WCCO proposes to reduce the stated capital of outstanding stock. Specifically, WCCO proposes to amend its Amended Articles of Incorporation to (1) reduce the par value of its authorized common shares from \$100 per share to \$0.10 per share, (2) change each of its outstanding common shares, par value of \$100.00 per share, into a common share, par value \$0.10 per share, and (3) reduce the stated capital of its common shares from \$406,400 to \$406.40.

In accordance with the Commission's order dated December 10, 1982, (HCAR No. 22770), Ohio Power may earn up to a specified rate of return on its capital contributions to COCCO, SOCCO and WCCO. Applicants state that, if the Commission authorizes COCCO, SOCCO and WCCO to pay the requested dividends and, in the case of each of COCCO and WCCO, reduce the par value of its common stock, Ohio Power's total capital investment in COCCO will be reduced by the amount of such payments. This reduction in Ohio Power's capital surplus investment will remove from Ohio Power's cost of coal the return associated with the portion of its capital investment repaid.

Consolidated Natural Gas Company et al. (70-8631)

Consolidated Natural Gas Company ("Consolidated"), CNG Tower, 625 Liberty Avenue, Pittsburgh, Pennsylvania 15222, a registered holding company, and CNG Energy Services Corporation ("CNG Energy") One Park Ridge Center, P.O. Box 15746, Pittsburgh, Pennsylvania 15244, a nonutility subsidiary of Consolidated, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and rules 16 and 45 thereunder. Consolidated and CNG Energy propose to enter into a series of transactions from time to time through December 31, 2020 (except with respect to the guarantee authorization described below, which expires December 31, 1998), that will permit them to participate in the business of buying and selling natural gas and electric power, including in connection with arbitrage transactions, principally in wholesale energy markets.

The applicants propose that CNG Energy raise up to \$10,000,000 by selling shares of its common stock, \$1,000 par value, to Consolidated, receiving open account advances or long-term loans from Consolidated, or any combination of the foregoing. Open account advances and long-term loans to CNG Energy will have the same effective terms and interest rates as related borrowings of Consolidated. Consolidated proposes to obtain the

funds required for these transactions through internal cash generation, issuance of long-term securities, borrowings under credit agreements or other sources subsequently approved by the Commission.

Open account advances from Consolidated to CNG Energy will mature no later than one year from the date of the first advance and bear interest at the same effective rate as Consolidated's weighted average effective rate for commercial paper and/ or revolving credit borrowings (or, if no such borrowings are outstanding, at a rate based on the federal funds effective rate of interest). Loans from Consolidated to CNG Energy will be evidenced by long-term, non-negotiable, book-entry notes, will mature over a period of time not in excess of thirty years from issuance and will bear interest at a rate equal to Consolidated's cost of funds for comparable borrowings (or, if Consolidated had no recent comparable borrowings, at a rate tied to the published Salomon Brothers indicative rate for comparable debt issuances).

CNG Energy also proposes to organize a new subsidiary, CNG Energy Arbitrage Corporation ("CNGEA"), which will be incorporated under the laws of the State of Delaware with an authorized equity capitalization of \$10,000,000, consisting of 1,000 shares of common stock with a par value of \$10,000 per share. CNG Energy proposes to use not more than \$10,000,000 of proceeds from its financing transactions with Consolidated to purchase shares of, or make open-account advances or longterm loans to, CNGEA, on the same terms as the related financing from Consolidated. Initially, it is expected that CNGEA will sell, and CNG Energy will acquire, 300 shares of common stock for \$3,000,000.

CNGEA will acquire a one-third general partnership interest in Energy Alliance Partnership ("Energy Alliance"), a partnership to be formed under the laws of the State of Delaware. The applicants propose that CNGEA invest not more than \$10,000,000 in Energy Alliance, for the acquisition of its general partnership interest and for further equity contributions. The other partners in Energy Alliance will be Noverco Energy Services (U.S.) Inc., a wholly-owned subsidiary of Noverco Inc., a Canadian public-utility holding company whose subsidiaries engage in the gas utility business and related businesses, and H.Q. Energy Services (U.S.) Inc., a wholly-owned indirect subsidiary of Hydro-Quebec, a Canadian electric utility company.

The business of Energy Alliance will be to supply, sell, purchase, market, broker or otherwise trade electricity or fuel, to provide electricity or fuel management services, and to carry on activities, or perform services, related to the foregoing, including in connection with arbitrage transactions. Energy Alliance will initially conduct its activities generally in the wholesale energy markets in the northeastern and middle-Atlantic United States. Energy Alliance intends to use risk-reduction methods, such as market hedging tools, to limit financial risks.

The applicants state that fundamental changes in the energy industry have led to an increasingly integrated and competitive energy market, in which marketers are dealing in interchangeable units of energy rather than sales of natural gas or electricity. Consolidated and CNG Energy seek to enter into the proposed transactions to participate in this market. The applicants believe that these activities are closely related to the core energy business of the Consolidated system.

Energy Alliance may engage in energy transactions with companies in the Consolidated holding company system, including utility companies, on the same market terms that would be available to its nonaffiliate customers. Energy Alliance may also contract with any of its partners, including CNG Energy, or their affiliates for services, at charges that will be made on the basis of salary plus fringe benefits for use of personnel and direct out-of-pocket expenses for other items.

In addition to providing financing to CNGEA indirectly through CNG Energy, Consolidated also proposes to enter into an undertaking agreement under which it will commit to provide up to \$3,000,000 to CNGEA, as necessary to permit CNGEA to fulfill its obligations respecting its capital contributions under the Energy Alliance partnership agreement. Consolidated also proposes to guarantee, either directly or through CNGEA, the fuel and power transactions of Energy Alliance. These guarantees would be part of, and subject to the same overall \$750,000,000 limitation in, the current authorization of guarantees relating to the obligations of CNG Energy (Holding Co. Act Release No. 25926, November 16, 1993). This guarantee authorization expires December 31, 1998.

The applicants also request that Energy Alliance and each of its affiliates (other than companies in the Consolidated system) be deemed exempt under rule 16 from all obligations imposed by the Holding Company Act.