition, NiSource requests approval for Rule 58 Subsidiaries to invest, directly or indirectly through other subsidiaries, in natural gas pipelines or storage facilities located outside the United States. Investments in these entities would also count against the $300 million investment limitation. NiSource requests that the Commission reserve jurisdiction over (1) the proposed exploration and production activities in foreign countries other than Canada pending completion of the record; and (2) investments in pipeline and storage facilities outside the United States pending completion of the record.

O. Payment of Dividends

1. *NiSource, Columbia and the Utility Subsidiaries.* Applicants state that before or shortly after the Merger, certain non-core assets or businesses of Columbia would be sold. In that event, the Applicants request authority for Columbia to transfer the net proceeds of the sale or sales to NiSource, either by paying a dividend or by repurchasing shares of its Common Stock that are held by NiSource. NiSource intends to use some or all of the proceeds of these non-core asset sales to repay Acquisition Debt.

2. *Nonutility Subsidiaries.* Applicants state that there may be situations in which one or more Nonutility Subsidiaries would have unrestricted cash available for distribution in excess of current and retained earnings. Accordingly, Applicants propose that the Nonutility Subsidiaries be permitted to pay dividends from time to time through the Authorization Period, out of capital and unearned surplus (including any revaluation reserve), to the extent permitted under applicable corporate law.

P. Tax Allocation Agreement

NiSource requests that the Commission approve the tax allocation agreement (''Tax Allocation Agreement'') among NiSource and its Subsidiaries to allocate consolidate income tax liabilities in a manner other than permitted by rule 45(c). Applicants state that approval is necessary because the proposed Tax Allocation Agreement provides for the retention by NiSource of certain payments from the Subsidiaries for tax losses that NiSource will incur due to interest expense it would pay on the Acquisition Debt, rather than the allocation of those losses to Subsidiaries without payment, as rule 45(c)(5) would otherwise require. Applicants requests that the Commission reserve jurisdiction over the Tax Allocation Agreement pending completion of the record.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–25332 Filed 10–2–00; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–43347; File No. SR–OPRA–00–08]

Options Price Reporting Authority; Notice of Filing of a Proposal To Amend the Options Price Reporting Authority Plan To Establish Standards for Determining a Participation Fee

September 26, 2000.

Pursuant to Rule 11Aa3–2 under the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on September 12, 2000, the Options Price Reporting Authority (''OPRA'') [2] submitted to the Securities and Exchange Commission (''SEC'' or ''Commission'') an amendment to the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information (''Plan''). The proposed Plan amendment would incorporate in the Plan factors to be considered by OPRA in determining the amount of the participating fee described in the current Plan as payable by each new party to the Plan.

I. Description and Purpose of the Amendment

The Plan currently provides that any national securities exchange or registered securities association whose rules governing the trading of standardized options have been approved by the Commission may become a party to the Plan, provided it agrees to conform to the terms and conditions of the Plan and pays a participation fee to OPRA. The Plan does not establish the amount of the participation fee, but instead, states that the amount of the fee will be determined by OPRA in connection with each new application for participation, based upon standards incorporated in the Plan.[3] This approach provides sufficient flexibility to permit the determination of the fee to take into account the unique circumstances of each new application while, at the same time, assuring that the amount of the fee is based upon a set of established standards, thus enabling the fee to be administered in a fair and consistent manner. Under this structure, the amount of the participation fee will be determined in discussions with each applicant in light of the standards embodied in the Plan, under the general oversight of the Commission. This is the same general approach that is reflected in the Plans of other registered securities information processors, such as the Consolidated Tape Association and the Consolidated Quotation System.[4]

Although the Plan currently provides for a participation fee to be determined in the manner described above, it does not reflect the specific standards to be applied in determining the amount of the fee. Instead, the Plan contemplates that these standards will be incorporated in the Plan by means of a Plan amendment to be filed with and approved by the Commission prior to the determination of the participation fee to be paid by the International Securities Exchange, LLC (''ISE''), which at present is the only party to the Plan to which a fee based upon these standards will apply. This filing proposes to amend the Plan for the purpose of incorporating these standards in the Plan. As the Plan provides, ISE, as the only party subject to a participation fee to be determined on the basis of the standards now proposed, did not vote on the adoption of these standards, but it did participate in the discussion of the proposed standards.don

The purpose of the participation fee is to require each new party to the Plan to pay a fair share of the costs previously paid by the other parties for the development, expansion, and maintenance of the OPRA system. Consistent with this purpose, the standards now proposed to be embodied in the Plan for the determination of the participation fee are for the most part

[1] 17 CFR 240.11Aa3–2.

[2] OPRA is a National Market System Plan approved by the Commission pursuant to Section 11A of the Act and Rule 11Aa3–2 thereunder. *See* Securities Exchange Act Release No. 17638 (March 18, 1981).

The Plan provides for the collection and dissemination of last sale and quotation information on options that are traded on the member exchanges. The six exchanges that are participants to the Plan are the American Stock Exchange, the Chicago Board Options Exchange, the International Securities Exchange, the New York Stock Exchange, the Pacific Exchange, and the Philadelphia Stock Exchange.

[3] *See* Securities Exchange Act Release No. 42817 (May 24, 2000), 65 FR 35149 (June 1, 2000) (SR–OPRA–99–01).

[4] *See* Section III(c) of the Second Restatement of the CTA Plan as restated December 1995, and Section III(c) of the Restatement of the CQ Plan as restated December 1995.