

management and administration of any separate account organized as a UIT or of any Fund. These individuals will continue to be subject to the automatic disqualification provisions of Section 9(a).

3. In addition to the foregoing conditions, applicants consent to the following conditions and represent and agree that if the exemptions requested herein are granted, the Trust will not sell shares of any Fund to a Qualified Plan if such sale would result in the Qualified Plan owning 10% or more of that Fund's outstanding shares unless the Qualified Plan first enters into a participation agreement with the Trust containing provisions that require the following:

a. The trustees or plan committees of the Qualified Plan will: (a) Monitor the Qualified Plan's operations and those of the Trust for the purpose of identifying any material irreconcilable conflicts or potential material irreconcilable conflicts between or among the interests of Qualified Plan participants, VA Contract owners and VLI Contract owners, (b) report any such conflicts or potential conflicts to the Trust's Board of Trustees, (c) provide the Board, at least annually, with all information reasonably necessary for the Board to consider any issues raised by such existing or potential conflicts and any other information and reports that the Board may reasonably request, (d) inform the Board whenever it (or another fiduciary) disregards the voting instructions of Qualified Plan participants (of a Qualified Plan that provides voting rights to its participants), and (e) ensure that the Qualified Plan votes Trust shares as required by applicable law and governing Qualified Plan documents. The trustees or plan committees of the Qualified Plan will carry out these obligations with a view only to the interests of Qualified Plan participants in its Qualified Plan.

b. In the event that a material irreconcilable conflict of interest arises between Qualified Plan investors and VA Contract owners, VLI Contract owners or other investors in the Trust, each Qualified Plan will, at its own expense, take whatever action is necessary to remedy such conflict as it adversely affects that Qualified Plan or participants in that Qualified Plan up to and including (1) establishing a new registered management investment company, and (2) withdrawing Qualified Plan assets subject to the conflict from the Trust and reinvesting such assets in a different investment medium (including another Fund of the Trust) or submitting the question of

whether such withdrawal should be implemented to a vote of all affected Quality Plan investors, and, as appropriate, segregating the assets of any group of such participants that votes in favor of such withdrawal, or offering to such participants the option of making such a change. Each Qualified Plan will carry out the responsibility to take the foregoing action with a view only to the interests of Qualified Plan investors in its Qualified Plan. Notwithstanding the foregoing, no Qualified Plan will be obligated to establish a new funding medium for any group of participants or Qualified Plan investors if an offer to do so has been declined by a vote of a majority of the Qualified Plan's participants or Qualified Plan investors adversely affected by the conflict.

c. If a material irreconcilable conflict arises because of a Qualified Plan trustee's (or other fiduciary's) decision to disregard the voting instructions of Qualified Plan participants (of a Qualified Plan that provides voting rights to its participants) and that decision represents a minority position or would preclude a majority vote at any shareholder meeting, then, at the request of the Trust's Board of Trustees, the Qualified Plan will redeem the shares of the Trust to which the disregarded voting instructions relate. No charge or penalty, however, will be imposed in connection with such a redemption.

4. Applicants also represent and agree that if the exemptions requested herein are granted, the Trust will not sell shares of any Fund to a Qualified Plan until the Qualified Plan executes an application containing an acknowledgment of the condition that the Trust cannot sell shares of any Fund to such Qualified Plan if such sale would result in that Qualified Plan owning 10% or more of that Fund's outstanding shares unless that Qualified Plan first enters into a participation agreement as described above.

Conclusion

For the reasons and upon the facts stated 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 Act.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00-26279 Filed 10-12-00; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27244]

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

October 6, 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 October 31, 2000, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant application(s) and/or declaration(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 October 31, 2000, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Scottish Power plc, et al. (70-9669)

Scottish Power plc ("Scottish Power"), a foreign registered public utility holding company; Scottish Power UK plc, a first-tier utility subsidiary of Scottish Power ("SPUK");¹ Scottish Power NA 1 Limited, Scottish Power NA 2 Limited, and NA General Partnership (together, "Intermediate Companies"), each of which is a subsidiary of Scottish Power, all located at 1 Atlantic Quay, Glasgow G2 8SP, Scotland, United Kingdom; PacifiCorp, an electric utility subsidiary of Scottish Power; and PacifiCorp's nonutility subsidiaries ("PacifiCorp Subsidiaries"), Centralia Mining Company, Energy

¹ Scottish Power's other operations have been segregated under SPUK, which is a foreign utility company within the meaning of section 33 of the Act.

West Mining Company, Glenrock Coal Company, Interwest Mining Company, Pacific Minerals, Inc., PacifiCorp Environmental Remediation Company, PacifiCorp Investment Management, Inc., PacifiCorp Group Holdings Company ("PGHC"), New Energy Holdings Inc., PACE Group, PacifiCorp Energy, Inc., PacifiCorp Energy Services, Inc., PacifiCorp Energy Ventures, Inc., PacifiCorp International Group Holdings Company, PacifiCorp Power Marketing, Inc., PacifiCorp Trans, Inc., PacifiCorp Financial Services, Inc., Eastern Investment Company, and Pan Pacific Global Corporation, all located at Suite 2000, 825 N.E. Multnomah Street, Portland, OR 97232 (collectively, "Applicants"), have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12, 13(b) and 33 of the Act and rules 42, 43, 45, 53, 54, 83, 87, 90, and 91 under the Act.

I. Introduction, Background and Summary

Scottish Power registered as a holding company under the Act following its acquisition of PacifiCorp on November 29, 1999 ("Merger").² As discussed more fully below, Scottish Power and PacifiCorp, together with the Intermediate Companies and the PacifiCorp Subsidiaries, now request authority to engage in a variety of financing transactions. In summary, Applicants seek authority to engage in the following transactions through March 31, 2004 ("Authorization Period"): (1) External financings by Scottish Power; (2) certain external financings by PacifiCorp and the PacifiCorp Subsidiaries ("PacifiCorp Group"); (3) certain intrasystem financings, including the creation of two new PacifiCorp money pools ("Money Pools"), and guarantees of the obligations of the PacifiCorp Subsidiaries and of the subsidiaries of Scottish Power's foreign utility subsidiary, Scottish Power UK plc ("SPUK" and, together with its subsidiaries, the "SPUK Group"); (4) the payment by the PacifiCorp Subsidiaries and, in certain circumstances, by PacifiCorp, of dividends out of capital or unearned surplus; (5) increases in the number of shares authorized by PacifiCorp or by any of the PacifiCorp Subsidiaries with respect to any capital security³ of the company, as well as

alteration of the terms of any capital security, without further Commission authorization; (6) the formation of financing entities and the issuance by such entities of securities otherwise authorized to be issued and sold under the authority requested in this filing; (7) the formation of a holding company ("Nevada Holdco") to act as a pass through entity regarding the shares of both PacifiCorp and PGHC;⁴ and (8) the execution of a system tax allocation agreement. In addition, Applicants propose to engage in various intrasystem transactions. Applicants further request that the Commission reserve jurisdiction over certain transactions, as described below.

Applicants state that the proceeds from the sale of securities in external financing transactions will be used for the acquisition, retirement or redemption of securities issued by Scottish Power and its subsidiaries ("Scottish Power System"), without the need for prior Commission approval and for necessary general corporate purposes including: (a) The financing, in part, of the capital expenditures of the Scottish Power System; (b) the financing of working capital requirements of the Scottish Power System; and (iii) other lawful general purposes. The proceeds of external financings will be allocated to companies in the Scottish Power System in various ways through the proposed intrasystem financing discussed below.

In addition, Scottish Power seeks authority to invest in exempt wholesale generators ("EWGs") and foreign utility companies ("FUCOs"), as those terms are defined in sections 32 and 33 of the Act, respectively, up to an aggregate outstanding amount equal to 154% of its consolidated retained earnings at any one time during the Authorization Period. Further, Scottish Power seeks authority to use its ordinary shares (or associated American Depository Shares ("ADSs") or American Depository receipts ("ADRs")) as consideration for acquisitions that are otherwise authorized under the Act or exempt under the Act, and to provide shares for various award and shareholder investment programs.

⁴ PGHC is the holding company for PacifiCorp's principal subsidiaries. Through its subsidiary companies, PGHC is engaged in the acquisition or development of electrical power projects or systems internationally, and leveraged lease tax-advantaged investments. Nevada Holdco will be authorized to issue 1000 shares of common stock, par value \$.01 per share. Nevada Holdco proposes to issue its common shares to NA General Partnership and, accordingly, NA General Partnership proposes to acquire all of the outstanding common shares of Nevada Holdco.

II. General Terms and Conditions of Financing

Financings by each Applicant will be subject to the following general terms and conditions ("Financing Conditions"): (1) During the Authorization Period, Scottish Power's total common equity ("Total Common Equity")⁵ will be at least 30% of its total capitalization ("Total Capitalization"),⁶ and PacifiCorp's total Common Equity will be at least 30% of its Total Capitalization; (2) Scottish Power will maintain its and PacifiCorp's long-term debt ratings at an investment grade level through the Authorization Period; (3) the cost of money on debt financings of Scottish Power at the date of issuance will not exceed 300 basis points over that for comparable term U.S. treasury securities or government benchmark for the currency concerned; (4) the cost of money on preferred securities of Scottish Power at the date of issuance will not exceed 500 basis points over that for comparable term U.S. treasury securities or government benchmark for the currency concerned; (5) the aggregate amount of external debt and equity issued by Scottish Power under the authority requested in this application-declaration will not exceed \$6 billion at any one time outstanding; (6) Scottish Power's aggregate investment in EWGs and FUCOs, as defined in rule 53 under the Act, will not exceed, without prior Commission approval, 154% of the consolidated retained earnings of the Scottish Power System; and (7) the proceeds from the sale of securities in external financing transactions will be used for the acquisition, retirement or redemption of securities issued by the Scottish Power System, without the need for prior Commission approval and for necessary general corporate purposes including (i) the financing, in part, of the capital expenditures of the Scottish Power System, (ii) the financing of working capital requirements of the Scottish Power System, and (iii) other lawful general purposes.

Specifically, Applicants seek authority for the following:

III. Existing Financing Arrangements

Applicants request Commission authorization to maintain in effect through the Authorization Period all existing financing arrangements of

⁵ Total Common Equity includes common stock, retained earnings, and accumulated other comprehensive income, presented in accordance with U.S. generally accepted accounting practices ("U.S. GAAP").

⁶ Total Capitalization means the sum of Total Common Equity, preferred stock, short-term debt, and long-term debt, including current maturities.

² Scottish Power filed with the Commission a Notification of Registration on Form U5A on November 30, 1999, and a Registration Statement on Form U5B on March 7, 2000.

³ Capital stock includes common stock, preferred stock, other preferred securities, options and/or warrants convertible into common or preferred stock, rights, and similar securities.

Scottish Power, the Intermediate Companies and the PacifiCorp Group, to the extent the Commission has jurisdiction over these existing arrangements.⁷ Applicants represent that all existing PacifiCorp Group financings qualify for exemptions from the Act under rules 45(b) and 52.⁸

IV. Scottish Power External Financing

A. Introduction

Scottish Power proposes to issue equity and debt securities, in amounts that would not aggregate more than \$6 billion at any one time outstanding during the Authorization Period (“Aggregate Limitation”).⁹ These shares could include, but would not necessarily be limited to, ordinary shares, preferred shares, options, warrants, long- and short-term debt (including commercial paper), convertible securities, subordinated debt, bank borrowings and securities with call or put options. In addition, Scottish Power may enter into currency and interest rate swaps as described below.

Scottish Power proposes that the various securities to be issued would fall within the following limits, but would not in the aggregate exceed the Aggregate Limitation stated above:

Type of debt	Amount (In billions)
Equity, including options and warrants	\$3.0
Preferred Stock	1.0
Bank Debt	1.0
Commercial Paper	1.0
Bond Issues—Straight	3.0
Bond Issues—Convertible	3.0

B. Ordinary Shares

1. General

Scottish Power’s common equity consists of ordinary shares, with a par value of 50 pence each, that are listed on the London Stock Exchange. Scottish Power currently has a small number of ADs in the U.S. that trade as ADRs, and represent four ordinary shares each. Scottish Power has established a

⁷ As of March 31, 2000, Scottish Power has approximately \$6.9 billion of long-term debt, \$1.1 billion of short-term debt, and \$11.2 billion in common equity outstanding, calculated in accordance with U.S. GAAP.

⁸ PacifiCorp’s presently outstanding securities include preferred stock, first mortgage bonds, subordinated debt, pollution control revenue bond financings, and short-term debt, including commercial paper. Members of the PacifiCorp Group also participate in a variety of interest rate and currency exchange swap agreements.

⁹ The Aggregate Limitation is in addition to Scottish Power’s current outstanding equity and debt securities, described above.

sponsored ADR program in the U.S. and has its ADRs listed on the New York Stock Exchange and registered under the Securities Act of 1933, as amended. As a result, Scottish Power has registered under the Securities Exchange Act of 1934, as amended, and files the periodic disclosure reports required of a foreign issuer with the Commission. The request contained in this application-declaration with respect to ordinary shares refers to the issuance of ordinary shares directly or through the ADR program and, for purposes of this request, the ADSs and ADRs are not considered separate securities from the underlying ordinary shares. Scottish Power requests authority to issue up to \$3 billion in equity¹⁰ through the Authorization Period (“Equity Limitation”).

Scottish Power seeks authority to use its ordinary shares (or associated ADSs or ADRs) as consideration for acquisitions that are otherwise authorized under the Act. Among other things, transactions may involve the exchange of parent company equity securities for securities of the company being acquired in order to provide the seller with certain tax advantages. The Scottish Power ordinary shares to be exchanged may, among other things, be purchased on the open market under rule 42 or may be original issue. For purposes of the Aggregate Limitation, Scottish Power ordinary shares used to fund an acquisition of a company through the exchange of Scottish Power equity for securities being acquired would be valued at market value based upon the closing price of the ordinary shares on the London Stock Exchange on the day before closing of the sale or issuance.

2. Employee Benefit Plans

In addition to other general corporate purposes, the ordinary shares will be used to fund employee benefit plans. More particularly, Scottish Power intends to issue ADRs to U.S. employees through PacifiCorp’s Stock Incentive Plan, Compensation Reduction Plan and K Plus Employee Savings and Stock Ownership Plan (“U.S. Plans”). Scottish Power states that it may develop other share-based plans to motivate and retain key executives. Scottish Power also intends to issue ordinary shares, or certain conditional rights relating to ordinary shares, to its U.K. personnel through its Long Term Incentive Plan¹¹

¹⁰ This would include stock options or warrants that Scottish Power may issue from time to time.

¹¹ Scottish Power also operates the Scottish Power Executive Share Option Scheme which applies to executive directors and certain senior managers. All future grants under this plan have been replaced by

and Scottish Power Sharesave Scheme (“U.K. Plans”).¹² Scottish Power requests authority to issue approximately 39.1 million ordinary shares to employees under the U.S. Plans, the U.K. Plans, and those additional plans (“Additional Plans”, and, together with the U.S. Plans and the U.K. Plans, “Plans”) that may be developed for the purposes stated above. All shares issued under the Plans will be subject to the Aggregate Limitation. Securities issued under the Plans will be valued, if ordinary shares, at market value based on the closing price on the London Stock Exchange on the day before the award. Securities issued by Scottish Power that are not ordinary shares will be valued based on a reasonable and consistent method applied at the time of the award. Scottish Power requests that the Commission reserve jurisdiction over the Additional Plans, pending completion of the record.

C. Preferred Stock

Scottish Power proposes to issue preferred stock from time to time during the Authorization Period. The aggregate outstanding amount of preferred stock would not exceed \$1 billion. Any issuance of preferred stock would have dividend rates or methods of determining dividend rates, redemption provisions, conversion or put terms and other terms and conditions as Scottish Power may determine at the time of issuance; provided, however, that the cost of money on preferred stock of Scottish Power, when issued, will not exceed 500 basis points over that for comparable term U.S. treasury securities or government benchmark for the currency concerned.

D. Debt

Scottish Power proposes to issue debt securities from time to time during the Authorization Period. Subject to the following conditions, any issuance of debt securities would have the designation, aggregate principal amount, interest rate(s) or method of determining

the company’s Long Term Incentive Plan. Existing options remain exercisable.

¹² In order for Scottish Power to provide ordinary shares to participants in the U.K. Plans when they are entitled to exercise their share options, Scottish Power states that it must provide a loan to the trustee, or equivalent (“Trustee”), of the employee share plans to allow the Trustee to acquire Scottish Power’s ordinary shares on the open market on behalf of the eligible participants. On exercise of the share options by the eligible participants, the option price money payable by the share option holder is applied by the Trustee to reduce the loan amount from Scottish Power. Scottish Power proposes to engage in these transactions, in order to provide ordinary shares to its employees under the U.K. Plans.

interest rate(s), terms of payment of interest, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as are deemed appropriate at the time of issuance.

The cost of money on debt financings of Scottish Power will not exceed 300 basis points over that for comparable term U.S. treasury securities or government benchmark for the currency concerned. The maturity of any debt security will not exceed 50 years.

Parent-level debt may be issued for the acquisition, retirement or redemption of securities issued by a Scottish Power System company, and for necessary and urgent general and corporate purposes, including the financing of capital expenditures, the financing of working capital requirements, and other lawful general corporate purposes.

E. Interest Rate and Currency Risk Management Devices

In order to protect the Scottish Power System from adverse interest rate movements, the interest rate on the debt portfolio is managed through the use of fixed-rate debt, combined with interest rate and cross currency swaps, options and option-related instruments with a view to maintaining a significant proportion of fixed rates over the medium term. Scottish Power seeks authority to continue to engage in interest rate and cross currency swaps, options, option-related instruments, forward exchange contracts, and similar instruments through the Authorization Period. Scottish Power states that these transactions will meet the criteria established by the Financial Accounting Standards Board in order to qualify for hedge-accounting treatment or will so qualify under generally accepted accounting principles in the United Kingdom ("U.K. GAAP"). In the event transactions in financial instruments or products are qualified for hedge accounting treatment under U.K. GAAP, but not under U.S. GAAP, Scottish Power's financial statements filed in accordance with Form 20-F will contain a reconciliation of the difference between the two methods of accounting treatment.

F. Guarantees and Loans

Applicants request authorization to enter into guarantees, obtain letters of credit, enter into guaranty-type agreements or otherwise provide credit support with respect to the obligations of the PacifiCorp Group, and of SPUK and the SPUK Subsidiaries ("SPUK Group"), as may be appropriate to

enable these system companies to carry on their respective authorized or permitted businesses. This credit support may be in the form of committed bank lines of credit. Guarantees entered into by Scottish Power would not be subject to the Aggregate Limitation, but instead would be subject to a separate \$6 billion limit ("Scottish Power Guarantee Limitation"), based on the amount at risk.¹³ Any guarantees and credit support entered into by Scottish Power that support obligations of the SPUK Group will be included as part of Scottish Power's aggregate investment in FUCOs and EWGs for purposes of rule 53 under the Act.

Scottish Power also proposes to make loans or capital contributions to the SPUK Group from time to time up to an aggregate principal amount of \$3 billion through the Authorization Period. Loans made to the SPUK Group will be of a short-term nature, payable on demand and will carry an interest rate of Royal Bank of Scotland Base plus one percent. These loans and capital contributions will be included as part of Scottish Power's aggregate investment in FUCOs and EWGs, as that term is defined in rule 53 under the Act.

V. PacifiCorp Group Financings

A. Existing Intercompany Loans

PacifiCorp and the PacifiCorp subsidiaries currently participate in an intercompany loan agreement ("PacifiCorp Loan Agreement") allowing PacifiCorp to loan up to \$200 million to certain of its subsidiaries, and allowing these subsidiaries to loan unlimited amounts to PacifiCorp.¹⁴ Loans made under the PacifiCorp Loan Agreement are payable on demand, are evidenced by notes and bear interest at PacifiCorp's short-term borrowing rate whether the loan is to or from PacifiCorp. PGHC also participates in an intercompany borrowing agreement ("PGHC Loan Agreement", and, collectively, "Loan Agreements") allowing up to \$350 million in loans to be made among PGHC and its subsidiaries, and among PGHC and certain other direct subsidiaries of PacifiCorp, including PacifiCorp Environmental Remediation Company, PacifiCorp Minerals, Inc., and PacifiCorp Investment Management, Inc. Loans made under the PGHC Loan Agreement are payable on demand and,

if from PGHC, bear interest at a negotiated rate¹⁵ or at PGHC's short-term borrowing rate if the borrower is PGHC. Since completion of the Merger, all loans under both the PacifiCorp Loan Agreement and the PGHC Loan Agreement have been made on an interest-free basis. Applicants request authorization to maintain these Loan Agreements through the Authorization Period, to the extent the Loan Agreements are not exempt under rule 52.

B. Intrasystem Non-Money Pool Financing

Each of the Intermediate Companies is seeking authorization to issue and sell securities to, and acquire securities from, its immediate parent, subsidiary companies, and other Intermediate Companies, respectively. Each of the Intermediate companies and Scottish Power is also seeking authorization to issue guarantees and other forms of credit support to direct and indirect subsidiaries. In no case would the Intermediate Companies or Scottish Power borrow, or receive any extension of credit indemnity from any of their respective direct or indirect subsidiaries.

C. Subsidiary Money Pools

In addition to the above-described intercompany arrangements, Applicants request authority to create two new money pools that will be administered by PacifiCorp. One money pool will be exclusively for certain of the nonutility subsidiaries of PGHC ("Nonutility Money Pool"),¹⁶ and the second money pool will be for PacifiCorp and certain of the PacifiCorp Subsidiaries ("Utility Money Pool", and, together with the Nonutility Money Pool, "Money Pools").¹⁷ The funds available to the Utility Money Pool will be loaned on a short-term basis and will come from the Utility Money Pool participants

¹⁵ Borrowings from PGHC will bear interest on the outstanding principal amount thereof, for each day from the date such borrowing is made until it becomes due, at a rate per annum equal to the prime rate for such day plus a margin (depending on the ratings of the borrower) as agreed to from time to time by PGHC and the borrower and set forth in the ledger maintained by PGHC. However, in no event will the borrower's rate exceed PGHC's cost of short-term funds for such day plus 3/8%.

¹⁶ Foreign EWGs, exempt telecommunications companies ("ETCs"), as that term is defined in section 34 of the Act, and FUCOs will not be participants in the Utility Money Pool, and ETCs and FUCOs will not participate in the Nonutility Money Pool.

¹⁷ The names of the PacifiCorp Subsidiaries participating in each of the Money Pools are set forth in Scottish Power's application-declaration.

¹³ Scottish Power currently has approximately \$568 million in Guarantees outstanding. Applicants state that the Scottish Power Guarantee Limitation is in addition to these existing guarantees.

¹⁴ The PacifiCorp Loan Agreement was approved by the Oregon Public Utility Commission.

themselves.¹⁸ Scottish Power and/or PacifiCorp will make available short-term funds from time to time to the Utility Money Pool in amounts up to \$800 million. Scottish Power also will make available short-term funds from time to time for the Nonutility Money Pool in amounts not to exceed \$800 million. Applicants state that Scottish Power will participate in the Money Pools only to the extent that it has funds available for lending. Under no circumstances will Scottish Power borrow from either of the Money Pools. Funds will be made available from such sources in such order as PacifiCorp, as administrator of the Money Pools, may determine will result in a lower cost of borrowing, consistent with the individual borrowing needs and financial standing of the participating Subsidiaries.

If at any time there are funds remaining in the Money Pools after satisfaction of the borrowing needs of the participating Subsidiaries, PacifiCorp, as the agent of the Money Pools, will invest these funds appropriately and consistent with applicable state and federal regulations and allocate the earnings on any of these investments between or among those participants within each respective Money Pool according to the amount of excess funds provided by each respective participant. PacifiCorp will administer the Money Pools on an "at cost" basis. PacifiCorp will maintain separate records for each Money Pool and funds in each Money Pool will be separately invested. Applicants request that the Commission reserve jurisdiction over the participation by future companies formed or acquired by Scottish Power in the relevant Money Pool, until a specific post-effective amendment is filed that seeks authority to add any specific Subsidiary as a participant in that Money Pool.

D. Short-term Debt

PacifiCorp requests authority to issue commercial paper and promissory notes in an aggregate amount not to exceed \$1.5 billion to be outstanding at any one time during the Authorization Period. Applicants state that this commercial paper will be sold to or through dealers at discount rates or bearing interest rates per annum prevailing at the date of issuance for commercial paper of comparable quality and maturity.

¹⁸ PacifiCorp proposes to borrow up to \$800 million under the Utility Money Pool.

VI. Payment of Dividends Out of Capital or Unearned Surplus

Applicants state that there may be situations in which one or more PacifiCorp Subsidiaries will have unrestricted cash available for distribution in excess of current and retained earnings. Accordingly, Applicants propose that current and future PacifiCorp Subsidiaries be permitted to pay dividends out of capital and unearned surplus through the Authorization Period. Without further approval of the Commission, no PacifiCorp Subsidiary will declare or pay any dividend out of capital or unearned surplus if that PacifiCorp Subsidiary derives any material part of its revenues from the sale of goods, services or electricity to PacifiCorp ("Non-Exempt PacifiCorp Subsidiaries"). Scottish Power requests that the Commission reserve jurisdiction over dividends paid by any Non-Exempt PacifiCorp Subsidiary.

Applicants also request authority for PacifiCorp to pay dividends out of capital and unearned surplus up to the lesser of \$900 million or to the extent of the proceeds it receives from the sale of assets outside of its regulated utility business.¹⁹

VII. Approval of Amended Tax Allocation Agreement

Applicants request approval of an amended agreement for the allocation of consolidated tax among the Intermediate Companies and the PacifiCorp Group ("Tax Allocation Agreement"). Applicants state that the Tax Allocation Agreement will enable Scottish Power to receive payment for certain tax losses of subsidiary companies in order to obtain appropriate tax credits under United Kingdom law for non-United Kingdom taxes paid on subsidiary operations. Accordingly, Applicants seeks an exemption from the provisions of rule 45(c)(5) under the Act, which would otherwise require that these losses be retained by the subsidiary companies without payment.

VIII. Changes in Capital Stock of Subsidiaries

Applicants state that the portion of an individual PacifiCorp Subsidiary's aggregate financing to be effected through the sale of equity securities to its immediate parent company during the Authorization Period may in some

¹⁹ PacifiCorp recently completed the sale of its FUCO investments in Australia. The requested authority would allow the proceeds from any such sale to be distributed by PacifiCorp to its shareholders.

cases exceed the then authorized capital stock of that PacifiCorp Subsidiary. In addition, that PacifiCorp Subsidiary may choose to use other forms of capital securities.²⁰ Each PacifiCorp Subsidiary requests authority to increase the amount or change the terms of any of its authorized capital securities, without additional Commission approval, as needed to accommodate the sale of additional equity.²¹ The terms that may be changed include dividend rates, conversion rates and dates, and expiration dates. These proposed changes to the terms of and increases in the amounts of capital securities affect only the manner in which financing is conducted by the PacifiCorp Subsidiaries and will not alter the terms or limits proposed in the application.

IX. Financing Entities

Applicants seek authority, through the Authorization Period, for Scottish Power and the PacifiCorp Group to organize new corporations, trusts, partnerships or other entities ("Financing Entities") created for the purpose of facilitating financings through their issuance to third parties of income preferred securities or other securities authorized under this filing or issued under an applicable exemption. Applicants also seek authority for the Financing Entities to issue these securities to third parties in the event these issuances are not exempt under rule 52. In addition, authority is requested for: (1) The issuance of debentures or other evidences of indebtedness by any of Scottish Power or the PacifiCorp Group to a Financing Entity in return for the proceeds of the financing; (2) the acquisition by any of Scottish Power or the PacifiCorp Group of voting interests or equity securities issued by the Financing Entity to establish ownership of that Financing Entity; and (3) the guaranty by the Applicants of that Financing Entity's obligations in connection with its voting interests or equity securities. Each of Scottish Power and the PacifiCorp Group also may enter into expense agreements with its respective Financing Entity, under which it would agree to pay all expenses of that Financing Entity.

Any amounts issued by a Financing Entity to third parties under this authorization will be included in the

²⁰ As noted above, these securities include common stock, preferred stock, other preferred securities, options and/or warrants convertible into common or preferred stock, rights, and similar securities.

²¹ Applicants request that the Commission reserve jurisdiction over changes to the capital stock of PacifiCorp.

proposed external financing limits applicable to the immediate parent of that Financing Entity. However, Applicants request that the underlying intrasystem mirror debt and parent guaranty not be included in that limitation or the separate Scottish Power Guarantee Limitation.

X. Proposed Corporate Restructuring

Scottish Power proposes to engage in corporate restructuring or reorganization of the SPUK Group without prior Commission approval.²² Scottish Power further states that, as it continues to review the combined operations of the Scottish Power System, it may prove prudent to reorganize its nonutility companies to merge current FUCO investments held in the PacifiCorp Group with those of SPUK. Scottish Power also requests authorization to consolidate or otherwise reorganize a nonutility subsidiary if the acquisition of the securities of that nonutility subsidiary is exempt from prior Commission approval. Scottish Power requests that the Commission reserve jurisdiction, pending completion of the record, over any other consolidation or reorganization of its direct or indirect ownership interests in any nonutility company.

XI. EWG/FUCO-related Financings

As a general matter, Scottish Power intends to fund its FUCO activities at the level of its first-tier subsidiary, SPUK, or at the level of the Intermediate Companies. However, it may be desirable from time to time for Scottish Power to provide some investment capital or credit support for FUCO acquisitions or operations. To that end, Scottish Power is seeking authority to finance EWG and FUCO investments and operations up to an amount equal to 154% of its consolidated retained earnings ("CRE") at any one time outstanding during the Authorization Period.²³ Applicants state that, as of March 31, 2000, Scottish Power's CRE on a U.S. GAAP basis was \$3,116 million. Applicants further state that, as of March 31, 2000, the Scottish Power System had an existing "aggregate

investment," as that term is defined in rule 53 under the Act, in EWGs and FUCOs of an amount equal to 104% of Scottish Power's CRE, subject to an adjustment based on the sale of PacifiCorp's Australian FUCO assets.²⁴ Therefore, Scottish Power's request for an additional investment authorization would result in an aggregate investment of approximately 154% of Scottish Power's CRE, or approximately \$4,797 million.

XII. Affiliate Transactions

A. Existing Intrasystem Arrangements

PacifiCorp has been providing administrative, management, technical, legal and other support services to its subsidiaries for many years.²⁵ In addition, there have been occasions when subsidiaries of PacifiCorp have provided services to PacifiCorp or to other PacifiCorp Subsidiaries. Accordingly, PacifiCorp now proposes to continue these arrangements, with PacifiCorp providing services to the PacifiCorp Subsidiaries and on occasion the PacifiCorp Subsidiaries providing services to PacifiCorp and other associate companies in the Scottish Power System. All service transactions will be priced at cost in accordance with section 13(b) of the Act and the rules under the Act.²⁶

In addition, SPUK, or another member of the SPUK Group, proposes to perform, on a limited basis, services for the PacifiCorp Group. These services may include: (1) Transition plan preparation and implementation; (2) network performance and customer service improvements; and (3) corporate services. These service transactions also will be priced at cost in accordance with section 13(b) of the Act and the rules under the Act.²⁷ Applicants state that the costs of services provided by SPUK, or a SPUK, Subsidiary, to the PacifiCorp Group will be directly attributed to PacifiCorp. In the alternative, whenever

²⁴ As of March 31, 2000, the Scottish Power System had an aggregate investment of \$3,239 million in EWGs and FUCOs.

²⁵ All affiliate transactions among Scottish Power, PacifiCorp, and the PacifiCorp Subsidiaries are subject to review by all of the state utility commissions that regulate PacifiCorp, including the Idaho Public Utilities Commission, the Public Service Commission of Utah, the Washington Utilities and Transportation Commission, the Public Service Commission of Wyoming, the Oregon Public Utility Commission, and the California Public Utilities Commission.

²⁶ In the event that the market rate for these service transactions is less than the cost of these services, neither PacifiCorp nor the PacifiCorp Subsidiaries will provide these services.

²⁷ Scottish Power estimates that the total charges by SPUK to PacifiCorp for the provision of anticipated services will be approximately \$12 million annually.

it is possible to do so accurately, these costs will be attributed to a specific PacifiCorp Subsidiary.

Scottish Power further states that a PacifiCorp Group member may provide incidental services to SPUK or a SPUK Subsidiary at other than cost in compliance with rule 90(d)(1) under the Act. The PacifiCorp Subsidiaries also request authority to provide services and sell goods to SPUK and the SPUK Subsidiaries at fair market prices, under certain circumstances, to any nonutility associates company in the Scottish Power System.

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

[Investment Company Act Release No. 24680; 812-12094]

Vanguard Index Funds, et al.; Notice of Application

October 6, 2000.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 ("Act") for exemption from sections 2(a)(32), 18(f)(1), 18(i), 22(d), and 24(d) of the Act and rule 22c-1 under the Act, and under sections 6(c) and 17(b) of the Act for exemption from sections 17(a)(1) and (a)(2) of the Act.

Summary of Application: Applicants request an order that would permit each of certain registered open-end management investment companies whose portfolios consist of the component securities of certain indices to issue a new class of shares with limited redeemability. The requested order would permit transactions in the shares of the new classes at negotiated prices in the secondary market and would allow dealers to sell the shares to secondary market purchasers unaccompanied by a prospectus, when prospectus delivery is not required by the Securities Act of 1933. The requested order also would permit certain affiliated persons of the investment companies to deposit securities into, and receive securities from, the investment companies in connection with the purchase and redemption of aggregations of shares of the new classes.

²² Scottish Power has given commitments to regulators in the U.K. regarding the reorganization of SPUK and its subsidiaries, including the incorporation of divisions of SPUK's business.

²³ Applicants state that Scottish Power's status as a foreign company makes it commercially impossible for it to comply fully with some of the technical requirements of rule 53. In particular, since Scottish Power has pre-existing foreign utility operations, Applicants states that it would be unreasonable to require that Scottish Power maintain the books and records of its FUCOs in accordance with U.S. GAAP, although it will provide reconciliation as required in Form 20-F.