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NORTHEAST UTILITIES SYSTEM

Form U-1

January 25, 2002

File No. 70-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1

APPLICATION/DECLARATION

Under

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

NORTHEAST UTILITIES
174 Brush Hill Avenue
West Springfield, Massachusetts 01089

NU ENTERPRISES, INC.
SELECT ENERGY, INC.
107 Selden Street
Berlin, CT 06037

SELECT ENERGY NEW YORK, INC.
507 Plum Street
Syracuse, New York

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

NORTHEAST UTILITIES
(Name of top registered holding company)

Gregory Butler, Esq.
Vice President, Secretary and General Counsel
Northeast Utilities Service Company
P.O. Box 270
Hartford, Connecticut 06141-0270
(Name of address of agent for service)

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

David R. McHale
Vice President and Treasurer
Northeast Utilities Service
Company
107 Selden Street
Berlin, CT 06037

Jeffrey C. Miller
Assistant General Counsel
Northeast Utilities Service
Company
107 Selden Street
Berlin, CT 06037

Item 1. Description of Proposed Transactions

A. Introduction

1. Northeast Utilities ("NU"), a Massachusetts business
trust and registered holding company under the Public Utility Holding

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Company Act of 1935, as amended (the "Act"), NU Enterprises, Inc. ("NUEI"), a wholly-owned holding company subsidiary of NU, Select Energy, Inc., a wholly-owned subsidiary of NUEI ("Select"), and Select Energy New York, a wholly-owned subsidiary of Select acquired pursuant to Rule 58 under the Act ("SENY", and collectively with NU, NUEI and Select, the "Applicants") request authority:

- (A) for NU and NUEI to own Select and SENY as "other businesses" under Section 9 of the Act and to continue to invest, directly or indirectly through open account advances to, equity contributions in and loans to (collectively "Investments") Select and SENY, with such investments, along with existing investments of NU in Select and SENY to date, not subject to the limitations of Rule 58 promulgated under the Act;
- (B) for NU, from time to time through the September 30, 2005 (the "Authorization Period"), to guarantee, indemnify and otherwise provide credit support (each, a "Guarantee") up to \$750 million (the "Guarantee Limit") in respect of the debt or obligations of NU's nonutility subsidiary or affiliate companies (including Select and SENY and any nonutility subsidiary or affiliate formed or acquired in accordance with the Act at any time through the Authorization Period), subject to the applicable limits of Rules 53 and 58;
- (C) for Select and SENY to engage in a broad variety of energy-related activities generally permissible under Rule 58, including (i) the development and commercialization of electro-technologies related to energy conservation, storage and conversion, energy efficiency, waste treatment, greenhouse gas reduction, and similar innovations, (ii) the ownership, operation, sale, installation and servicing of refueling, recharging and conversion equipment and facilities relating to electric powered vehicles, (iii) the sale of electric and gas appliances; equipment to promote new technologies, or new applications for existing technologies, that use gas or electricity; and equipment that enables the use of gas or electricity as an alternate fuel; and the installation and servicing thereof, (iv) the brokering and marketing of energy commodities, including but not limited to electricity, natural or manufactured gas and other combustible fuels; (v) the production, conversion, sale and distribution of thermal energy products, such as process steam, heat, hot water, chilled water, air conditioning, compressed air and similar products, alternative fuels; and renewable energy resources; and the servicing of thermal energy facilities; (vi) the sale of technical, operational, management, and other similar kinds of services and expertise, developed in the course of utility operations in such areas as power plant and transmission system engineering, development, design and rehabilitation; construction, maintenance and operation; fuel procurement, delivery and management; and environmental licensing, testing and remediation, (vii) the development, ownership and/or operation of "qualifying facilities", as defined under the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA"), and any integrated thermal, steam host, or other necessary facility constructed, developed or acquired primarily to enable the qualifying facility to satisfy the useful thermal output requirements

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of PURPA; (viii) the ownership, operation and servicing of fuel procurement, transportation, handling and storage facilities, scrubbers, and resource recovery and waste water treatment facilities; (ix) the development and commercialization of technologies or processes that utilize coal waste by-products as integral component of such technology or process; and (x) the rendering of energy management services and demand-side management services, in all cases without further Commission authorization (items i-x above collectively, "Energy Services"); and

- (D) for Select and SENY to engage in a variety of other activities related to its energy marketing and brokering business, including: (i) the brokering, marketing and trading of other energy commodities, including gas and electric transmission entitlements, weather hedging products, emission credits and "paper" products in respect of any of the above, including, but not limited to, hedges, swaps, forwards, options and the like in the United States and Canada, and (ii) the rendering of energy management services and demand-side management services in Canada (items i-ii above, collectively, "Other Activities").

2. The proposed transactions for which the Applicants now seek authorization are generally consistent with authority granted to many other registered holding companies or are reasonable and logical extensions of the competitive energy related services business as understood at the time Rule 58 was adopted in 1997. This Application, if granted, will allow NU to grow (a) Select's Energy Services business and (b) NU's other competitive energy businesses.

B. Background - NU and Subsidiaries

3. Northeast Utilities is the parent of a number of the Northeast Utilities system (the "System") and is not itself an operating company. The System furnishes franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through three of NU's wholly-owned subsidiaries, The Connecticut Light and Power Company ("CL&P"), Public Service Company of New Hampshire ("PSNH") and Western Massachusetts Electric Company ("WMECO"), and additionally furnishes retail electric service to a limited number of customers through another wholly-owned subsidiary, Holyoke Water Power Company ("HWP"), doing business in and around Holyoke, Massachusetts. In addition to their retail electric service business, CL&P, PSNH, WMECO and HWP (including its wholly-owned subsidiary, Holyoke Power and Electric Company) (collectively, the "NU Operating Companies") together furnish wholesale electric service to various municipalities and other utilities throughout the Northeast United States.

4. NU is also the parent of Yankee Energy System, Inc. ("YES"), an exempt gas utility holding company. YES is primarily engaged in the retail distribution of natural gas through its wholly-owned subsidiary, Yankee Gas Services Company ("Yankee Gas"), a Connecticut retail gas distribution company, and also has several nonutility subsidiaries.

5. NUEI is a wholly-owned subsidiary of NU. NUEI acts as the holding company for NU's unregulated businesses. NUEI has numerous direct and indirect nonutility subsidiaries, including, along with Select, Northeast Generation Company, an exempt wholesale generator, as defined in section 32 of the Act ("EWG"), Mode 1 Communications, Inc., an exempt telecommunications company, as defined in section 34 of the

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Act, another nonutility subsidiary whose securities NUEI acquired pursuant to express Commission authorization, HEC Inc., now known as Select Energy Services, Inc. (see HCAR No. 26939, November 12, 1998) and other "energy-related companies" as defined in Rule 58 under the Act, such as Northeast Generation Services Company and E.S. Boulos Company.

6. Select, a Connecticut corporation began active operation under Rule 58 in 1998. Since that time Select has engaged in brokering and marketing of energy commodities, including electricity and natural gas, and sale of energy-related products and services as permitted under Rule 58(b)(1)(iv) and (v). It engages in a wide variety of wholesale and retail transactions and is licensed in approximately 11 states to do energy brokering and marketing. Select has contracts with major utilities to provide standard offer service for such utilities' customers. In connection with electric industry restructuring and the introduction of competition, Select has become a major part of NU's business as its revenues have grown from approximately \$29 million in 1998 to approximately \$555 million in 1999 and approximately \$1.8 billion in 2000. Its projected revenues for 2001 are approximately \$2.3 billion. Select has become a major participant in energy marketing and brokering in the Northeast United States. Late in 2001, Select acquired the securities of Niagara Mohawk Energy Marketing, Inc., an energy marketing and brokering company in upstate New York, from Niagara Mohawk Holdings, Inc., pursuant to Rule 58, and subsequently renamed it Select Energy New York, Inc. The authorization sought herein for NU to own Select and SENY through September 30, 2005 outside the constraints of Rule 58 and provide credit support to its competitive affiliates up to the Guarantee Limit will enable Select and NU's other competitive businesses to maintain and grow their operations as appropriate and necessary to continue to compete with other energy marketing companies without the investment constraints imposed by Rule 58. No authorization is sought herein for off-balance sheet financing nor is Select or SENY currently involved in such financing. Select and SENY neither own nor deal in assets off balance sheet and neither exercises control over any assets that are not fully disclosed.

7. By Commission Order, NU and NUEI are authorized to issue guarantees and similar forms of credit support or enhancements for the benefit of NUEI and NUEI's nonutility subsidiaries (including Select) in aggregate amount not to exceed \$500 million through December 31, 2002 (HCAR 35-27093, October 21, 1999, the "1999 Order"). The order sought herein will supersede and replace the authorization granted in the 1999 Order with an order increasing the amount of Guarantees which could be issued by NU, and also broadening the class of beneficiaries of such Guaranties. Whereas the 1999 Order allowed the issuance of Guarantees to NUEI and its subsidiaries, the order sought herein would authorize the issuance of Guarantees by NU to its nonutility subsidiaries and affiliate companies, including Select and those nonutility companies formed or acquired during the Authorization Period (collectively, the "Nonutility Subsidiaries").

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8. Since it adopted Rule 58 the Commission has authorized other registered holding company systems, for specified periods and subject to investment limits, (1) to market energy management services and consulting services outside the United States anywhere in the world and (2) to engage in energy commodity marketing and brokering in Canada. (See, e.g. American Electric Power Company, Inc., HCAR No. 27313, Dec. 21, 2000 (authority to invest \$2 billion), Entergy Corporation, HCAR 27334 (January 5, 2001).

9. As industry restructuring in Connecticut and other states has evolved, many utilities, including two of the utilities in the NU System, have divested their generation, and many energy systems, including NU, increased their focus on the marketing and brokering of energy and related services. As indicated by the increasing revenues of Select, energy marketing and brokering activities have become an integral part of NU's business and its strategy for competing in the restructured energy industry.

C. Requested Authority

(i) Ownership of Select and SENY outside of Rule 58 and Issuance of Guarantees

10. NU and NUEI request authority to (i) own Select and SENY outside Rule 58 and to make Investments in Select and SENY, with such investments, along with existing investments, not subject to the limitations of Rule 58 promulgated under the Act; and (ii) to issue Guarantees of up to \$750 million for the benefit of the Nonutility Subsidiaries through the Authorization Period.