

services through direct loan, installment purchase, operating or finance lease arrangements (including sublease arrangements) or loan guarantees. Interest on loans and imputed interest on lease payments will be at prevailing market rates. The obligations will have terms of one to thirty years and be secured or unsecured. AEPES also may assign obligations acquired from customers to banks or other financial institutions with or without recourse.

In addition, AEP is authorized through December 31, 1995 to guarantee debt of AEPES to third parties in an amount not to exceed a total of \$51,000,000. AEP proposes to extend this authority through December 31, 1998.

Public Service Company of Oklahoma (70-8711)

Public Service Company of Oklahoma ("PSOK"), located at 212 East 6th Street, Tulsa, Oklahoma 74119-1212, a wholly-owned public-utility subsidiary company of Central and South West Corporation, a registered holding company, has filed an application under sections 9(a) and 10 of the Act and rule 54 thereunder.

PSOK requests authorization to make equity and debt investments totaling \$3,500,000 in four Oklahoma limited liability companies, RIKA Management Company, L.L.C ("RIKA"), Universal Power Products Company, L.L.C ("Universal"), Automated Substation Development Company, L.L.C ("Automated") and RC Training, L.L.C, (Training") (collectively, the "RIKA Companies"), engaged in the development and commercialization of computer automation technology for the electric power industry.

The predecessor to the RIKA Companies, Relay Concepts, Inc. ("Relay"), reorganized its corporate structure into the four limited liability RIKA Companies referred to above on July 17, 1995. As a consequence of this reorganization, the RIKA Companies will acquire Relay's three existing lines of business:

(1) relay testing software,² (2) electrical substation automation systems,³ and (3) personnel training

² Relay developed a protective relay testing software package, known as Ultratest, which is the first automated relay testing software capable of communicating with and controlling the testing instruments made by most major relay manufacturers.

³ Relay had begun the definition phase of a substation automation project that will combine off-the-shelf hardware with specially developed software to provide improved substation communications, maintenance support and testing.

services.⁴ The RIKA Companies will derive substantially all of their revenues from the development and commercialization of software that enhances the efficiency of substation operation and maintenance, and from the sale of training courses relating to all phases of automated testing and maintenance systems as well as on-site training and consulting services. Universal will be the primary marketing and sales arm of the RIKA Companies. Automated will be a research and development company, with no sales or support function, and will license Universal to market and sell the products it develops. Training will develop, market and operate training programs as a separate business. RIFA will provide management oversight and administrative support and control of the RIKA Operating Companies. RIKA will charge each of the RIKA Operating Companies for all direct and allocated costs plus a management fee equal to 5% of all cost billings.

On July 17, 1995, PSOK and RIKA entered into a Software Application Development Agreement ("Development Agreement") pursuant to which the RIKA Companies will develop certain substation automation software applications for PSOK ("Software").⁵ Under the Development Agreement, PSOK and RIKA each have, with certain limitations, a perpetual, non-exclusive and unrestricted license to use, modify, sublicense, sell or otherwise transfer the Software. Notwithstanding its rights under the Development Agreement, PSOK states that it does not intend to license the Software to non-affiliates and is not requesting authority from this Commission to engage in such activity. PSOK further states that its right to license the Software to third parties will be terminated upon consummation of the transactions, described below, for which it is seeking authorization (see footnote 5). In consideration for RIKA's services under the Development Agreement, PSOK has agreed to pay RIKA up to \$3,050,000 to be made

⁴ Relay established a training facility named Power Industry Learning Center ("PILC"). Located in Phoenix, Arizona, PILC will provide training to electric utility personnel relating to automated systems for relays, substations and other electric utility facilities as well as certain basic courses in electric generating and distribution systems. At present, all of the formal training programs developed by PILC relate to products developed by the RIKA companies.

⁵ PSOK notes that PSOK or a device manufacturer could develop the Software independently, but states that development by RIKA assures a more widely acceptable product. It suggests that software developed by PSOK would only be suitable for the devices currently in use in the CSW system and that a device manufacturer would have difficulty getting the proprietary protocols of a competitor.

available to RIKA in periodic installments, commencing upon the execution of the Development Agreement and continuing through March 31, 1996. As of October 30, 1995, PSOK had paid RIKA \$1,500,000 of this amount.

Subject to approval of the investments by the Commission, the Development Agreement calls for PSOK and RIKA to execute a Member Agreement ("Member Agreement") in accordance with which the \$3,050,000 payable to RIKA under the Development Agreement to fund development of the Software would be converted into a \$750,000 capital contribution to Automated and a loan to RIKA of up to \$2,300,000. PSOK would also make a \$450,000 capital contribution to Universal.⁶ Like the original \$3,050,000, the money for this additional \$450,000 investment would come from internally generated funds. In return, PSOK would receive RIKA's promissory note ("Promissory Note"), 50% of RIKA's outstanding units of membership,⁷ 71% of Automated's outstanding units of membership,⁸ 48% of Universal's outstanding units of membership, and 48% of Training's outstanding units of membership.

Absent an event of default ("Event of Default") as defined in the Member Agreement, PSOK would hold 4% of the voting rights of each of the RIKA Companies and have the right to designate one of the two managers of RIKA.⁹ Upon the occurrence of an Event of Default, RIKA would hold one hundred percent (100%) of the voting rights of Universal, Automated and Training, the holder of a majority of the

⁶ The Member Agreement would also memorialize the respective rights and obligations of PSOK and the RIKA Companies regarding the development of the Software and the management of the businesses in which the RIKA Companies are engaged or intend to engage. Among other things, it would assure PSOK of the right to purchase a non-exclusive license to use the Software under the same terms and conditions as the license RIKA will offer to non-affiliated utilities. Such license would be a perpetual, unrestricted license to use and modify the Software at a fee no greater than the fee RIKA will pay Automated for the right to market the Software to non-affiliated utilities, and would result in the termination of PSOK's right to license the Software to third parties.

⁷ Equity in a limited liability company is represented by units of membership rather than shares of company stock, and holders of the units are referred to as members rather than shareholders. An Oklahoma limited liability company is controlled by managers rather than by a board of directors.

⁸ After payment in full of the Promissory Note, PSOK's membership interest in Automated will be reduced from 71% to 48%.

⁹ Management of each of the RIKA Companies would be vested in two managers, who, in the case of the RIKA Companies other than RIKA, would be elected by majority vote of the voting rights of the members of such RIKA Company at an annual or special meeting called for that purpose.