

3. authorization through the Authorization Period for the Utility Borrowers to issue short-term secured debt, pending completion of the record;

4. authorization for NU and the Utility Borrowers to enter into interest rate hedging transactions ("Interest Rate Hedges") related to their short-term debt transactions;

5. continuation through June 30, 2004 of the NU Money Pool, with NUSCO as the administrator;

6. participation in the NU Money Pool by those companies authorized to participate by the requested order and previous orders, subject to (a) amendment of the NU Money Pool Agreement to provide for utility subsidiaries' borrowing priority over Nonutility Pool Participants and (b) the Applicants' submission to the Commission by December 31, 2003 of a feasibility study concerning the creation of a separate money pool for nonutility subsidiaries of NU;

7. participation of Boulos, Woods and SENY, each a nonutility subsidiary, in the NU Money Pool both as lenders and borrowers;

8. participation of Woods Network in the NU Money Pool solely as a lender; and

9. addition of any additional participants to the Money Pool.

## II. The Proposed External Financings

### A. General Terms and Conditions

Financings with third parties by NU and the Utility Borrowers will be subject to the following conditions ("Financing Parameters"): (i) the effective cost of capital on short-term debt financings will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality, provided that in no event will the effective cost of capital on short-term debt borrowings exceed 500 basis points over the comparable term London Interbank Offered Rate, and (ii) the underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of securities requested will not exceed the greater of 5% of the principal or total amount of the securities being issued.

### B. Use of Proceeds

The proceeds from the short-term debt of NU and the Utility Borrowers authorized by the Commission pursuant to this Application will be used for (i) general corporate purposes, including investments by and capital expenditures

of NU and its subsidiaries, including, without limitation, the funding of future investments in EWGs, foreign utility companies (each to the extent permitted under the Act or Commission order), rule 58 subsidiaries and ETCs, (ii) the repayment, redemption, refunding or purchase by NU or any subsidiary of any of its own securities from non-affiliates pursuant to rule 42, and (iii) financing working capital requirements of NU and its subsidiaries.

### C. Short-Term Debt Limits

The Applicants seek external short-term debt financing authorization for NU and the five Utility Borrowers, subject to aggregate limits described below. The external financing authorization for HWP, NAEC and NNECO expires on June 30, 2003 and these utility subsidiaries' authorization will be limited to borrowings through the NU Money Pool, also described below. The short-term debt of NU, CL&P, WMECO, PSNH, HWP, NAEC, NNECO, YES and Yankee Gas outstanding at any one time, whether through external financings (which authorization expires on June 30, 2006) or borrowings through the NU Money Pool (which authorization expires on June 30, 2004), pursuant to the authority requested in this Application, will not exceed the following:

Company	Aggregate limits (millions)
NU .....	\$400
CL&P .....	<sup>2</sup> 375
WMECO .....	200
PSNH .....	<sup>3</sup> 100
HWP .....	5
NAEC .....	10
NNECO .....	10
YES .....	50
Yankee Gas .....	100

<sup>2</sup> CL&P's aggregate unsecured debt is also restricted by charter provisions relating to its preferred stock. CL&P is authorized by its preferred stockholders, through March 31, 2004, to issue securities representing unsecured indebtedness to a maximum of 20% of its capitalization. Based on its capitalization as of December 31, 2002, CL&P is limited to \$480 million of unsecured indebtedness, which exceeds the authorization sought here.

<sup>3</sup> PSNH aggregate short-term debt is restricted by New Hampshire law to an amount equal to 10% of its net fixed plant without further New Hampshire Public Utilities Commission ("NHPUC") approval. Any short-term debt of PSNH in excess of 10% of net fixed plant would require NHPUC approval and would be exempt from this Commission's jurisdiction pursuant to rule 52(a). PSNH currently has approval from NHPUC to issue up to \$100 million in short-term debt, which is in excess of 10% of net fixed plant debt limit, for general corporate purposes. NHPUC Order 23,841, November 9, 2001. However, in the event the NHPUC order is revoked, lapses or its rescinded or issuance of short-term debt in an amount to \$100 million is not exempt pursuant to rule 52, PSNH wishes to have the flexibility to issue such debt pursuant to this Commission's authorization.

With respect to the Utility Borrowers, as described below, these limitations would include both unsecured and secured debt amounts.

### D. Northeast Utilities Short-Term Debt

NU requests authority to issue and sell, through the Authorization Period, short-term unsecured debt in an aggregate principal amount at any time outstanding not to exceed \$400 million. The short-term unsecured debt of NU will take a variety of forms, including commercial paper and notes to banks or other financial institutions, and will be on terms that are generally available to borrowers with comparable credit ratings. All NU short-term unsecured debt will have maturities of less than one year from the date of issuance.

Subject to its short-term debt limit and the Financing Parameters, NU intends to renew and extend outstanding short-term debt as it matures, to refund such short-term debt with other similar short-term debt, to repay such short-term debt or to increase the amount of its short-term debt from time to time.

### E. Utility Borrowers' Short-Term Unsecured and Secured Debt

The Utility Borrowers request authority to issue and sell, through the Authorization Period, short-term unsecured debt, on terms that are generally available to borrowers with comparable credit ratings, subject to the applicable debt limits, Financing Parameters and the same terms as are applicable to NU, described above. In addition, the Utility Borrowers request the Commission to reserve jurisdiction, through the Authorization Period, over their request to issue and sell short-term secured debt, on terms that are generally available to borrowers with comparable credit ratings, pending their completion of the record. In all other respects the proposed short-term secured debt would be subject to the applicable debt limits, Financing Parameters and, to the extent