

conflict; and (c) determining whether any proposed action adequately remedies a conflict, will be properly recorded in the minutes of the Board or other appropriate records. Such minutes or other records shall be made available to the Commission upon request.

11. If and to the extent Rule 6e-2 or Rule 6e-3(T) are amended, or Rule 6e-3 under the 1940 Act is adopted, to provide exemptive relief from any provision of the 1940 Act or the rules thereunder with respect to mixed or shared funding on terms and conditions materially different from any exemptions granted in the order requested by Applicants, then the fund and/or Participating Insurance Companies, as appropriate, shall take such steps as may be necessary to comply with Rule 6e-2 or Rule 6e-3(T), as amended, or Rule 6e-3, as adopted, to the extent such rules are applicable.

12. The Insurance Products Funds will comply with all provisions of the 1940 Act requiring voting by shareholders (for these purposes, the persons having a voting interest in the shares of an Insurance Products Fund). In particular, the Insurance Products Funds will either provide for annual meetings (except to the extent that the Commission may interpret Section 16 of the 1940 Act not to require such meetings) or comply with Section 16(c) of the 1940 Act (although the fund is not one of the trusts described in Section 16(c) of the 1940 Act) as well as with Section 16(a) and, if and when applicable, Section 16(b) of the 1940 Act. Further, the Insurance Funds will act in accordance with the Commission's interpretation of the requirements of Section 16(a) with respect to periodic elections of directors (or trustees) and with whatever rules the Commission may promulgate with respect thereto.

13. As long as the Commission continues to interpret the 1940 Act as requiring pass-through voting privileges for variable contract owners, the Adviser will vote its shares in the same proportion as all contrast owners having voting rights with respect to the Insurance Products Funds; provided, however, that the Adviser shall vote its shares in such other manner as may be required by the Commission or its staff.

14. No less than annually, the Participants shall submit to the Board of an Insurance Products Fund such reports, materials or data as the Board may reasonably request so that such Board may carry out fully the obligations imposed upon it by the conditions contained in this Application. Such reports, materials and data shall be submitted more frequently

if deemed appropriate by the Board. The obligations of the Participating Insurance Companies and Plans to provide these reports, materials and data upon reasonable request of a Board shall be contractual obligation of all Participating Insurance Companies and any Plan that has executed a participation agreement under the agreements governing their participation in an Insurance Products Fund.

15. Any shares of a fund purchased by the Adviser or its affiliates will be automatically redeemed if and when the Adviser's investment advisory agreement terminates, to the extent required by applicable Treasury regulations. Neither the Adviser nor its affiliates will sell such shares of the Insurance Products Funds to the public.

16. A Participating Insurance Company, or any affiliate, will maintain at its home office, available to the Commission, (a) a list of its officers, directors and employees who participate directly in the management or administration of the funds or any variable annuity or variable life insurance separate account, organized as a unit investment trust, that invests in the funds and/or (b) a list of its agents who, as registered representatives, offer and sell the variable annuity and variable life contracts funded through such a separate account. These individuals will continue to be subject to the automatic disqualification provisions of Section 9(a).

Conclusion

For the reasons summarized above, Applicants assert that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-23171 Filed 9-8-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27226]

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

September 1, 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 September 26, 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 September 26, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Energy East Corp., et. al. [70-9675]

Energy East Corp. ("Energy East"), P.O. Box 1196, Stamford, Connecticut 06904-1196, a New York corporation and a public-utility holding company exempt from registration under section 3(a)(1) of the Act, by order of the Commission,¹ CIS Service Bureau, L.L.C. ("CIS"), 855 Main Street, Bridgeport, CT 06604, as indirect wholly owned nonutility subsidiary of Connecticut Energy Corp. and The Union Water-Power Company ("UWP"), 526 Western Avenue, Augusta, ME 04330, a wholly owned nonutility subsidiary of CMP Group, Inc. ("CMP Group") (collectively, "Applicants") have filed an application under section 13(b) of the Act and rules 87, 88, 90, and 91 under the Act.²

¹ Holding Co. Act Release No. 27128 (Feb. 2, 2000).

² Energy East filed two related applications seeking approvals required to complete the proposed acquisitions ("Merger") by Energy East of CMP Group, a Maine corporation and a public-utility holding company exempt from registration under section 3(a)(1) of the Act, by order of the Commission; CTG Resources, Inc., a Connecticut corporation and a public-utility holding company exempt from registration under section 3(a)(1) by rule 2 under the Act and Berkshire Energy Resources, a Massachusetts corporation and a public-utility holding company exempt from registration under section 3(a)(1) by rule 2 under the Act (File No. 70-9569). By order dated August 31, 2000 (HCAR No. 27224) ("Merger Order") the

Applicants request the Commission to authorize: (1) The designation of Energy East Management Corp. ("EE Management") as a subsidiary service company in accordance with the provisions of rule 88 under Act; (2) the provision of intra-system administrative, management and support services by EE Management to the Energy East system companies; (3) the form of services agreements ("Services Agreements") that EE Management proposes to enter into with each associate company; and (4) agreements entered into between CIS and UWP with other associate utility subsidiaries under an exemption to the at-cost standards of the Act.³

Upon completion of the Merger, Energy East will own interests in the following eight public-utility companies, each of which will be wholly owned by companies within the Energy East system, unless otherwise indicated: (1) New York State Electric & Gas; (2) The Southern Connecticut Gas Company; (3) Maine Natural Gas, L.L.C. (formerly CMP Natural Gas, L.L.C.);⁴ Central Maine Power Company; (5) Maine Electric Power Company, Inc. ("MEPCo");⁵ (6) NORVARCO; (7) Connecticut Natural Gas Corporation; and (8) The Berkshire Gas Company (collectively, "Utility Subsidiaries").

Upon completion of the Merger, Energy East will also own various other subsidiary companies, described in Appendix A to the Merger Order, that are not public-utility companies under the Act (collectively, "Nonutility Subsidiaries"). Among the Nonutility Subsidiaries is EE Management, a Delaware corporation and a direct wholly owned subsidiary of Energy East that was organized in 1999 to invest the proceeds of the sale of Energy East's coal-fired generation assets.

Energy East will register as a public-utility holding company upon completion of the Merger. Following the Merger, EE Management proposes to

provide the Energy East system companies with a variety of administrative, management and support services. These services will be provided in accordance with Services Agreements that EE Management will enter into with each of the Utility subsidiaries and Nonutility Subsidiaries that it serves. Applicants state that EE Management will be organized and will conduct its operations so as to meet the requirements of section 13 of the Act and the rules under the Act.

Applicants also state that the Services Agreements will be structured and administered in accordance with the Act and rules under the Act. The cost of services payable to EE Management under the Services Agreements will be computed in accordance with the applicable rules under the Act and with appropriate accounting standards. Where more than one company is involved in or has received benefits from a service performed by EE Management, the Services Agreements will provide that client companies will pay their fairly allocated *pro rata* share in accordance with the methods set out in appendices to the Services Agreements. The Services Agreements will provide methodologies to ensure that the client companies pay to EE Management the cost of all services, computed in accordance with Commission rules and regulations under the Act and appropriate accounting standards.

Applicants state that EE Management will be staffed by employees who will be transferred over time from other Energy East system companies. In addition, EE Management will have access to certain employees who will remain employees of other system companies. Employees of other system companies who devote a portion of their time to EE Management will directly charge to EE Management the applicable portion of their time, including allocation of overhead costs.

Applicants request an exemption from the at-cost provisions of section 13(b) of the Act and rules 90 and 91 under the Act in connection with the sale of goods or services by the following companies in connection with the following agreements: (1) To permit UWP (which is currently party to five agreements with Central Maine Power having various termination dates, and proposes to enter into a sixth agreement) to continue to provide services to Central Maine Power at market-based rates, which have been or will be submitted for approval to the Maine Public

Utilities Commission;⁶ (2) to permit CIS, which provides customer information services to Southern Connecticut Gas under an agreement for a monthly fee based on the number of Southern Connecticut Gas customers billed, to maintain these agreements in effect, including entering into any extensions and renewals of these agreements, following Energy East's registration as a holding company; and (3) to permit UWP and CIS to enter into agreements with other Utility Subsidiaries, on substantially the same terms, following Energy East's registration as a holding company.

NiSource Inc., et al. [70-9551]

NiSource Inc. ("NiSource"), formerly NIPSCO Industries, Inc., an Indiana corporation, 801 East 86th Avenue, Merrillville, Indiana 46410-6272, a public utility holding company exempt from registration under section 3(a)(1) under the Act by order, New NiSource Inc. ("New NiSource"), 801 East 86th Avenue, Merrillville, Indiana 46410-6272, a wholly owned subsidiary of NiSource, and Columbia Energy Group ("Columbia"), 13880 Dulles Corner Lane, Herndon, Virginia 20171-4600 (collectively, "Applicants"), have filed a joint application-declaration under sections 6(a), 7, 8, 9(a), 10, 11, 13(b), and rules 87, 88, 90 and 91 under the Act.

Applicants state that New NiSource will register as a public utility holding company under section 5 of the Act.⁷

The Proposed Merger

NiSource, New NiSource, Columbia, Parent Acquisition Corporation ("Parent Acquisition"), a wholly owned subsidiary of New NiSource, and Company Acquisition Corp. ("Company Acquisition") and NiSource Finance Corp., an Indiana corporation and a direct and wholly owned subsidiary of New NiSource, entered into an amended and restated agreement and plan of merger dated March 31, 2000 ("Merger Agreement"). Under the Merger Agreement, Parent Acquisition will merge into NiSource and Company Acquisition will merge into Columbia. NiSource and Columbia will be the surviving corporations in those mergers and will become wholly owned subsidiaries of New NiSource.

⁶ After the Merger UWP proposes to offer similar services to other Utility Subsidiaries. UWP also provides these services to unaffiliated utilities and other customers.

⁷ The Applicants and certain of their subsidiaries have also filed in S.E.C. file no. 70-9681 an application-declaration related to the financing of the proposed New NiSource registered holding company system. A notice of that filing will be issued at a later date.

Commission authorized the Merger. The second related application (File No. 70-9609) was filed seeking approval for a program of external financing, credit support arrangements, and other related financing proposals.

³ In addition, Applicants request that the Commission find that this application is deemed to constitute a filing on Form U-13-1 for purposes of rule 88 under the Act, or, alternatively, that the filing of a Form U-13-1 is not necessary under the Act.

⁴ Maine Natural Gas is a joint venture between New England Gas Development Corp. (holding a 19% interest), a wholly owned subsidiary of CMP Group, and Energy East Enterprises (holding an 81% interest), a wholly owned subsidiary of Energy East.

⁵ Central Maine Power owns 78.3% voting interest of MEPCo with the remaining interests owned by two other Maine utilities.

Immediately after these mergers, NiSource will merge into New NiSource. New NiSource will then change its name to "NiSource Inc." (still referred to herein as "New NiSource") and serve as a holding company for Columbia and its subsidiaries and the current subsidiaries of NiSource ("Merger").

NiSource shareholders will receive one common share of New NiSource for each of their NiSource common shares and after the merger the NiSource shareholders will own no less than 53% of the New NiSource shares. Columbia shareholders will receive, for each of their Columbia common shares, either (1) \$70 in cash, and \$2.60 stated amount of a New NiSource Stock Appreciation Income Linked SecuritySM ("SAILS"), which is a unit consisting of a zero coupon debt security and a forward equity contract having the terms described below, or (2) if the Columbia shareholder elects, the number of New NiSource common shares equal to \$74 divided by the average trading price of NiSource common shares for the 30 consecutive trading days ending two trading days before the completion of the merger, which number may never be more than 4.4848. Stock elections are subject to proration if the elections exceed 30% of Columbia's outstanding shares. Also, unless Columbia shareholders make stock elections for at least 10% of Columbia's outstanding shares, all Columbia shareholders will receive cash and New NiSource SAILS in the merger.

If the merger is not completed by February 27, 2001, Columbia shareholders will receive, for each of their Columbia common shares, an additional amount in cash equal to interest at 7% per annum on \$72.29 for the period beginning on February 27, 2001 and ending on the day before the completion of the merger, less the amount of any cash dividends paid on Columbia common shares with a record date after February 27, 2001.

Each SAILS is a unit consisting of a share purchase contract and a debenture. The share purchase contract represents the holder's obligation to purchase common shares on the fourth anniversary of completion of the merger, and the debenture is pledged to secure that obligation. Under the share purchase contract, a holder will receive for each New NiSource SAILS, on the fourth anniversary of the completion of the merger, the following number of New NiSource common shares: (1) If the average closing price of the common shares on the New York Stock Exchange over a 30-day period before the fourth anniversary equals or exceeds \$23.10,

the holder will receive 0.1126 common shares; (2) if the average closing price is less than \$23.10 but greater than \$16.50, the holder will receive a number of common shares equal to \$2.60 divided by the average closing price; and (3) if the average closing price is less than or equal to \$16.50, the holder will receive 0.1576 common shares. The debenture that is initially part of each New NiSource SAILS will have a principal amount of \$2.60. The debenture will not pay interest for the first four years after the merger.

Unless a holder chooses to make a cash payment of \$2.60 to settle the purchase contract, the debenture that is pledged as collateral will be remarketed shortly before the fourth anniversary of the merger, and the proceeds will be used to pay the amount the holder would owe under the purchase contract. If the remarketing is successful, proceeds from the sale will be delivered to New NiSource as payment for the common shares. If the remarketing agent cannot remarket the debentures, New NiSource will exercise its rights as a secured party and take possession of the debentures. In either case, the holder's obligation to purchase shares of New NiSource common stock will be fully satisfied, and the holder will receive New NiSource common shares.

Shareholders of Columbia at the time of the merger who did not vote in favor of the merger and who made a demand for appraisal of their shares under the Delaware General Corporation Law (the "DGCL") Section 262 may perfect their demand for appraisal rights of those shares following the effective date of the merger in accordance with Section 262 of the DGCL.

Financing of the Offer and Transaction

New NiSource will issue approximately 124.7 million shares of common stock, par value of \$.01 per share, in exchange for the outstanding common stock of NiSource, based on the number of shares outstanding on February 29, 2000. Assuming 30% of the outstanding Columbia shares are exchanged for New NiSource common stock (which NiSource believes is a reasonable assumption), approximately 109.2 million shares of New NiSource common stock will be issued in the merger to Columbia's shareholders. In addition, New NiSource will issue SAILS, which will result in the issuance of between 6.4 million and 9.0 million shares of New NiSource common stock on the fourth anniversary date of the merger depending on the New NiSource stock price, assuming 30% of the outstanding shares are exchanged for the stock consideration.

NiSource estimates that the cash payments to Columbia shareholders in the merger will range from approximately \$4 billion, assuming 30% of the outstanding Columbia shares are exchanged for the stock consideration, to approximately \$6 billion, if all of the Columbia shares are exchanged for the cash and SAILS consideration. In addition, NiSource expects approximately \$2.4 billion of Columbia's existing debt to remain outstanding after the merger.

As a result of the Merger, the combined company will have *pro forma* operating revenues of approximately \$6.2 billion for the twelve months ended June 30, 2000. The combined company will also have *pro forma* assets of \$17.8 billion as of June 30, 2000, including an adjustment of approximately \$3.8 billion to reflect the premium paid for Columbia ("goodwill") and estimated Merger costs. The Merger will be accounted for using the purchase method of accounting. New NiSource will not push down the goodwill to Columbia or its subsidiaries.⁸

Parties to the Merger

NiSource and Its Subsidiaries

NiSource was incorporated in 1987 to serve as the holding company for Northern Indiana, which is a public utility under the Act, and various nonutility subsidiaries. NiSource has three additional direct public utility subsidiaries, Kokomo Gas and Fuel Company ("Kokomo Gas"), Northern Indiana Fuel and Light Company, ("NIFL"), Bay State, and one indirect public utility subsidiary, Northern Utilities, Inc. ("Northern"). NiSource is currently an exempt holding company pursuant to an order under section 3(a)(1) of the Act.⁹

NiSource holds all of the issued and outstanding common stock of Northern Indiana, which is a combination gas and electric utility company, which operates, in 30 counties in the northern part of Indiana, serving an area of about 12,000 square miles with a population of approximately 2,200,000. Northern Indiana distributes gas to approximately 681,100 residential, commercial and industrial customers and generates, purchases, transmits and sells electricity to approximately 426,000 electric customers.

⁸ See Staff Accounting Bulletin 54, Topic 5.J, question 2 (granting an exception to push down accounting for companies with significant debt or preferred stock).

⁹ See NIPSCO, Industries, Inc., Holding Co. Act Release No. 26975 (Feb. 10, 1999).

Northern Indiana owns and operates four coal-fired electric generating stations with an aggregate net capability of 3,179 MW, two hydroelectric generating plants with an aggregate net capability of 10 MW, and four gas-fired combustion turbine generating units with an aggregate net capability of 203 MW, for a total system net capability of 3,392 MW. Northern Indiana's transmission system consists of 3,068 circuit miles of lines with voltages ranging from 34.5 kV to 345 kV. Northern Indiana's electric distribution system extends into 21 counties in the northern third of Indiana and consists of 7,800 circuit miles of overhead and 1,571 cable miles of underground primary distribution lines operating at various voltages ranging from 2.4 kV to 12.5 kV.

NiSource holds all of the issued and outstanding common stock of Kokomo Gas, which supplies natural gas to approximately 34,500 customers in a six-county area of north central Indiana having a population of approximately 100,000. The Kokomo Gas service territory is contiguous to Northern Indiana's gas service territory.

NiSource holds all of the issued and outstanding common stock of NIFL, which supplies natural gas to approximately 35,500 customers in five counties in the northeast corner of Indiana having a population of approximately 66,700. The NIFL service territory is also contiguous to Northern Indiana's gas service territory and overlaps Northern Indiana's electric service territory. Northern Indiana has initiated a multi-phase customer choice program to allow residential and small commercial customers the right to choose alternative gas suppliers.

The three Indiana operating utility subsidiaries of NiSource are subject to regulation by the Indiana Utility Regulatory Commission ("IURC") as to rates, service and other matters.

NiSource also holds all of the issued and outstanding common stock of Bay State, which provides gas service to approximately 271,900 residential, commercial and industrial customers in three separate areas of Massachusetts covering approximately 1,344 square miles and having a combined population of approximately 1,340,000. These include the greater Springfield area in western Massachusetts, an area southwest of Boston that includes the cities of Attleboro, Brockton and Taunton, and an area north of Boston extending to the New Hampshire border that includes the city of Lawrence. Bay State is subject to regulation by the MDTE as to rates, service and other matters. Bay State, which owns all of

the issued and outstanding common stock of Northern, is currently claiming an exemption as a holding company under section 3(a)(2) of the Act and under rule 2 of the Act. Bay State intends to maintain that exemption following the merger so long as Northern remains its subsidiary.

Northern, a wholly owned subsidiary of Bay State, provides gas service to approximately 48,100 residential, commercial and industrial customers in an area of approximately 808 square miles in New Hampshire and Maine having a population of approximately 450,000. Northern's service area extends north from the Massachusetts-New Hampshire border to the Portland/Lewiston area in Maine. Northern is subject to regulation by the New Hampshire Public Utilities Commission and the Maine Public Utilities Commission as to rates, service and other matters.

At December 31, 1999, the NiSource gas distribution system in Indiana included approximately 13,924 miles of distribution mains to serve 751,100 customers. In addition, Northern Indiana owns and operates underground gas storage facilities located at Royal Center, Indiana with a storage capacity of 6.75 billion cubic feet (Bcf), and a liquefied natural gas ("LNG") plant in LaPorte County, Indiana having a storage capacity of 4.0 Bcf, which is used for system pressure maintenance and peak season (November-March) deliveries. Northern Indiana also holds under long-term contract storage capacity totaling approximately 9.11 Bcf in the Markham, Moss Bluff and Egan salt-dome storage caverns in Texas and Louisiana and the Rotherwood Facility in Texas.

At December 31, 1999, NiSource's New England gas distribution utilities included 5,450 miles of distribution mains, 116 miles of transmission lines and customer connections to serve 320,000 customers. Bay State and Northern also own and operate LNG liquefaction, vaporization and storage facilities and propane storage tanks used to store supplemental and peak shaving supplies. At December 31, 1999, NiSource's combined gas system consisted of 19,374 miles of distribution mains, together with associated compressing and regulating stations, LNG liquefaction, vaporization and storage facilities, propane storage tanks and 1,071,221 customers.

For the twelve months ended June 30, 2000, the gas and electric public utility subsidiaries of NiSource reported operating income of \$508.9 million (\$134.2 million gas and \$374.7 million electric) on combined operating gas and

electric utility revenues of approximately \$2.3 billion. For the twelve months ended June 30, 2000, the consolidated operating revenues of NiSource and its subsidiaries was approximately \$3.6 billion, including approximately \$1.2 billion gas and \$1.1 billion electric. Gas sales (including transportation revenues) accounted for approximately 52% and electric sales accounted for approximately 48% of NiSource's gross utility revenues. Consolidated assets of NiSource and its subsidiaries as of June 30, 2000, were approximately \$7.2 billion, consisting of \$5.5 billion in gas and electric utility assets (\$2.7 billion gas and \$2.8 billion electric) and \$1.7 billion in other nonutility assets. As of June 30, 2000, NiSource had 121,183,197 shares of common stock issued and outstanding. NiSource's common stock is listed on the New York Stock Exchange, the Pacific Stock Exchange and the Chicago Stock Exchange.

NiSource owns all of the outstanding common stock of NiSource Pipeline Group, Inc. ("NPG"). NPG wholly owns Granite State Gas Transmission, Inc. ("Granite State") and PNGTS Holding Corp. ("PNGTS Holding"). Granite State owns and operates an interstate pipeline. PNGTS Holding, together with Granite State, hold a 19.0% interest in PNGTS, a natural gas transmission line.

NI Energy Service, Inc. ("NI Energy Services") is a direct wholly owned subsidiary of NiSource. NI Energy Services wholly owns Crossroads Pipeline Company ("Crossroads"), which is a natural gas transportation company that was certificated by the Federal Energy Regulatory Commission ("FERC") in May 1995 to operate as an interstate pipeline.

EnergyUSA, Inc. ("EnergyUSA"), a wholly owned subsidiary of NiSource, serves as an intermediate holding company for many of NiSource's nonutility businesses and coordinates the energy-related diversification efforts of NiSource. Through subsidiaries, EnergyUSA owns businesses engaged in the following activities: (1) Energy marketing; (2) gas storage; (3) residential/small commercial gas and propane marketing; (4) appliance leasing; (5) oil and gas exploration and production; and (6) energy management services. The subsidiaries of EnergyUSA that engage in the activities are discussed below:

TPC, a wholly owned direct subsidiary of EnergyUSA, markets gas to commercial and industrial entities, on a national basis including customers in areas served by NiSource's gas distribution utilities and provides gas

asset management and optimization to gas utilities.

NI Energy Services, Inc., a wholly owned direct subsidiary of NiSource, and TPC Storage Holding Corp. and TPC Gas Storage Services, L.P., NiSource's wholly owned indirect subsidiaries, own 100% of MHP, which develops and operates underground gas storage facilities. Through MHP and its wholly owned indirect subsidiaries, Moss Bluff Hub Partners, L.P. and Egan Hub Partners, L.P., NiSource provides gas storage services to a number of utilities, gas marketers and other customers, including Northern Indiana.

EnergyUSA Retail, Inc. ("EnergyUSA Retail") provides gas and other energy-related products and services to residential and small commercial customers of utilities that allow competitive suppliers to market in their service territories. EnergyUSA Retail also sells propane and leases water heaters to customers in New England.

EnergyUSA Commercial Energy Services, Inc. provides traditional energy management services, including power quality consulting and energy management, to commercial and industrial entities.

EnergyUSA is a minority owner in Mosaic Energy LLC, a new venture created to develop and market proprietary fuel cell distribute generation technology. EnergyUSA also provides gas supply services to other NiSource affiliates, including Kokomo Gas and NIFL. Additionally, EnergyUSA has equity interests in a domestic oil and gas producer with properties located in Texas, Oklahoma and Louisiana.

Primary Energy, Inc. ("Primary"), a wholly owned subsidiary of NiSource, arranges energy-related projects for large energy-intensive industrial facilities through its wholly owned subsidiaries: Harbor Coal Company, North Lake Energy Corporation, Lakeside Energy Corporation, Cokenergy, Inc., Whiting Clean Energy, Inc., and Ironside Energy LLC.

SM&P Utility Resources, Inc. ("SM&P"), Colcom Incorporated ("Colcom"), each a wholly owned subsidiary of NiSource, and Underground Technology, Inc. ("UTI") (of which NiSource owns 50%) perform underground facilities locating for utilities throughout the United States.

Miller Pipeline Corporation ("Miller"), a wholly owned indirect subsidiary of NiSource, installs, repairs and maintains underground pipelines used in gas and water transmission and distribution systems. Miller also sells products and services related to

infrastructure preservation and replacement.

NiSource, through an intermediate holding company, IWC Resources Corporation ("IWCRC"), owns all of the stock in six water companies (Indianapolis Water Company, Harbour Water Corporation, Liberty Water Corporation, Irishman's Run Acquisition Corp., The Darlington Water Works Company and IWC Morgan Water Corporation) and has an operating agreement with the City of Lawrence, Indiana, which is being treated as a purchase by IWCRC in accordance with generally accepted accounting principles (collectively, the "Water Utilities"). The Water Utilities supply water to residential, commercial and industrial customers and for fire protection service in Indianapolis, Indiana and surrounding areas.

NiSource Development Company, Inc. ("Development") has investments in various activities, primarily in real estate, intended to complement NiSource's energy businesses. Development's wholly owned subsidiaries are: South Works Power Company ("South Works"), JOF Transportation Company ("JOF Transportation"), NDC Douglas Properties, Inc., ("Douglas Properties"), KOGAF Enterprises, Inc. ("KOGAF"), and Lake Erie Land Company ("Lake Erie"). The activities of these subsidiaries are discussed below:

South Works leases electric generating and transmission facilities owned by U.S. Steel and located in south Chicago, Illinois.

JOF Transportation owns a 40% passive interest in railroad assets in the vicinity of several electric generating plants owned by Northern Indiana and which Northern Indiana currently uses to deliver coal to its electric generating plants.

Douglas Properties, Inc. has 15 passive interests in multiple-family residential developments, most of which are in the service territory of NiSource's utility subsidiaries.

KOGAF, a wholly owned subsidiary of Development, has a passive interest in a limited partnership which is conducting a project to revitalize downtown Kokomo, Indiana, which is in the service territory of Kokomo Gas.

Lake Erie owns wetlands that can be used as offsets to enable developers to obtain approval for projects that require filling of wetlands. Lake Erie and a subsidiary also develop and operate tracts of land within the service territories of NiSource utility subsidiaries into model communities that serve community development and environmental interests.

Capital Markets, a wholly owned subsidiary of NiSource, provides financing for certain of NiSource's subsidiaries other than Northern Indiana.

NiSource Corporate Services Company ("Corporate Services"), a wholly owned subsidiary of NiSource, provides management, administrative, gas portfolio management, accounting and other services to the various NiSource companies. Hamilton Harbour Insurance Services, Ltd., a wholly owned subsidiary of NiSource, provides various insurance services to the NiSource companies.

Columbia and Its Subsidiaries

Columbia, formerly The Columbia Gas System, Inc., is a registered public utility holding company. Columbia and its subsidiaries engage in natural gas distribution and exploration for production of natural gas and oil. Columbia is also engaged in related energy businesses including the distribution of propane and petroleum products, marketing of natural gas and electricity and the generation of electricity, primarily fueled by natural gas.

Columbia provides natural gas distribution services in a five-state region in the Midwest and mid-Atlantic United States through its five wholly owned public utility subsidiaries: Columbia Gas of Kentucky, Inc. ("Columbia Kentucky"), Columbia Gas of Maryland, Inc. ("Columbia Maryland"), Columbia Gas of Ohio, Inc. ("Columbia Ohio"), Columbia Gas of Pennsylvania, Inc. ("Columbia Pennsylvania") and Columbia Gas of Virginia, Inc. ("Columbia Virginia"). Columbia's five distribution subsidiaries provide natural gas service to nearly 2.1 million residential, commercial and industrial customers in Kentucky, Maryland, Ohio, Pennsylvania and Virginia. Approximately 32,400 miles of distribution pipelines serve these major markets. The distribution subsidiaries have initiated transportation programs that allow residential and small commercial customers the opportunity to choose their natural gas suppliers and to use the distribution subsidiaries for transportation service. This ability to choose a supplier was previously limited to larger commercial and industrial customers.

Columbia Kentucky supplies natural gas to approximately 142,000 retail customers in a 31-county area of central and eastern Kentucky having a population of approximately 965,000. Columbia Kentucky owns 2,433 miles of distribution pipeline. Columbia Kentucky is subject to regulation by the

Kentucky Public Service Commission as to rates, service and other matters.

Columbia Maryland supplies natural gas to approximately 31,800 retail customers in a three-county area of western Maryland having a population of approximately 227,000. Columbia Maryland owns 601 miles of distribution pipeline. Columbia Maryland is subject to regulation by the Maryland Public Service Commission as to rates, service and other matters.

Columbia Ohio supplies natural gas to approximately 1,309,200 retail customers in a 53-county area of north central and southeastern Ohio having a population of approximately 6,700,000. Columbia Ohio owns a total of 18,387 miles of distribution pipeline. Columbia Ohio is subject to regulation by the Public Utilities Commission of Ohio as to rates, service and other matters.

Columbia Pennsylvania supplies natural gas to approximately 390,000 retail customers in a 26-county area of central and southwestern Pennsylvania having a population of approximately 2,380,000. Columbia Pennsylvania is subject to regulation by the Pennsylvania Public Utility Commission as to rates, service and other matters.

Columbia Virginia supplies natural gas to over 177,000 retail customers throughout Virginia. Columbia Virginia is subject to regulation by the Virginia State Corporation Commission as to rates, service and other matters.

Columbia also owns, directly or indirectly, various nonutility subsidiaries.¹⁰ The material nonutility businesses are: Columbia Transmission Corporation ("Columbia Transmission"), Columbia Gulf Transmission Company ("Columbia Gulf"), Columbia Pipeline Corporation ("Columbia Pipeline"), Columbia Energy Resources, Inc. ("Columbia Resources"), Columbia Energy Services Corp. ("Columbia Energy Services"), Columbia Propane Corporation ("Corporation Propane"), Columbia Petroleum Corporation ("Columbia Petroleum"),¹¹ Columbia Electric Corporation ("Columbia Electric"), Columbia LNG Corporation ("Columbia LNG") and Columbia Transmission Communications Corporation ("Columbia Communications").

Columbia Transmission and Columbia Gulf, Columbia's two interstate pipeline

subsidiaries, own a pipeline network of approximately 16,250 miles extending from offshore in the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. In addition, Columbia Transmission operates an underground natural gas storage system. Together, Columbia Transmission and Columbia Gulf serve customers in fifteen northeastern, mid-Atlantic, midwestern and southern states and the District of Columbia. Columbia Gulf's pipeline system extends from offshore Louisiana to West Virginia and transports a major portion of the gas delivered by Columbia Transmission. It also transports gas for third parties within the production areas of the Gulf Coast. Columbia Transmission and Columbia Gulf provide natural gas transportation and storage services for local distribution companies and industrial and commercial customers who contract directly with producers or marketers for their gas supplies.

Columbia Pipeline Corporation and its wholly owned subsidiary, Columbia Deep Water Services Company, operate pipeline and gathering facilities that are not regulated by FERC.

Columbia Resources, through its wholly owned subsidiaries, explores for, develops, gathers and produces natural gas and oil in Appalachia and Canada.

Columbia Energy Services Corporation ("Columbia Energy Services") and its subsidiaries conduct Columbia's non-regulated natural gas and electric power marketing operations and provide service to residential and small commercial customers as a result of the unbundling of services that is occurring at the local distribution level. Columbia Energy Services, through its subsidiary, Columbia Service Partners, Inc., provides a variety of energy-related services to both homeowners and businesses.¹²

Columbia's Electric's primary focus has been the development, ownership and operation of natural gas-fueled power plants. Columbia Electric is part owner in four operating cogeneration projects, which are qualifying facilities ("QF"). Columbia is in the process of divesting its interest in QFs to comply with the Public Utilities Policies Act of 1978, as amended ("PURPA").¹³

¹² Columbia Energy Services recently sold its wholesale gas and electric trading operations and announced that it has entered into a definitive agreement to sell its retail mass marketing business. Columbia Energy Services has also decided to exit its major accounts business. These businesses are currently being reported as discontinued operations.

¹³ Pub. L. 95-617, 92 Stat. 3117 (codified in scattered sections of 16 U.S.C.). Columbia's interests will be held by an electric utility holding company as a result of the merger with NiSource.

Columbia Electric is also currently constructing two gas-fired electric generation plants: Liberty Electric Project and Ceredo Generating Station. In December 1999, a limited partnership company established between Columbia Electric and Atlantic Generation, Inc. completed a transaction terminating a long-term power purchase contract. Columbia Electric's portion was approximately \$71 million pre-tax under the terms of the buyout. The partners will continue to operate the facility as a merchant power plant.

Columbia LNG Corporation ("Columbia LNG") provides transition services related to a liquefied natural gas facility located in Cove Point, Maryland.

Columbia Transmission Communications Corporation, a wholly owned subsidiary of Columbia, and its subsidiaries provide telecommunications and information services, assists personal communications services and other microwave radio service licensees in locating and constructing antenna facilities, and is involved in the development of a dark fiber optics network for voice and data communications.

For the twelve months ended June 30, 2000, the utility subsidiaries of Columbia reported operating income of \$245.4 million on utility revenues of approximately \$1.7 billion. Columbia's consolidated revenues for the same period were approximately \$2.6 billion. Consolidated assets of Columbia and its subsidiaries were approximately \$6.8 billion at June 30, 2000, consisting of \$2.6 billion in gas utility assets and \$4.2 billion in other utility assets. As of June 30, 2000, Columbia had 79,512,479 shares of common stock issued and outstanding. Columbia's common stock is listed on the New York Stock Exchange.

The Combined Operations

The application states that the gas utility operations of NiSource and Columbia, when combined, 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 current electric utility operations of NiSource will be an electric integrated public utility system within the meaning of

The application states that more than 50% of the equity interests in the four QFs will then be owned by electric utility holding companies, which is not allowed under PURPA. To avoid jeopardizing the QF status of the projects, Columbia is divesting its interests in the four QFs. Columbia plans to relinquish its ownership interests in the four QFs before the Merger closes.

¹⁰ The application states that the nonutility operations of Columbia have all been previously authorized under the Act or have been established under a rule or statutory exemption.

¹¹ Columbia Propane, which sells propane at wholesale and retail, and Columbia Petroleum, which owns and operates petroleum assets, are currently being prepared for sale. They are being reported as discontinued operations.

section 2(a)(29)(A) of the Act. The Applicants propose to own the gas utility system as the "primary system" and the electric utility system as the "secondary system."

The application states that the gas utility system resulting from the Transaction will include eight gas utilities located in the contiguous states of Indiana, Kentucky, Ohio, Pennsylvania, Virginia and Maryland and two gas utilities located in the contiguous states of Massachusetts, New Hampshire and Maine. The Applicants state that the utilities located in contiguous states will be directly interconnected by affiliated and nonaffiliated interstate pipelines and storage. Applicants propose that the utilities be effectively connected by industry-recognized trading centers and market hubs. Applicants also state that the entire gas system will integrate its process of portfolio management and efficiently and economically deploy its pipeline and storage capacity and supply sources through these direct and indirect interconnects and market centers.

Applicants also indicate that the gas portfolios of Columbia and NiSource overlap substantially with respect to sources of supply. Both companies now purchase and will continue to purchase most of their gas from the Gulf Coast Basin (onshore and offshore Texas and Louisiana producing region). Moreover, they will each have enhanced opportunities to increase their respective purchases of gas produced in the Mid-Continent and Western Canada supply basins.

Applicants state that the NiSource and Columbia gas utility systems also currently hold firm transportation service agreements on a number of the same interstate pipelines, including ANR, Panhandle Eastern, Tennessee Gas, Texas Eastern and Transco. The NiSource midwestern gas utilities are physically linked through Crossroads' interconnections with Columbia Transmission, Trunkline and Panhandle Eastern with a common interstate transmission system (Columbia transmission) that serves each of the Columbia gas distribution utilities. The Columbia and NiSource gas distribution utilities also make use of other regional pipelines to transport and deliver Gulf Coast, Mid-Continent, Canadian and Appalachian-sourced supplies, including Crossroads, National Fuel and CNG Transmission Corporation.

The electric system will consist of Northern Indiana's existing utility system.

Interim Service Company Agreement

Corporate Services currently provides management, financial, accounting, general administrative, budgeting, business development, systems and procedures, training, gas supply and other services to NiSource as well as to certain of the public utility and nonutility subsidiaries of NiSource under cost-based arrangements. In addition, Bay States provides some of these same services to its subsidiaries that predate NiSource's acquisition of Bay State. The Applicants state that within 120 days after the Merger New NiSource will file a separate application to form a new service company that will serve the New NiSource system ("New Service Company"). The Applicants state that the new service company will be finalized within one year after the Merger.¹⁴

It is contemplated that as a result of the Merger, some centralization of service functions will occur. During the period of the year the New NiSource requests to form its New Service Company ("Transition Period"), Applicants propose that an interim service company agreement be in place. During the Transition Period, Applicants propose that Corporate Services will continue to provide services to New NiSource and to NiSource's current utility and nonutility subsidiaries, and Columbia Services will continue to provide services to its associate companies in the Columbia system under the service company arrangements that have been approved by the Commission. Corporate Service will enter into an interim service agreement with each client company. In addition, in order to ensure that an allocable portion of certain services to be provided by Corporate Services (e.g., executive services) are properly charged or allocated to all of NiSource's subsidiaries after the Merger, Corporate Services will also enter into a service agreement with Columbia Services. Any charges by Corporate Services to Columbia Services will in turn be assigned and allocated to Columbia and its subsidiaries in accordance with the terms of the existing Columbia system service arrangements.

Following completion of the Merger, Applicants state that all services provided by Corporate Services to associate utility and nonutility companies will be provided to system companies in compliance with all provisions of the Act, including section 13(b) of the Act and rules 90 and 91 under the Act.

¹⁴ This is subject to New NiSource receiving all of the necessary regulatory approvals.

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

Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of September 11, 2000.

Hearings will be held on Wednesday, September 13, 2000 at 8:45 a.m. at the Pace Downtown Theatre at Pace University, located at Spruce Street between Park Row and Gold Street (across from City Hall Park) in New York City.

The Commission will hold public hearings on its proposed rule amendments concerning auditor independence. The purpose of the hearings is to give the Commission the benefit of the views of interested members of the public regarding the issues raised and questions posed in the Proposing Release (33-7870). For further information, contact: John M. Morrissey, Deputy Chief Accountant or W. Scott Bayless, Associate Chief Accountant, Office of the Chief Accountant at (202) 942-4400.

A closed meeting will be held on Thursday, September 14, 2000 at 11 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(4), (8), (9)(A) and (10) and 17 CFR 200.402(a)(4), (8), (9)(A) and (10), permit consideration for the scheduled matters at the closed meeting.

The subject matters of the closed meeting scheduled Thursday, September 14, 2000 will be: institution and settlement of injunctive actions; and institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: