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NORTHEAST UTILITIES SYSTEM

Form U-1/A

October 20, 2004

FILE NO. 70-10184

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM U-1

APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Connecticut Light and Power Company
CL&P Receivables Corporation
NU Enterprises, Inc.
Northeast Generation Services Company
Woods Network Services, Inc.
NGS Mechanical, Inc.
E. S. Boulos Company
Woods Electrical Co., Inc.
Northeast Generation Company
Select Energy, Inc.
Select Energy New York, Inc.
The Rocky River Realty Company
The Quinnehtuk Company
Charter Oak Energy, Inc.
Mode 1 Communications, Inc.
Northeast Utilities Service Company
Yankee Energy System, Inc.
Yankee Gas Services Company
Yankee Energy Financial Services Company
Northeast Nuclear Energy Company
NorConn Properties, Inc.
Yankee Energy Services Company
107 Selden Street
Berlin, CT 06037

Public Service Company of
New Hampshire
Properties, Inc.
North Atlantic Energy
Corporation
North Atlantic Energy
Services Corp.
Energy Park
780 North Commercial Street
Manchester, NH 03101

Select Energy Services, Inc.
Reeds Ferry Supply Co., Inc.
Select Energy Contracting,
Inc.

HEC/Tobyhanna Energy
Project, Inc.
24 Prime Parkway
Natick, MA 01760

Northeast Utilities
Western Massachusetts
Electric Company
One Federal Street,
Building 111-4
Springfield, MA 01105

Holyoke Water Power
Company
Holyoke Power and
Electric Company
One Canal Street
Holyoke, MA 01040

(Name of companies filing this statement and addresses of principal
executive offices)

NORTHEAST UTILITIES
(Name of top registered holding company)

Gregory B. Butler, Esq.
Senior Vice President, Secretary and General Counsel
Northeast Utilities Service Company

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P.O. Box 270
Hartford, CT 06141-0270
(Name and address of agent for service)

The Commission is requested to mail signed copies of all orders, notices and communications to

Jeffrey C. Miller
Assistant General Counsel
Northeast Utilities
Service Company
P.O. Box 270
Hartford, CT 06141-0270

David R. McHale
Vice President and Treasurer
Northeast Utilities
Service Company
P.O. Box 270
Hartford, CT 06141-0270

The Application/Declaration in this file as heretofore amended is hereby further amended and restated to read as follows:

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION.

1. Northeast Utilities ("NU"), a public utility holding company registered under the Public Utility Holding Company Act of 1935, as amended (the "Act") and The Connecticut Light and Power Company and its subsidiary CL&P Receivables Corporation, Western Massachusetts Electric Company, Public Service Company of New Hampshire and its subsidiary Properties, Inc., Holyoke Water Power Company and its subsidiary Holyoke Power and Electric Company, North Atlantic Energy Corporation, North Atlantic Energy Service Corporation, Northeast Nuclear Energy Company, The Rocky River Realty Company, The Quinnehtuk Company, Charter Oak Energy, Inc., and Northeast Utilities Service Company, each a wholly-owned subsidiary of NU, Yankee Energy System, Inc. ("Yankee Energy"), a wholly-owned public utility holding company subsidiary of NU and its wholly-owned subsidiaries, Yankee Gas Services Company, Yankee Energy Financial Services Company, Yankee Energy Services Company and NorConn Properties, Inc.; and NU Enterprises, Inc., a wholly owned nonutility holding company subsidiary of NU, and its direct and indirect wholly-owned subsidiaries, Northeast Generation Company, Northeast Generation Services Company and its subsidiaries, NGS Mechanical, Inc., E. S. Boulos Company, and Woods Electrical Company, Inc., Select Energy, Inc. and its subsidiary Select Energy New York, Inc., Select Energy Services, Inc., and its subsidiaries Reeds Ferry Supply, Co., Inc., HEC/Tobyhanna Energy Project, Inc. and Select Energy Contracting, Inc., Mode 1 Communications, Inc. and Woods Network Services, Inc., (collectively, the "Subsidiaries" and collectively with NU, the "Applicants") submit this application/declaration (the "Application") pursuant to Section 12 of the Act and Rule 45 thereunder to seek approval for the amendment of the NU System Tax Allocation Agreement such that NU will retain the benefit (in the form of the reduction in consolidated tax) that is attributable to tax losses incurred by it in connection with the Acquisition Debt (as defined herein), rather than generally provide such tax benefit to its Subsidiaries.

2. On March 1, 2000 pursuant to Commission order, NU acquired Yankee Energy System, Inc. ("Yankee Energy") (see Northeast Utilities, Holding Co. Act Release No.35-27127, January 31, 2000). In connection with this acquisition, on

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March 1, 2000, NU entered into a \$266 million one-year bank term loan facility under which \$263 million was borrowed. On February 28, 2001, NU repaid this facility with the proceeds of a \$263 million floating rate senior note issuance. The senior note issuance bore an effective rate of 6.9% at February 28, 2001 and was scheduled to mature in February 2003. In April 2002, NU issued \$263 million of 10-year senior unsecured notes carrying a coupon rate of 7.25% which mature April 1, 2012. The proceeds from this issuance ("YES Debt") were used to redeem the floating rate notes. The annual interest payment on the YES Debt is approximately \$19.1 million. See Holding Co. Act Release. No. 35-27127 (January 31, 2000). At an assumed rate of 35%, the tax benefit to NU is \$6,650,000.

3. For purposes of this Application, "Acquisition Debt" means the YES Debt and indebtedness that may be incurred by NU to refinance such indebtedness.

4. The Applicants request that the Commission authorize NU and its Subsidiaries to amend and restate the Amended and Restated Tax Allocation Agreement, as amended (the "Current Agreement") of the NU system companies in the manner set forth in the Second Amended and Restated Tax Allocation Agreement that is filed herewith as Exhibit B-2 (the "Proposed Amended Tax Allocation Agreement"). The Current Agreement under which taxes are allocated among the Applicants complies with Rule 45(c) under the Act. The Current Agreement is dated as of January 1, 1990 and was filed as Exhibit D to NU's 1994 Form U5S. A First Amendment to the Current Agreement dated as of October 26, 1998 was filed as Exhibit D to NU's 1997 U5S, and a Second Amendment dated as of March 1, 2000 was filed as Exhibit D.3 to NU's 2000 U5S. All such Amendments were in conformity with Rule 45(c) and did not require Commission approval.

5. Under the Proposed Amended Tax Allocation Agreement, the consolidated tax would generally be allocated among the members of the group in proportion to the separate return tax of each member, provided that the tax apportioned to any Subsidiary of NU will not exceed the "separate return tax" of such Subsidiary with NU allocating the benefits of its own losses generally to its Subsidiaries.