

2000 to June 30, 2004 ("Extended Authorization Period"). During the Extended Authorization Period, IES proposes to issue from time to time in one or more transactions Trust Bonds, Senior Debentures, and Unsecured Debentures and to enter into agreements with respect to Tax-Exempt Bonds in an aggregate principal amount not to exceed \$200 million, excluding Trust Bonds and any other form of collateral. IES states that all other terms, conditions, and limitations contained in the Current Financing Order will continue to apply.

Interstate Power Company (70-9377)

Interstate Power Company ("IPC"), 1000 Main Street, P.O. Box 769, Dubuque, Iowa 52004-07691, a wholly owned gas and electric utility subsidiary company of Alliant Energy Corporation, a registered holding company, has filed a post-effective amendment under sections 6(a) and 7 of the Act and rule 54 under the Act to its declaration previously filed under the Act.

By order dated November 25, 1998 (HCAR No. 26946) ("Current Financing Order"), the Commission authorized IPC to issue and sell from time to time, through December 31, 2000, in one or more series, any combination of first mortgage bonds ("First Mortgage Bonds"), senior unsecured debentures ("Senior Debentures") and unsecured subordinated debentures ("Subordinated Debentures"). The Current Financing Order also authorized IPC to enter into an agreement or agreements for the issuance and sale of one or more series of tax-exempt bonds ("Tax-Exempt Bonds"), maturing no later than 30 years from the first day of the month in which they are issued initially, for the financing or refinancing of air and water pollution control facilities and sewage and solid waste disposal facilities ("Facilities"). As security for IPC's obligations under any agreement relating to the Tax-Exempt Bonds, IPC was also authorized to: (1) Issue its non-negotiable promissory note or notes to evidence loans to IPC by the issuer of the proceeds of the Tax-Exempt Bonds;² (2) convey a subordinated security interest in any Facilities that are financed through the issuance of Tax-Exempt Bonds; (3) issue and pledge one or more new series of First Mortgage Bonds; (4) acquire and deliver letters of credit guaranteeing payment of the Tax-Exempt Bonds and enter into related reimbursement

agreements; (5) acquire insurance policies guaranteeing payment of the Tax-Exempt Bonds; and (6) provide a direct guarantee of payment of the principal of and premium, if any, and interest on the Tax-Exempt Bonds.

Under the Current Financing Order, the aggregate principal amount of the First Mortgage Bonds, Senior Debentures, Subordinated Debentures, and Tax-Exempt Bonds will not exceed \$80 million, excluding the principal amount of any First Mortgage Bonds issued as collateral security for Tax-Exempt Bond obligations and any other forms of collateral related to the Tax-Exempt Bonds. Each series of First Mortgage Bonds, Senior Debentures and Subordinated Debentures will mature not later than 30 years from the day of issuance. The Current Financing Order provides that no series of First Mortgage Bonds will be issued at rates in excess of the lower of 15% *per annum* or those rates generally obtainable at the time of pricing for first mortgage bonds having reasonably similar maturities, issued by companies of the same or reasonably comparable credit quality and having reasonably similar terms, conditions and features ("Ceiling Rate"). Further, the Current Financing Order provides that no series of Senior Debentures or Subordinated Debentures will be sold if their fixed interest rate or initial adjustable interest rate exceeds the Ceiling Rate.

IPC now proposes to extend the authorization period under the Current financing Order from December 31, 2000 to June 30, 2004 ("Extended Authorization Period"). During the Extended Authorization Period, IPC proposes to issue from time to time in one or more transactions First Mortgage Bonds, Senior Debentures and Subordinated Debentures and to enter into agreements regarding Tax-Exempt Bonds in an aggregate principal amount not to exceed \$80 million, excluding First Mortgage Bonds issued as collateral for IPC's Tax-Exempt Bond obligations and any other related form of collateral. IPC states that all other terms, conditions and limitations contained in the Current Financing Order will continue to apply.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27254]

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

October 16, 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 applicant(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 November 10, 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 November 10, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

The Southern Company, et al. (70-9771)

The Southern Company ("Southern"), 270 Peachtree Street, NW., Atlanta, Georgia 30303, a registered holding company, and its wholly owned subsidiaries, Mobile Energy Services Holdings, Inc. ("Holdings") and Mobile Energy Services Company, L.L.C. ("Mobile Energy")¹ both located at 900 Ashwood Parkway, Suite 500, Atlanta Georgia 30338 (collectively, "Applicants"), have filed an application-declaration ("Application") under sections 6(a), 7, 11(f), 11(g), 12(a), 12(b), 12(d), 12(e), 12(f) and rules 45, 54, 63 and 64 of the Act.

¹ Mobile Energy is wholly owned limited liability company subsidiary of Holdings to which Holdings transferred all of its assets other than its equity interest in Mobile Energy in July 1995. Mobile Energy is an electric utility company within the meaning of section 2(a)(3) of the Act.

² The note will provide for the payments to be made by IPC at times and in amounts, which will correspond to the payments regarding the principal of, premium, if any, and interest on the related Tax-Exempt Bonds.

Applicants propose that the Commission issue (1) an order under section 11(f) of the Act approving the amended Joint Plan or Reorganization ("Plan") and certain related transactions under the Plan² and (2) a report on the Plan under section 11(g) that may accompany a solicitation of creditors and any other interest holders for approval of the Plan in the bankruptcy proceedings.³

The Application includes the Plan and disclosure statement for Mobile Energy and Holdings. On January 14, 1999, Mobile Energy and Holdings (collectively, "Debtors") filed voluntary petitions in the Bankruptcy Court for the Southern District of Alabama ("Bankruptcy Court") for protection under Chapter 11 of the Bankruptcy Code. Both entities filed as debtors in possession continuing their operations; as a result, no trustee or receiver has been appointed by the Bankruptcy Court. The original Plan was filed with the Bankruptcy Court on August 4, 2000. The disclosure statement and the amended Plan were filed with the Bankruptcy Court on September 15, 2000. Under section 1125 of the Bankruptcy Code, the Debtors may not solicit votes for acceptances of the Plan until the Bankruptcy Court approves a disclosure statement that contains information of a kind, and in sufficient detail, adequate to enable creditors to make an informed judgment whether to vote for acceptance or rejection of the Plan. A hearing is scheduled with the Bankruptcy Court for October 19, 2000, to determine whether the disclosure statement filed on September 15, 2000, meets the requirements of section 1125 of the Bankruptcy Code. Applicants state notice of the October 19, 2000 hearing has been provided in accordance with the Bankruptcy Code and the applicable Federal Rules of Bankruptcy Procedure.

Applicants state the purposes of the transactions described in the Plan are to: (1) Permit Mobile Energy and Holdings to reorganize and emerge from bankruptcy; (2) maximize the recovery

of Mobile Energy's bondholders on their capital investment; (3) eliminate the direct and indirect equity ownership of Southern in Mobile Energy and Holdings; and (4) allow Mobile Energy to operate as a qualifying facility under the Public utility Regulatory Policies Act of 1978 after the effective date of the Plan, which will cause Mobile Energy and Holdings to no longer be subject to the Act. Certain transactions contemplated by the Plan require Commission authorization. The jurisdictional aspects of the Plan are summarized below.

I. Overview of the Plan

Applicants request authorization for the solicitation regarding the Plan under sections 11(g) and 11(f) of the Act, and authorization under section 12(e) to solicit consents and approvals from the holders of the securities of Mobile Energy and Holdings, along with other ancillary and related authorizations to implement the Plan. The pre-petition shares of common stock issued by Holdings and held by Southern will not receive any distributions under the Plan, and the shares will be cancelled and extinguished on the effective date of the Plan. The entire equity interest in the reorganized Holdings will then be held by the existing bondholders.

Upon implementation of the Plan, the ownership interests of Southern and its affiliates in the Debtors will terminate. Applicants state Southern and its affiliates will have substantially reduced obligations going forward with respect to Mobile Energy and Holdings. Southern Energy Resources, Inc. ("SERI") will continue to operate Mobile Energy's facilities through March 31, 2001 at the latest. Southern guaranteed certain of Mobile Energy's obligations to its existing customers in 1995, and these guarantees will remain in place but Mobile Energy will indemnify Southern against any liability under those guarantees. Southern Energy, Inc. ("Southern Energy") will assign certain contract rights and obligations to Mobile Energy related to a combustion turbine being manufactured for it by General Electric Company ("GE") and under a long term services agreement related to that turbine by General Electric International Inc. ("GEII"). Southern Energy will remain liable if Mobile Energy does not meet those obligations and Mobile Energy will indemnify Southern Energy against any of these costs.

The proponents of the Plan include a Bondholder Steering Committee which represents more than 70% of the current outstanding bondholders of the

Debtors.⁴ The Bondholder Steering Committee includes First Union National Bank as the indenture trustees for each of the two bond issuances as an ex officio member. The indenture trustees represent all of the bondholders.

The facilities at issue are located inside a large pulp, paper and tissue manufacturing complex in Mobile, Alabama. Some of the facilities now owned by Mobile Energy were originally constructed by the Scott Paper Company ("Scott") in the early 1960s. Scott sold the energy facilities, black liquor recovery equipment, and related assets, permits and agreements ("Energy Complex") to Holdings.⁵ Mobile Energy was formed as a limited liability company on July 13, 1995. Mobile Energy acquired ownership from Holdings of the Energy Complex on July 14, 1995. Mobile Energy owns and operates the Energy Complex which was constructed specifically to serve the Scott mill operations. In late 1995 Scott was merged into a subsidiary of Kimberly Clark Corporation and the resulting entity was renamed Kimberly Clark Tissue Company ("KCTC"). In 1998, KCTC notified Mobile Energy that KCTC would close its pulp mill and terminate its contract to purchase energy services from Mobile Energy. The consequences from the anticipated loss of the KCTC pulp mill contract and operations triggered the filing by Mobile Energy and Holdings of cases under Chapter 11 of the Bankruptcy Code.

II. Key Elements of the Plan

A. KCTC Settlement Agreement

The settlement agreement between the Debtors and KCTC ("KCTC Settlement Agreement") encompasses certain transactions, some of which occurred soon after the Bankruptcy Court approved the settlement, and other transactions that will occur later if certain conditions are met. Particularly, on February 8, 2000, Mobile Energy and KCTC executed: (1) The New Tissue Mill ESA,⁶ which provides for electricity and steam processing services to be supplied by Mobile Energy to KCTC's tissue mill at market prices; and

² Section 11(f) of the Act provides, in relevant part, that "a reorganization plan for a registered holding company, or any subsidiary thereof, * * * shall not become effective unless such plan shall have been approved by the Commission after opportunity for hearing prior to its submission to the court."

³ Section 11(g)(2) of the Act provides, in relevant part, that any solicitation for consents to or authorization of any reorganization plan of a registered holding company or any subsidiary company thereof shall be "accompanied or preceded by a copy of a report on the plan which shall be made by the Commission after an opportunity for a hearing on the plan and other plans submitted to it, or by an abstract of such report made or approved by the Commission."

⁴ Applicants state the Bondholder Steering Committee is currently composed of CS First Boston, Miller Anderson & Sherrerd, LLP; Pan American Life Insurance Company; Franklin Advisors, Inc.; Van Kampen Interest and Advisory Corp.; and First Union National Bank.

⁵ On Dec. 13, 1994 the Commission authorized Southern to organize Holdings as a new subsidiary and acquire all of its common stock. HCAR No. 26815.

⁶ As part of the settlement with KCTC a new contract to provide electric power and steam processing services, the "New Tissue Mill ESA," was entered into between KCTC Mobile Energy.

(2) an Option Agreement for Mobile Energy or its assignee to purchase KCTC's pulp mill and related assets to be used for a new 800 short ton per day pulp mill. On the closing date, if certain conditions are met, KCTC will pay Mobile Energy approximately \$30.12 million, KCTC will transfer certain assets to Mobile Energy and Mobile Energy will transfer certain other assets to KCTC. KCTC and Mobile Energy will also enter into an agreement which will set out the respective rights and obligations of Mobile Energy and KCTC to operate and maintain the No. 6 Power Boiler and related facilities.

B. Cogen Project

The Plan contemplates resumption, on a reduced scale, of pulp mill operations under different ownership, a more efficient use of resources (e.g., recovery boiler), the possible expansion of electric generating capacity by purchasing a combustion turbine and developing a 165 megawatt facility ("Cogen Project")⁷ and a revised agreement to provide energy services to the tissue mill within the industrial complex. The development of the Cogen Project will occur under the MESC Cogeneration Development Agreement dated February 9, 2000, between Mobile Energy, Holdings, Southern Energy, and SERI, as amended by Amendment No. 1 dated August 11, 2000 ("Development Agreement"). The Development Agreement provides, among other things, that: (1) Mobile Energy has an option to purchase from Southern Energy a combustion turbine being manufactured for Southern Energy by GE to be used to develop the Cogen Project at Southern Energy's cost and pay Southern Energy \$2.9 million as an option fee; (2) Southern Energy will assign its rights under a long term services agreement related to that turbine with GEI to Mobile Energy; (3) Mobile Energy will terminate the Mobile Energy Operating Agreement no later than March 31, 2001; (4) Mobile Energy will pay one-half the actual cost of a retention and severance program implemented by SERI for its workers at Mobile Energy's facilities, up to a total of \$2 million; (5) Southern, Southern Energy, SERI, Mobile Energy, Holdings, the indenture trustee and the collateral agent will exchange releases of claims; (6) Southern, Southern Energy, SERI, Mobile Energy and Holdings will provide certain indemnities to each other; and (7) Southern, Southern

Energy and SERI will hold a first priority lien on the Debtor's assets and those of any affiliate set up to own the Cogen Project to secure performance of all obligations which may be owed to Southern, Southern Energy and SERI under the Development Agreement.

Applicants state the Debtors will use the \$30.12 million to be received from KCTC in part for the development of the Cogen Project. The balance of the cost of the Cogen Project will be funded through debt and/or equity financing in addition to the funds otherwise available to the Debtors.

C. The New Pulp Mill

The Plan contemplates that a new 800 short ton per day pulp mill will be developed at the Mobile facility under a term sheet agreed to by Jubilee Pulp, Inc. and Mobile Energy ("New Pulp Mill"). The transactions necessary to develop the New Pulp Mill include: (1) Consummation of the KCTC Settlement Agreement; (2) consummation of certain agreements with the Debtors to effect the distribution of the No. 8 Recovery Boiler by Mobile Energy to Holdings and its contribution by Holdings to a new limited liability company;⁸ and (3) new energy services agreements between Mobile Energy and the developer of the New Pulp Mill. Jubilee Pulp, Inc. and Mobile Energy also intend to execute the New Pulp Mill ESA under which Mobile Energy will provide electric power processing services, steam processing services and steam conditioning services to Jubilee Pulp, Inc.

III. Treatment of Claims Under the Plan

A. Unsecured Creditors; Others

Under the Plan, the claims of the general unsecured creditors and the claims of all other creditors, except Southern and its affiliates will be paid in full.

B. First Mortgage Bonds

The first mortgage bonds were issued by Mobile Energy on August 1, 1995, in the principal amount of \$255,210,000 due January 1, 2017 and bearing annual interest at 8.665%. Under the Plan, the first mortgage bonds will be exchanged for new taxable bonds in an aggregate principal amount of \$51,535,000 and bearing annual interest at 10%. In

addition, the Plan contemplates 7,259,400 shares of new common stock of Holdings will be distributed to the holders of the first mortgage bonds. Each share of new common stock will be entitled to one vote per share. Certain holders of the first mortgage bonds will be entitled to registration rights.

C. Tax Exempt Bonds

In December 1983, the Industrial Development Board of Mobile, Alabama ("IDB") issued tax-exempt bonds ("1983 Tax Exempt Bonds") to finance the construction of the No. 7 Power Boiler and certain auxiliary systems. In December 1994 ("1984 Tax Exempt Bonds"), the IDB issued tax-exempt bonds to refund the 1983 Tax Exempt Bonds.

Refunding of the 1984 Tax Exempt Bonds occurred in 1995 by means of tax-exempt bonds in the original principal amount of \$85,000,000 scheduled to mature January 1, 2000. Under the Plan, the tax-exempt bonds will be exchanged for new tax-exempt bonds in an aggregate principal amount of \$20,035,000 (subject to increase of up to an additional \$2,003,500 aggregate principal amount of new tax-exempt bonds if each holder of allowed tax-exempt bondholder receives additional new tax-exempt bonds rather than common stock of Holdings as described below) and bear interest at the rate of 8% per annum.

In addition, the Plan contemplates up to an aggregate of 2,740,600 shares of new common stock will be issued to the tax-exempt bondholders (based on the number of tax-exempt bondholders that elect to receive new common stock). Each share of new common stock will be entitled to one vote per share. Certain holders will be entitled to registration rights. Each of the tax-exempt bondholders may elect, in lieu of receiving any common stock in Holdings, to receive additional new tax-exempt bonds equal to 10% of the new bonds to be received by the holder from \$20,035,000 principal amount of new tax-exempt bonds to be distributed to all these holders.

D. Southern's and Its Affiliates' Claims

Under the Plan, Southern and its affiliates will receive the treatment provided in the Development Agreement, described above, in full satisfaction of their claims.

⁷ Applicants note the Cogen Project will be owned either by Mobile Energy or an affiliate which is an exempt wholesale generator as defined in section 32 of the Act.

⁸ The No. 8 Recovery Boiler will be distributed by Mobile Energy to Holdings and then contributed by Holdings to Pulpco LLC whose members will be Holdings and Jubilee Pulp, Inc. The original cost to Mobile Energy of the recovery boiler was \$11,852,824, which has been amortized in part over the intervening years, and the net book value as of December 31, 2000 will be approximately \$86,241,000.

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

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43448; File No. SR-CBOE-00-35]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to Manual Handling of RAES Orders in Certain Limited Situations

October 17, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 9, 2000, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve the extension of a pilot program through February 21, 2001.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE proposes to amend Exchange Rule 6.8(c) in order to extend, for an additional six-month period, the pilot program that currently provides for certain orders to be rejected from RAES for manual handling under certain limited conditions ("Pilot"). The text of the proposed rule change is available at the CBOE and the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has

prepared summaries, set forth in sections A, B, and C below of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to extend the Pilot for an additional six-month period. The Pilot provides that orders be rejected from RAES in the limited situation when an Autoquote-generated bid or offer for a particular series of options has become locked or crossed with the Exchange's best bid or offer as established by a booked order.³ The Exchange is requesting an extension of the Pilot⁴ so that RAES kick-out procedures may continue in effect while the Commission is considering the approval of two proposed rule changes. The Exchange represents that these proposed rule changes, currently pending before the Commission, were developed to obviate the need for RAES kick-outs under the circumstances covered by the Pilot.

In the first extension of the Pilot,⁵ the CBOE stated that the Exchange would continue to seek other alternatives to having RAES orders rejected in the limited situation where quotations generated by the Autoquote system become locked or crossed with a booked order.⁶ During the 6-month period of the first extension of the Pilot, CBOE developed two systems changes which the Exchange represents would, if implemented, virtually eliminate RAES kick-outs under the Pilot. The systems changes are the subject of the two proposed rule changes currently pending at the Commission.

The first systems change is an enhancement to the Automated Book Priority System ("ABP"), called ABP Split Price, that would allow incoming RAES orders utilizing ABP to be executed against the book price up to the applicable book volume, or a larger amount as predetermined by the appropriate Floor Procedure Committee, for the subject option class.⁷ The

³ Securities Exchange Act Release No. 42168 (November 22, 1999), 64 FR 66952 (November 30, 1999) (notice of rule proposal filing and accelerated approval of order establishing Pilot) ("Original Notice"); Securities Exchange Act Release No. 42615 (April 3, 2000), 65 FR 19401 (April 11, 2000) (notice of rule proposal filing and accelerated approval of order granting extension of Pilot) ("First Extension Notice").

⁴ The Pilot was due to expire on August 21, 2000.

⁵ First Extension Notice at 65 FR 19403.

⁶ Id.

⁷ See SR-CBOE-00-21. The proposed rule change was published for public comment in Securities

balance of these orders would trade at the next best available price, whether: (1) Against another booked order; or (2) against market-makers logged onto RAES. If traded against market makers, the balance of such orders would trade at the best market-maker quote, whether generated by Autoquote or verbalized by a market maker.

The second systems change for which the CBOE has sought approval is called Autoquote Triggered EBook Execution ("Trigger").⁸ Trigger is an enhancement to the electronic limit order book ("EBook") that would allow certain booked orders to be automatically executed up to the RAES contract limit applicable to the particular series of options. Trigger would become operative in the limited situation where the bid or offer generated by Autoquote (or any Exchange-approved proprietary quote generation system) for a particular options series locks or crosses the Exchange's best bid or offer for that series as established by a booked order. By providing for automatic execution of these booked orders, Trigger would eliminate the vast majority of RAES kick-outs which result when firms seeking out pricing anomalies detect a skewed quote and submit a RAES eligible order or orders to trade at the book price.

2. Statutory Basis

The proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act⁹ in that it is designed to remove impediments to a free and open market and to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The CBOE does not believe that the proposed rule change will impose a burden on competition that is not necessary or appropriate in furtherance of purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule

Exchange Act Release No. 34-43430 (October 11, 2000).

⁸ See SR-CBOE-00-22.

⁹ 15 U.S.C. 78f(b)(5).

¹ 15 U.S.C. 78s(b)(1).

² 17 C.F.R. 240.19b-4.