

charge calculated pursuant to the Settlement Arrangements to fully reimburse each System company for its direct and indirect costs associated with that portion of the capacity of the Backbone System being made available to ETC. ETC will receive from the System Operating Companies under the Agreements, installation, operations, maintenance and repair services relating to their respective portions of the Backbone System. ESI and the System Operating Companies would also charge ETC for the fully allocated direct and indirect cost of the telecommunications services provided in accordance with the Settlement Arrangements.

The System Operating Companies would apply such payments to reduce their costs of service, to the extent that the related facilities are in rate base or otherwise are used in utility operations. The Agreements will contain provisions that ensure that ETC's usage, and the usage by nonassociates, of the Backbone System would not in any way interfere with the operation of the Backbone System by the System Operating Companies and ESI.

To the extent that any upgrades of the Backbone System are contemplated primarily for utility purposes, the System Operating Companies or ESI would fund the costs of and deploy the assets, and payments under the Capacity Use and Service Agreements would be adjusted accordingly. ETC would pay for the full costs (including both capital and increased operating and maintenance expenses) of such upgrades, if such upgrades are not primarily for utility-related purposes or if they would not have been necessary but for the use of capacity by ETC pursuant to the Agreements. ETC will further agree under the Agreement(s) to indemnify and hold harmless the System Companies and ESI from any claims, liabilities and costs arising out of or related to ETC's activities with respect to its customers' use of the Backbone System.

Although ETC will have its own managerial, technical and administrative staff, pending full deployment of its own workforce, and from time to time thereafter, ETC will receive services from ESI and the System Operating Companies, including managerial, accounting, technical, engineering, legal and other services. Therefore, ETC will enter into a service agreement with ESI whereby ESI would perform or cause to be performed for ETC these various services relating to the Backbone System, similar to the services that ESI currently provides to other nonutility Entergy system companies such as EEL.

#### **Leidy Hub, Inc., et al. (70-8655)**

Leidy Hub, Inc. ("Leidy Hub"), 10 Lafayette Square, Buffalo, New York 14203, a wholly-owned nonutility subsidiary of National Fuel Gas Company ("NFG"), a registered public utility holding company, and NFG, 30 Rockefeller Plaza, New York, New York 10112, have filed an application-declaration with this Commission under sections 9(a), 10, 12(b) and 13(b) of the Act and rule 45 thereunder.

Leidy Hub proposes to acquire a 14.5% interest in Enerchange, a Delaware member-managed limited liability company, from Hub Services, a nonaffiliated Delaware corporation and a wholly owned subsidiary of NGC Corporation. Enerchange was formed, among other reasons: (i) To develop, implement and operate an electronic gas trading and nomination system; and (ii) to manage, own and operate Enerchange's interests in the Chicago Hub, the California Energy HUB and the Ellisburg-Leigy Northeast Hub, each a natural gas market area hub. As a member of Enerchange, Leidy Hub would make capital contributions from time to time as required by Enerchange's Executive Committee pursuant to the Limited Liability Company Agreement of Enerchange, L.L.C.<sup>4</sup> If another member of Enerchange failed to make any required capital contribution, Leidy Hub proposes that it may make loans to Enerchange to compensate for the defaulting member's unpaid capital contribution. The amount of the loan would be based on the ratio of Leidy Hub's 14.5% interest to the interests of the other nondefaulting members of Enerchange. Enerchange plans to join with a subsidiary of Energy Exchange, Inc., a nonaffiliated Canadian corporation, to acquire a 50% interest in QuickTrade, a Delaware member-managed limited liability company to be formed in the future.<sup>5</sup> QuickTrade would develop and operate an electronic trading and nomination system which could be accessed via computer by buyers and sellers of natural gas to make and accept binding offers to buy or sell gas at specific locations, generally at market hubs. Subscribers to QuickTrade's system would be able to see, on-line in real time, the price at which gas is being sold at any location listed on the system (without being able to see the names of

the parties involved). Subscribers will also be able to nominate directly to interstate pipelines to transport or store the gas being sold via the system. The operations of QuickTrade would be limited to "cash forward contracts" typically settled by actual physical delivery. QuickTrade will not be involved with futures contracts.

Enerchange would subscribe to the QuickTrade system and use it to buy and sell natural gas and to engage in market-making activities. Specifically, Enerchange would act as an intermediary between potential buyers and sellers of natural gas, including, without limitation, electronic solicitation of transactions between anonymous sellers and buyers, implementation and documentation of such transactions, and assumption of the performance and credit risk associated with such transactions.

It is also proposed that NFG guarantee certain obligations of Leidy Hub, Enerchange and QuickTrade and that Leidy Hub guarantee certain obligations of Enerchange and QuickTrade in a total amount not to exceed \$5 million outstanding at any time from time to time for a period not to exceed four years through December 31, 2000. The obligations of Leidy Hub, Enerchange and QuickTrade to be guaranteed would be incurred as a result of the activities undertaken by Enerchange and QuickTrade related to the supply of natural gas. Whenever Enerchange is required to provide a guarantee, it would be provided 14.5% by NFG and/or Leidy Hub and 85.5% by the other members of Enerchange and/or their corporate parents. Such guarantees include the guarantee of obligations associated with: (i) Gas transportation agreements to be entered into by Enerchange with local distribution companies or pipelines; (ii) gas purchase and sale agreements entered into by Enerchange; and (iii) any and all other agreements relating to the transportation, storage or supply (including marketing) of natural gas.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

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<sup>4</sup> Leidy Hub and NFG state that such capital contributions would be exempt from the requirement for a declaration under section 12(b) pursuant to rule 45(b)(4).

<sup>5</sup> Leidy Hub and NFG state that Enerchange's participation in this transaction would be exempt from the requirement for a declaration because Enerchange satisfies the requirements of rule 16.