

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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PRE-EFFECTIVE AMENDMENT NO. 1

TO FORM U-1

APPLICATION AND DECLARATION

UNDER THE

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

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NORTHEAST UTILITIES  
174 Brush Hill Avenue  
West Springfield, Massachusetts 01089

CHARTER OAK ENERGY, INC.  
COE DEVELOPMENT CORPORATION  
107 Selden Street  
Berlin, CT 06037-1616

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

NORTHEAST UTILITIES

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(Name of top registered holding  
company parent of each applicant or declarant)

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P.O. Box 270  
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(Name and address of agent for service)

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

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Northeast Utilities ("NU"), West Springfield, Massachusetts, a registered holding company, and its wholly owned subsidiaries, Charter Oak Energy, Inc. ("Charter Oak") and COE Development Corporation ("COE Development"), both located in Berlin, Connecticut, (collectively, the "Applicants") hereby file this Pre-Effective Amendment Number One to their Application and Declaration on Form U-1 (File No. 70-8507) under Sections 6(a), 7, 9(a), 10, 12(b) and 33 of the Public Utility Holding Company Act of 1935 (the "Act") and Rules 45 and 53 thereunder, for the purpose of obtaining a two year extension, and modification, of authority for Charter Oak and COE Development to continue to engage in the power development activities authorized in the Securities and Exchange Commission's (the "Commission") order dated December 30, 1992 (HCAR. 25726; File No. 70-8062) (the

"December 1992 Order"), as amended on January 24, 1994 (HCAR. 25977; File No. 70-8062) (the "January 1994 Order"), September 2, 1994 (HCAR. 26116; File No. 70-8062) (the "September 2, 1994 Order"), and September 30, 1994 (HCAR 26134; File No. 70-8062) (the "September 30, 1994 Order"). The Applicants seek to modify this authority to set the aggregate amount that NU is authorized to invest in Charter Oak, Charter Oak is authorized to invest in COE Development and Charter Oak and COE Development are authorized to spend on authorized power development activities, at \$200 million for the period from January 1, 1995 through December 31, 1996. The Applicants also request authority (1) for Intermediate Companies (as defined below) to acquire interests in, finance the acquisition and hold the securities of exempt wholesale generators, as defined by Section 32 of the Act ("EWGs"), and foreign utility companies, as defined by Section 33 of the Act ("FUCOs"), through the issuance of equity securities and debt securities to third parties; (2) for Intermediate Companies to make partial sales of Exempt Projects (as defined below), and for the Applicants to participate in joint ventures engaged exclusively in Exempt Project activities and to dissolve Intermediate Companies under specified circumstances; and (3) for Charter Oak's employees and employees of other NU service companies to provide a de minimis amount of services to affiliated EWGs (both foreign and domestic) and FUCOs.

Item 1. DESCRIPTION OF PROPOSED TRANSACTIONS

A. Description of Charter Oak

Charter Oak was organized by NU pursuant to the Commission's order dated May 17, 1989 (HCAR. 24893; File No. 70-7545) to invest and participate in qualifying cogeneration and small power production facilities as defined in the Public Utility Regulatory Policies Act of 1978 ("QFs") for the four year period through December 31, 1992. By order dated January 28, 1992 (HCAR. 7545; File No. 70-8062), the Commission expanded Charter Oak's authorized activities to include preliminary development and pre-investment activities related to independent power production facilities. Pursuant to the December 1992 Order as amended by the January 1994 Order, the September 2, 1994 Order and the September 30, 1994 Order, as well as an order issued on December 29, 1992 (HCAR. 25721; File No. 70-8064), Charter Oak and COE Development are presently authorized to pursue

preliminary development activities with regard to investment and participation in QFs throughout the United States, EWGs, FUCOs and independent power production facilities that would constitute a part of NU's "integrated public utility system" within the meaning of Section 2(a)(29)(A) of the Act ("Qualified IPPs") and to provide consulting services to such projects. Charter Oak and COE Development may invest in QFs and Qualified IPPs after obtaining Commission approval and may invest in, and finance the acquisition of, EWGs and FUCOs without prior Commission approval subject to certain limitations ("Exempt Projects"). In addition, the Applicants also have authority to issue guarantees and assume the liabilities of subsidiary companies for pre-development activities, and contingent liabilities subsequent to operation with regard to Exempt Projects.

The Applicants also have been authorized to acquire interests in, and finance the acquisition, and hold the securities of, one or more companies ("Intermediate Companies") engaged directly or indirectly and exclusively in the business of holding the securities of one or more EWGs and/or FUCOs without filing specific project applications with the Commission, and to issue guarantees and assume liabilities subsequent to operation with regard to those projects.

The current authorization permits NU to invest, and Charter Oak to spend, up to an aggregate amount of \$100 million through December 31, 1994 to finance these activities, subject to certain restrictions. Specifically, NU's investment in Charter Oak, and Charter Oak's investment in COE Development, Exempt Projects or Intermediate Companies may take the form of acquisitions of common stock, capital contributions, open account advances, and/or subordinated loans (collectively, "Investments"). Open account advances or subordinated loans bear interest at a rate based on NU's cost of funds in effect on the date of issue, but in no case in excess of the prime rate at a bank designated by NU.

Charter Oak may also obtain debt financing from unaffiliated third parties, anticipated to be banks, insurance companies, and other institutional investors ("Debt Financing"), as long as the total of all Investments together with any Debt Financing does not exceed the total funding authorization of Charter Oak. The Debt Financing may not exceed a term of 15 years or bear a floating interest rate in excess of 125% of the

prime rate in effect at the time of issuance or a fixed interest rate more than 350 basis points above that borne by U.S. Treasury securities of comparable maturities.

The Debt Financing may require a guarantee by NU. Any Debt Financing backed by NU's guarantee is

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Since the Debt Financing is included within the total funding authorization for Charter Oak, any guarantee by NU is not counted towards the total funding authorization limitation.

limited to a term of 15 years and is at an interest rate not in excess of the prime rate in effect on the date of the issue at a bank designated by NU from among the major lenders to the companies in the NU system. Charter Oak may also pay commitment and other fees not to exceed 25 basis point per annum on the total amount of the Debt Financing.

The Applicants' authority with regard to the issuance of guarantees and assumptions of liability is also subject to limitations. Guarantees and assumptions of liability made for projects requiring prior Commission approval are presently limited to preliminary development activities and, absent additional Commission approval, may not involve guarantees relating to construction financing or permanent financing. The total value of such guarantees and assumptions of liability issued pursuant to existing authority and outstanding at any time may not presently exceed \$20 million. The term of any such guarantee or assumption of liability may not exceed five years. Until such time as there is no possibility of a claim against Charter Oak or NU, the full contingent amount of any guarantees or assumptions of liabilities count as part of the authorized development activities limit.

The full contingent amount of guarantees and assumptions of liability made for preliminary development activities as well as development activities for Exempt Projects also count as part of the authorized development activities limit requested herein.

B. Charter Oak's Preliminary Investment and Development Activities

As authorized by the December 1990 Order, the January 1994 Order, the September 2, 1994 Order and the September 30, 1994 Order, Charter Oak's preliminary development activities with regard to QF, Qualified IPP and Exempt Project projects (collectively, "Authorized Power Projects") have included

investigation of sites, preliminary engineering and licensing activities, acquiring options and rights, contract drafting and negotiating and preparation of proposals. Authorized administrative activities have included ongoing personnel, accounting, engineering, legal, financial and other support activities necessary for Charter Oak to manage its development activities relating to Authorized Power Projects.

Pursuant to Commission authorization in the December 1992 Order, the January 1994 Order, the September 2, 1994 Order and the September 30, 1994 Order, Charter Oak has undertaken preliminary development activities relating to Authorized Power Projects on its own and in conjunction with third parties unaffiliated with Charter Oak and its affiliates.

#### 1. Independent Activities

Charter Oak has analyzed and evaluated a variety of potential Authorized Power Projects using its own personnel and resources. One example of the independent activities undertaken by Charter Oak is its investment, made through a special purpose subsidiary Charter Oak (Paris) Inc., in a 220MW gas-fired cogeneration facility in Paris, Texas. Charter Oak's investment in this project was authorized by the Commission in an order dated May 17, 1989 (HCAR. 24839) To date, the Paris, Texas project is Charter Oak's only independently-pursued project which has commenced commercial operations. However, Charter Oak is involved in several project development opportunities in various stages of development and anticipates that during the next two years it may make equity investments, and where necessary seek Commission authorization for such investments, in one or more of such projects.

#### 2. Cooperative Efforts

In addition to its own independent development efforts, Charter Oak participates in several informal and unincorporated consortia that attempt to identify, analyze and make available for development by participants who so elect, development opportunities in the independent power business. Typical consortia include as principal potential investors one or more affiliated IPP development subsidiaries of investor-owned electric utilities, such as Charter Oak, and as the initiator and lead participant one or more consultants or developers with skills and experience in one or more niches in the independent

power business. The consultants or developers are typically selected for specific development skills or experience, such as knowledge of a particular fuel source, possession of advantageous relationships in a particular geographic region or specialized skills in a particular phase of development (such as "greenfield" developers or operator developers), or a particular power generation technology. By its participation in these informal and unincorporated consortia, Charter Oak intends to diversify its risk, access skills and relationships that it cannot expect to have on its own, and access more of a diversity of projects than it could if it concentrated on developing projects by itself.

Typically, the utility affiliates that participate in these consortia commit a specified level of funds to support the exploratory and preliminary development activities of the active developer(s) participating in the consortium. Their participation entitles (but does not obligate) the utility affiliates to participate further in additional development activities for development opportunities that are identified by the active developer and evaluated as favorable by the utility affiliates like Charter Oak. While these rights and obligations are exclusive within the scope specified in the contracts for each consortium, the utility affiliates and the developers retain the right to independently pursue other development opportunities outside the consortium's scope.

While the active developer generally has the lead responsibility for identifying and analyzing potential development opportunities, each such developer also looks to the utility affiliates, such as Charter Oak, for their talent and expertise in certain aspects of the development process. Consequently, the expectation is that each participant will be actively involved in development activities, particularly once specific attractive development opportunities have been identified and a utility affiliate has elected to participate in the further development of that opportunity.

To date, the consortia in which Charter Oak participates have identified several development opportunities in which Charter Oak has elected to participate further in the preliminary development phase and NU and Charter Oak have made further investments in one such project. Pursuant to the Commission's order dated September 24, 1993 (HCAR 25891; File No.

70-8084), Charter Oak has purchased an interest in two non-utility subsidiaries that own an interest in a foreign utility company (Encoe Partners) in the United Kingdom. The remaining interests in Encoe Partners are held by subsidiaries of Enron Europe Limited.

### 3. COE Development Corporation

Pursuant to the Commission's order dated October 16, 1992 (HCAR. 25655; File No. 70-7966), Charter Oak formed COE Development Corporation and assigned its interests in all then-pending preliminary development work associated with QF and Qualified IPP projects to COE Development. Since that time, most of the new preliminary development work that Charter Oak has undertaken has been through COE Development. As some of the Authorized Power Project preliminary development activities funded by COE Development result in Authorized Power Projects that merit further active development, Charter Oak and COE Development may form and finance, and to the extent necessary request Commission authorization to so form and finance, new first tier subsidiaries of Charter Oak, (i.e., Intermediate Companies) to participate in subsequent stages of development and ownership of such Authorized Power Projects. Following the formation of such a subsidiary, COE Development will transfer its interests in the maturing Authorized Power Project to the new first tier subsidiary of Charter Oak, which would carry forward the development of such maturing Authorized Power Project. NU and Charter Oak do not currently contemplate that COE Development would have any subsidiaries of its own.

#### C. Request for Extension of Authority

NU and Charter Oak request that the Commission extend the authority for the activities of Charter Oak for a period of two years from the expiration of its present authorization in the December 1992 Order, as amended. Accordingly, NU and Charter Oak seek authorization for Charter Oak and its subsidiaries to continue operating from January 1, 1995 to December 31, 1996.

NU and Charter Oak are seeking this extension to preserve the value that is inherent in the preliminary development work that has been undertaken by Charter Oak and its subsidiaries over the past six years. In order to preserve that value, Charter Oak must preserve its rights to make equity investments in the projects it currently has under development

when the opportunities arise. It can preserve those rights only by continuing to participate in the funding of the preliminary development budgets for the Authorized Power Projects in which it is now involved.

The two year authorization request is based on the assessment by NU and Charter Oak that a number of projects presently under preliminary development are likely to come to fruition in the next two years. The prospect that several Authorized Power Projects now under preliminary development are likely to proceed to full-scale development on such investments by Charter Oak, have brought Charter Oak and NU to the conclusion that the continued operation of Charter Oak, and continued funding by NU, are likely to produce a satisfactory financial return in the power development business with a diversified group of power generation investments.

D. Request for Authorization Regarding Investments and Expenditures

NU and Charter Oak would like the Commission to modify the present financing structure between NU and Charter Oak to increase Charter Oak's funding authorization to \$200 million for the two year period from January 1, 1995 through December 31, 1996. By utilizing up to \$200 million in funding over the next two years, NU and Charter Oak will be able to maintain their present level of involvement in preliminary development, development and administrative activities and make the necessary equity investments. NU and Charter Oak are seeking to increase the investment and spending limit to \$200 million, based on Charter Oak's projection that its 1995-96 administrative, pre-development, development and equity investment expenses will be approximately \$92 million. The remainder may be used for financial guarantees as authorized. (A statement of estimated expenditures for 1995-96 is attached as Exhibit H-1.) Accordingly, NU and Charter Oak request authorization to increase the limitation on NU's investment in Charter Oak and Charter Oak's authorized investment in COE Development, and Charter Oak's and COE Development's expenditures over the two year period, to \$200 million from the \$100 million presently authorized. As in the previous authorization, NU's investment in Charter Oak, and Charter Oak's investment in COE Development, Exempt Projects or Intermediate Companies may take the form of acquisitions of common stock, capital contributions, open account advances,

and/or subordinated loans. Open account advances or subordinated loans will bear interest at a rate based on NU's cost of funds in effect on the date of issue, but in no case in excess of the prime rate at a bank designated by NU. Any investment by NU or Charter Oak in the equity securities of Charter Oak, COE Development, Intermediate Companies or Exempt Projects that have a stated par value will be in an amount equal or greater to such value.

The Debt Financing which Charter Oak may obtain pursuant to this authorization may not exceed a term of 15 years or bear a floating interest rate in excess of 6.5% over the then applicable prime rate (the "Applicable Prime Rate") at a U.S. money center bank to be designated by NU. Similarly, any Debt Financing backed by NU's guarantee will be limited to a

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Since the Debt Financing is included within the total funding authorization for Charter Oak, any guarantee by NU is not counted towards the total funding authorization limitation.

term of 15 years and will be at an interest rate not to exceed 6.5% over the Applicable Prime Rate.

Charter Oak also requests authority for itself and its subsidiaries to make loans (on either a recourse or non-recourse basis) to unaffiliated developers of Authorized Power Projects as part of its financing of the acquisition of interests in Authorized Power Projects. The developer of an Authorized Power Project frequently receives an interest in the Authorized Power Project at issue as part of its compensation. Charter Oak believes it will benefit from the opportunity to become involved in Authorized Power Projects through loans to such developers which are used to purchase the developer's interest in the Authorized Power Project. If Charter Oak (or its subsidiaries) makes any loan to such a developer, the full outstanding amount of such loans shall count against the overall \$200 million funding authorization for Charter Oak.

At June 30, 1994, the NU system's consolidated total capitalization, stockholders' equity and retained earnings were \$6,809,531,000, \$2,280,170,000 and \$927,032,000, respectively. The funding authorization sought herein is for up to \$200 million total authorization for the two years, which as a percentage of the NU system's consolidated total capitalization, stockholders' equity and retained earnings at June 30, 1994 would be 2.9%, 8.8% and 21.6%, respectively. NU has invested approximately \$25

million in Charter Oak to date and expects to invest approximately an additional \$5 million by year end. Charter Oak currently has \$2.3 million invested in one qualifying cogeneration facility in Texas and approximately \$6.6 million invested in a foreign utility company in the United Kingdom. The balance of NU's investment is largely represented by capitalized or written down development costs. Accordingly, the Applicants have adequate assets to make the potential investment and expenditures without endangering the financial health of the registered holding company system or the system's operating public utility companies. Furthermore, only investments in and financings related to Exempt Projects and Intermediate Companies would be made pursuant to the requested general authority and all other investments and financings would be submitted to the Commission for prior approval.

E. Request for Authorization for Financing by Intermediate Companies

Approval is also requested for any Intermediate Company to issue equity securities and debt securities, with or without recourse to the Applicants, to persons other than the Applicants including banks, insurance companies, and other financial institutions, exclusively for the purpose of financing (including any refinancing of) investments in Exempt Projects. The Intermediate Companies' investments in Exempt Projects may take the form of acquisitions of common stock, capital contributions, open account advances, and/or subordinated loans, provided that such open account advances or subordinated loans will bear interest at a rate based on NU's cost of funds in effect on the date of issue, but in no case in excess of the prime rate at bank designated by NU. Securities issued by Intermediate Companies pursuant to an order resulting from this request may be issued in one or more transactions from time to time through December 31, 1996. It is proposed that the aggregate principal amount of debt securities issued by Intermediate Companies to persons other than the Applicants will not exceed \$600 million at any one time outstanding. Within the \$600 million authorization, the aggregate principal amount of recourse debt securities will not exceed \$150 million at any one time outstanding, provided that no more than \$100 million principal amount of such debt securities at any time outstanding may be denominated in (i.e., evidence borrowings in) currencies other than U.S. dollars, and the

respective limitations for non-recourse debt securities will be not more than \$600 million outstanding at any one time and not more than \$400 million denominated in currencies other than U.S. dollars. The recourse to the Applicants will be in the form of the guarantees and assumptions of liability and will be included within the Applicants overall investment authorization limit. In any case in which the Applicants directly or indirectly own less than all of the equity interests of an Intermediate Company, only that portion of the recourse or non-recourse indebtedness of such Intermediate Company equal to the Applicants' equity ownership percentage shall be included for purposes of the foregoing limitations.

Equity securities issued by any Intermediate Company to a person other than the Applicants may include capital shares, partnership interests, trust certificates, or the equivalent of any of the foregoing under applicable foreign law. Debt securities issued to persons other than the Applicants may include secured and unsecured promissory notes, subordinated notes, bonds, or other evidence of indebtedness. Securities issued by Intermediate Companies may be denominated in either U.S. dollars or foreign currencies.

The Applicants state that the amount and type of such securities, and the terms thereof, including (in the case of any indebtedness) interest rate, maturity, prepayment or redemption privileges, and the forms of any collateral security granted with respect thereto, would be negotiated on a case by case basis, taking into account differences from project to project in optimum debt-equity ratios, projections of earnings and cash flow, depreciation lives, and other similar financial and performance characteristics of each project. Accordingly, the Applicants propose that they have the flexibility to negotiate the terms and conditions of such securities without further approval by the Commission.

Notwithstanding the foregoing, the Applicants state that no equity security having a stated par value would be issued or sold by an Intermediate Company for a consideration that is less than such par value; and that any note, bond or other evidence of indebtedness issued or sold by any Intermediate Company will mature not later than 30 years from the date of issuance thereof, and will bear interest at a rate not to exceed

the following: (i) if such note, bond or other indebtedness is U.S. dollar denominated, at a fixed rate not to exceed 6.5% over the yield to maturity on an activity traded, non-callable, U.S. Treasury note having a maturity equal to the average life of such note, bond or other indebtedness (the "Applicable Treasury Rate"), or at a floating rate not to exceed 6.5% over the

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If there is no actively traded Treasury note with a maturity equal to the average life of such note, bond or other evidence of indebtedness, then the Applicable Treasury Rate would be determined by interpolating linearly with reference to the yields to maturity on actively traded, non-callable, Treasury notes having maturities near (i.e., both shorter and longer than) such average life.

Applicable Prime Rate; and (ii) if such note, bond or other indebtedness is denominated in the currency of a country other than the United States, at a fixed or floating rate which, when adjusted (i.e., reduced) for the excess, if any, of the prevailing rate of inflation in such country over the then prevailing rate of inflation in the United States, as reported in official indices published by such country and the U.S. government, would be equivalent to a rate on a U.S. dollar denominated borrowing of identical average life that does not exceed 10% over the Applicable Treasury Rate (interpolated if necessary) or Applicable Prime Rate, as the case may be.

In connection with the issuance of any debt securities by any Intermediate Company, it is anticipated that such Intermediate Company may grant security in its assets. Such security interest may take the form of a pledge of the shares or other equity securities of an Exempt Project that it owns, including a security interest in any distributions from any such Exempt Project, and/or a collateral assignment of its rights under and interests in other property, including rights under contracts. It is also anticipated that fees in the form of placement or commitment fees, or other similar fees, would be paid to lenders, placement agents, or others in connection with the issuance of any such debt securities. The Applicants request authority for any Intermediate Company to agree in any case to pay placement or commitment fees and other similar fees, in connection with any borrowing, provided that the effective annual interest charge on any indebtedness evidencing such borrowing is not greater than 115% of the stated interest rate thereon.

In connection with investments in Exempt Projects, it is typical that a portion of the capital requirements of any such

Exempt Project would be obtained through recourse or non-recourse financing involving borrowings from banks and other financial institutions. In some cases, however, it may be

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Such Exempt Project recourse financings would take the form of assumptions of liability and guarantees which the Applicants currently have authority to issue.

necessary or desirable to structure an investment in an Exempt Project such that the obligations created are not those of the Exempt Project, but instead those of its parent companies. For example, in a consortium of non-affiliated companies bidding to purchase the securities or assets of an EWG or FUCO, each of the consortium members would be obligated to fund its respective share of the proposed purchase price. If external sources of funds are needed for this purpose, a participant in the consortium may choose to engage in recourse or non-recourse financing through one or more single-purpose subsidiaries that would then utilize the proceeds of the financing to acquire an ownership interest in the Exempt Project.

The Applicants believe that external financing by any Intermediate Company involves the same issues that are involved when the financing is carried out by an Exempt Project, in terms of the potential adverse impacts upon the financial integrity of a registered holding company system. Accordingly, where the proceeds of any such financing (including any refinancing) are utilized to make an investment in any Exempt Project, and there is either no recourse directly or indirectly to the Applicants with respect to the securities issued or sold, or the amount for which there is recourse constitutes a part of the Applicants overall investment authorization limit as would a guarantee issued in connection with financings carried out directly by an Exempt Project, there is no basis for any adverse findings under Section 6, 7 and 12 of the Act, provided that, at the time of the issuance thereof, the Applicants are in compliance with Rule 53.

F. Request Regarding Activities Related to Intermediate Companies

In order to maintain flexibility with regard to Intermediate Company and Exempt Project activities, the Applicants request authorization for Intermediate Companies to effect adjustments in the respective ownership interests in any Exempt Project held by the Applicants and unaffiliated co-investors and to facilitate a partial sale of an interest in any

such Exempt Project. The Applicants also request authority to participate directly or through Intermediate Companies in joint ventures with non-associates which joint ventures are in the business of researching investment opportunities in, and owning and developing Exempt Projects. The Applicants may acquire interests in Intermediate Companies prior to such Intermediate Companies acquiring their interests in Exempt Projects as long as such Intermediate Companies engage and will engage in the business of holding the securities of Exempt Projects.

In addition, the Applicants request authority to liquidate, dissolve or sell any Intermediate Company within 45 days after the Applicants determine that the purpose for owning such Intermediate Company no longer exists unless the Applicants determine that such Intermediate Company may be used in connection with a proposal or plan to develop or acquire an interest in a different Exempt Project.

G. Request for Authorization for the Provisions of Services

The Applicants request authorization for Charter Oak employees (who are employees of Northeast Utilities Service Company) or other NU Service Company employees (collectively, "Service Company Employees") to provide a de minimis amount of services to affiliated Intermediate Companies and EWGs (both foreign and domestic) as well as FUCOs, subject to the limitations set forth herein. The Applicants are not requesting approval for the use of system operating company employees for the rendering of services to affiliated Intermediate Companies, EWGs and FUCOs, and no such use of employees will occur without prior Commission approval unless expressly permitted under the Act. Moreover, there will be no diversion of NU system personnel or resources that would adversely affect any operating company's domestic ratepayers or NU's shareholders.

The services to be rendered to affiliated Intermediate Companies, EWGs and FUCOs by Service Company Employees pursuant to this request include: management, administrative, legal, tax, and financing advice, accounting, engineering consulting, language skills and software development, provided that, such software development will not involve proprietary software owned by the NU Service Company. The provision of these services are desirable because the Applicants believe that the provision of such necessary services by Service Company Employees is a more

practical and economically efficient alternative to having Charter Oak and COE Development retain the required expertise on a full-time basis. It is also an opportunity for Service Company Employees to increase and expand their expertise for the benefit of all system companies.

Unless otherwise authorized by the Commission or expressly permitted under the Act, the total number of Service Company Employees engaged in rendering such services will not exceed, in the aggregate, 0.5% of the total NU holding company system's employees and no more than 1% of the total of Service Company Employees at any one time. In addition, unless otherwise authorized by the Commission or expressly permitted under the Act, the provision of services to affiliated domestic EWGs and Intermediate Companies will be made on an at cost basis pursuant to the requirements of Section 13(b) and Rules 90 and 91 of the Act.

The Applicants hereby request authority in accordance with Section 13 and Rule 83 of the Act to provide such services at market rates to affiliated foreign EWGs, Foreign Intermediate Companies and FUCOs, which are companies that do not derive, directly or indirectly, any material part of their income from sources within the United States and are not public utility companies operating in the United States.

Charter Oak will include information on the type, cost and income earned in connection with any services authorized by an order pursuant to this request in the annual report it currently files with the Commission.

H. Retained Earnings Tests of Rule 53(a)(1) and 53(b)(2)

As described above, this Application requests approval for up to \$200 million in investments by the NU system in Intermediate Companies, Exempt Projects and certain other independent power projects. Pursuant to the request the maximum aggregate investment in EWGs, FUCOs and Intermediate Companies by the NU system, would be no more than \$230 million, which is well below fifty percent of the NU system's consolidated retained earnings as of June 30, 1994. Accordingly, this level of investment does not present a risk of substantial adverse impact as described in Sections 32 and 33 of the Act and Rule 53(a)(1). In addition, because the Applicants' total authorized investment in EWGs, FUCOs, Intermediate Companies and other power projects

does not exceed more than two percent of the total capital invested in utility operations, there cannot be an exclusion under Rule 53(b)(2) from the safe harbor.

I. Bankruptcy Exclusion of Rule 53(b)(1)

Neither the Applicants nor any other members of the NU registered holding company system have been the subject of a bankruptcy or similar proceeding while a part of the NU system. Public Service Company of New Hampshire entered into bankruptcy proceedings before it was acquired by Northeast Utilities in June, 1992. Public Service Company of New Hampshire's plan of reorganization was confirmed by the bankruptcy court on April 20, 1990.

J. Operating Loss Limitations of Rule 53(b)(3)

The companies in the U.K. in which Charter Oak invested do not have any losses attributable to operations. The applicants presently do not have any other EWGs, FUCOs or Intermediate Companies. The Paris, Texas qualifying cogeneration facility, in which Charter Oak has an interest, did not report losses attributable to operations during 1993. Accordingly, the present investments of the Applicants in EWGs, FUCOs and Intermediate Companies as well as other power projects do not present a risk of substantial adverse impact as described in Sections 32 and 33 of the Act and Rule 53.

K. Compliance with Safe Harbor Provisions

The Applicants will acquire an interest in, finance the acquisition and hold the securities of an EWG, FUCO or an Intermediate Company as authorized by an order pursuant to this request only if the following two conditions are met: (i) the investment is within the \$200 million authorization, and (ii) the investment satisfies the criteria in Rule 53(a)(1)-(4) and (b)(1)-(3) or any rules promulgated under Section 33 of the Act concerning the acquisition of interests in FUCOs.

L. Maintenance of Books and Records

Charter Oak will continue to comply with Rule 53(a)(2) and any future rules concerning the acquisition of interests in FUCOs with regard to the maintenance of books and records in connection with investments in EWGs, FUCOs or Intermediate Companies authorized by this Application.

M. Reporting of Activities

Charter Oak will continue to file a report with the Commission within sixty days of the end of each calendar quarter.

Each report will include (i) a balance sheet as of the quarterly reporting date; (ii) an income statement for the quarterly reporting period; (iii) a breakdown of the amounts of recourse and non-recourse debt securities issued to third parties by Intermediate Companies and (iv) information on intercompany service transactions with affiliated Intermediate Companies, EWGs and FUCOs, including (a) the name of each associate company providing services, (b) a listing of the services provided and (c) the total dollar amount of services provided, broken down by associate company. In addition, Charter Oak will continue to file with the Commission, on or before May 1 of each year, an annual report of its activities for the preceding calendar year in substantially the form of Form U-13-60.

Item 2. FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses of NU and Charter Oak expected to be paid or incurred, directly or indirectly, in connection with this Amendment are estimated as follows:

Commission filing fee relating to Application on Form U-1 . . . . .	\$ 2,000
Legal fees and expenses . . . . .	6,000
Miscellaneous related expenses (such as telephone, courier and travel) . . . . .	2,000
Total . . . . .	\$10,000

Item 3. APPLICABLE STATUTORY PROVISIONS

Sections 6(a), 7, 9(a), 10, 12(b) and 33 and Rules 45 and 53 are applicable to the extension of authorized activities and to the financing request and additional activities request for Intermediate Companies. Section 12(b) and Rule 45 apply to the financial arrangements between NU and Charter Oak and between Charter Oak and COE Development. Section 13(b) and Rules 87(b), 90 and 91 are applicable to the request regarding services.

Item 4. REGULATORY APPROVAL

No commission, other than this Commission, has jurisdiction over any of the proposed transactions described in this Application. Pursuant to Rule 53(a)(4), the Applicants will file this Application with the Connecticut Department of Public Utility Control, the Massachusetts Department of Public Utilities and the New Hampshire Public Utilities Commission.

Item 5. PROCEDURE

On November 23, 1994, the Commission issued and

published the requisite notice under Rule 23 with respect to the filing of this request for authority and no intervention occurred within the specified time period. Consequently, we hereby request that the Commission enter not later than December 27, 1994 an appropriate order granting and permitting this Amendment to become effective.

Applicants respectfully request that appropriate and timely action be taken by the Commission in this matter. Applicants hereby waive any recommended decision by a hearing officer or by any other responsible officer of the Commission and waive the 30-day waiting period between issuance of the Commission's order and the date on which it is to become effective, since it is desired that the Commission's order, when issued, become effective forthwith. Applicants hereby consent that the Office of Public Utility Regulation within the Division of Investment Management may assist in the preparation of the Commission's decision and/or order unless the Office opposes the transactions covered by this Application.

Item 6. EXHIBITS AND FINANCIAL STATEMENTS

a) Exhibits

A-1 Copy of Certificate of Charter Oak (previously filed)

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Pursuant to Rule 22(b), this Application/Declaration incorporates by reference certain exhibits previously filed in a 1988 Form U-1 Application/Declaration (File No. 70-7545).

A-2 Copy of By-laws of Charter Oak (previously filed)5

A-3 Form of Certificate of shares of common stock of Charter Oak (previously filed)5

F-1 Opinion of Counsel

G-1 Proposed Form of Notice (previously filed)

H-1 Charter Oak Energy, Inc. 1995-96 Estimated Expenditures (previously filed)

b) Financial Statements

1.1 Balance Sheet Per Book and Pro-Forma - NU (Parent), as of June 30, 1994 (previously filed)

1.2 Statement of Income and Capital Structure Per Book and Pro-Forma - NU (Parent), as of June 30, 1994 (previously filed)

2.1 Balance Sheet Per Book and Pro-Forma - Charter Oak Energy and Subsidiaries (Consolidated), as of June 30, 1994 (previously filed)

2.2 Statement of Income and Capital Structure Per Book and Pro-Forma - Charter Oak Energy and Subsidiaries (Consolidated), as of June 30, 1994 (previously filed)

- 3.1 Balance Sheet Per Book and Pro-Forma - COE Development, as of June 30, 1994 (previously filed)
- 3.2 Statement of Income and Capital Structure Per Book and Pro-Forma - COE Development, as of June 30, 1994 (previously filed)
- 4.1 Balance Sheet Per Book and Pro-Forma - NU (Consolidated), as of June 30, 1994 (previously filed)
- 4.2 Statement of Income and Capital Structure Per Book and Pro-Forma - NU (Consolidated), as of June 30, 1994 (previously filed)

Item 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS

None of the matters that are the subject of this Application involve a "major federal action" nor do they "significantly affect the quality of the human environment" as those terms are used in section 102(2)(C) of the National Environmental Policy Act. None of the transactions that are the subject of this Application will result in changes in the operation of the Applicants that will have an impact on the environment. The Applicants are not aware of any federal agency which has prepared or is preparing an environmental impact statement with respect to the transactions which are the subject of this Application.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this Amendment to be signed on their behalf by the undersigned thereunto duly authorized.

NORTHEAST UTILITIES  
CHARTER OAK ENERGY, INC.  
COE DEVELOPMENT CORPORATION

By: \_\_\_\_\_ /s/

William S. Lamb  
LeBoeuf, Lamb, Greene & MacRae  
L.P.P.  
A Limited Liability Partnership  
Including Professional Corporations  
125 W. 55th Street  
New York, NY 10019-4513

Attorney for Northeast Utilities,  
Charter Oak Energy, Inc. and COE  
Development Corporation

Date: December 27, 1994

Jeffrey C. Miller  
Selden Street  
Berlin, Connecticut 06037

December 16, 1994

Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 10549

Gentlemen:

As Assistant General Counsel of Northeast Utilities' (NU) subsidiary, Northeast Utilities Service Company (NUSCO), I have acted as counsel to NU, and as counsel to its subsidiaries Charter Oak Energy, Inc. (Charter Oak) and COE Development Corporation (COE Development), with respect to the application/declaration and Amendment No. 1 thereto (collectively, the Application) on Form U-1 to the Securities and Exchange Commission in File No. 70-8507, seeking a two-year extension, and modification, of the Commission's authorization of the activities of, and an increase in the funding for, Charter Oak and COE Development. I am furnishing this opinion to you in connection with the Application.

As counsel for NU, Charter Oak and COE Development in this matter, I am generally familiar with the nature and character of the businesses of Charter Oak and COE Development. I am a member of the bar of New York. I am not a member of the bar of the Commonwealth of Massachusetts, the state in which NU is organized, nor am I a member of the bar of the State of Connecticut, the state in which Charter Oak and COE Development are incorporated, and I do not hold myself out as an expert in the laws of such states, although I have made a study of such laws and am associated with and have consulted with other counsel to NUSCO who are expert in such laws. For purposes of this opinion, I have relied on advice from counsel employed by NUSCO, who are members of the bar of the Commonwealth of Massachusetts and of the State of Connecticut.

In connection with this opinion, I have examined or caused to be examined the Commissions' orders dated May 17, 1989 (HCA Rel. No. 35-24893), January 28, 1992 (HCA Rel. No. 35-25461), October 16, 1992 (HCA Rel. No. 35-25655), December 29, 1992 (HCA Rel. No. 35-25721), December 30, 1992 (HCA Rel. No. 35-25726), September 24, 1993 (HCA Rel. No. 35-25891), January 24, 1994 (HCA Rel. No. 35-25977), September 2, 1994 (HCA Rel. No. 35-26116) and September 30, 1994 (HCA rel. No. 35-26134), the Application and the various exhibits thereto, the minutes of various meetings of the Board of Trustees of NU and the Boards of Directors of Charter Oak and COE Development, the laws of the Commonwealth of Massachusetts and the State of Connecticut, the certificates of incorporation and by-laws of COE Development and Charter Oak and such other documents as I deem necessary for the purpose of this opinion. I assume that the Board of Trustees of NU, the Boards of Directors of Charter Oak and COE Development and the officials and other representatives of NU, Charter Oak and COE Development will take all future corporate action necessary to authorize and implement the transactions contemplated by the Application. I also assume that the Securities and Exchange Commission will issue an order under the Public Utility Holding Company Act of 1935 as requested in the Application, and that all actions taken thereafter will be in conformity with such order.

Based on the foregoing, I am of the opinion that:

- A. All state laws applicable to the transactions described in the Application have been complied with;
- B. Charter Oak and COE Development are validly organized and duly existing;

C. When issued and sold as described in the Application, any common stock of Charter Oak, of COE Development and of intermediate subsidiary companies of Charter Oak, ("Intermediate Companies") issued and sold in accordance with the Commission's authorization of the transactions contemplated by the Application, will be validly issued, fully paid, and non-assessable, and the holders thereof will be entitled to the rights and privileges appertaining thereto set forth in the corporate documents defining such rights and privileges;

D. When acquired as described in the Application, NU will legally acquire any common stock and other security of Charter Oak issued and sold in accordance with the Commission's authorization of the transactions contemplated by the Application, and Charter Oak will legally acquire any common stock and other security of COE Development or of Intermediate Companies issued and sold in accordance with the Commission's authorization of transactions contemplated by the Application and Charter Oak, COE Development and Intermediate Companies will legally acquire any common stock and other security of unaffiliated developers of QFs, Exempt Projects or Qualified IPPs issued and sold in accordance with the Commission's authorization of the transactions contemplated by the Application;

E. When issued as described in the Application, any evidence of indebtedness issued by Charter Oak or by Intermediate Companies to non-affiliates, and any NU guarantee in respect thereof, will be valid and binding obligations of Charter Oak, or the Intermediate Company and NU, respectively, in accordance with their terms, subject to laws of general application with respect to rights and remedies of creditors and subject to equitable principles;

F. When NU shall have received any necessary consents of certain lenders as to certain transactions described in the Application, the consummation of the proposed transactions as described in the Application will not violate the legal rights of any holders of securities issued by NU, Charter Oak, COE Development, or any other existing NU subsidiary company.

I hereby consent to the use of this opinion in connection with the filing of the Application.

Very truly yours,

/s/

Jeffrey C. Miller

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NORTHEAST UTILITIES (PARENT)

OTHER		OTHER	
DEC-31-1994		DEC-31-1994	
JUN-30-1994		JUN-30-1994	
PER-BOOK		PRO-FORMA	
0	0	0	0
2,610,003,000	2,610,003,000	2,610,003,000	2,610,003,000
6,571,000	206,571,000	206,571,000	206,571,000
6,805,000	6,805,000	6,805,000	6,805,000
0	0	0	0
2,623,379,000	2,823,379,000	2,823,379,000	2,823,379,000
671,048,000	671,048,000	671,048,000	671,048,000
903,137,000	903,137,000	903,137,000	903,137,000
927,032,000	916,957,000	916,957,000	916,957,000
2,280,170,000	2,270,095,000	2,270,095,000	2,270,095,000
0	0	0	0
0	0	0	0
230,000,000	230,000,000	230,000,000	230,000,000
81,000,000	281,000,000	281,000,000	281,000,000
0	0	0	0
0	0	0	0
9,000,000	9,000,000	9,000,000	9,000,000
0	0	0	0
0	0	0	0
0	0	0	0
23,209,000	33,284,000	33,284,000	33,284,000
2,623,379,000	2,823,379,000	2,823,379,000	2,823,379,000
0	0	0	0
(8,200,000)	(13,625,000)	(13,625,000)	(13,625,000)
8,206,000	8,206,000	8,206,000	8,206,000
6,000	(5,419,000)	(5,419,000)	(5,419,000)
(6,000)	5,419,000	5,419,000	5,419,000
303,654,000	303,654,000	303,654,000	303,654,000
303,648,000	309,073,000	309,073,000	309,073,000
23,868,000	39,368,000	39,368,000	39,368,000
0	279,780,000	279,780,000	269,705,000
0	0	0	0
279,780,000	269,705,000	269,705,000	269,705,000
218,822,000	218,822,000	218,822,000	218,822,000
20,740,000	20,740,000	20,740,000	20,740,000
0	0	0	0
	2.25		2.17
	2.25		2.17

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0000888707

CHARTER OAK ENERGY, INC.

OTHER		OTHER	
DEC-31-1994	JUN-30-1994	DEC-31-1994	JUN-30-1994
PER-BOOK	PRO-FORMA	PER-BOOK	PRO-FORMA
8,000	8,000	8,000	8,000
6,322,000	6,322,000	6,322,000	6,322,000
6,400,000	206,400,000	206,400,000	206,400,000
3,812,000	3,812,000	3,812,000	3,812,000
	0		0
16,542,000	216,542,000	216,542,000	216,542,000
	0		0
25,149,000	225,149,000	225,149,000	225,149,000
(9,123,000)	(9,123,000)	(9,123,000)	(9,123,000)
16,026,000	216,026,000	216,026,000	216,026,000
	0		0
	0		0
	0		0
	0		0
	0		0
	0		0
	0		0
	0		0
	0		0
	0		0
516,000	516,000	516,000	516,000
16,542,000	216,542,000	216,542,000	216,542,000
	0		0
(3,331,000)	(3,331,000)	(3,331,000)	(3,331,000)
7,985,000	7,985,000	7,985,000	7,985,000
4,654,000	4,654,000	4,654,000	4,654,000
(4,654,000)	(4,654,000)	(4,654,000)	(4,654,000)
1,383,000	1,383,000	1,383,000	1,383,000
(3,271,000)	(3,271,000)	(3,271,000)	(3,271,000)
	5		5
	(3,263,000)		(3,263,000)
	0		0
(3,263,000)	(3,263,000)	(3,263,000)	(3,263,000)
	0		0
	0		0
	0		0
	0.00		0.00
	0.00		0.00

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CHARTER OAK DEVELOPMENT CORPORATION

OTHER		OTHER	
DEC-31-1994	JUN-30-1994	DEC-31-1994	JUN-30-1994
	PER-BOOK		PRO-FORMA
8,000		8,000	
0		0	
4,913,000		204,913,000	
958,000		958,000	
	0		0
	5,879,000		205,879,000
		0	
10,760,000		210,760,000	
(4,972,000)		(4,972,000)	
5,788,000		205,788,000	
	0		0
	0		0
	0		0
83,000		83,000	
0		0	
0		0	
0		0	
	0		0
8,000		516,000	
5,879,000		206,387,000	
	0		0
(2,743,000)		(2,743,000)	
6,415,000		6,415,000	
3,672,000		3,672,000	
(3,672,000)		(3,672,000)	
	0		0
(3,672,000)		(3,672,000)	
	0		0
	(3,672,000)		(3,672,000)
(3,672,000)		(3,672,000)	
	0		0
	0		0
	0		0
	0.00		0.00
	0.00		0.00

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FINANCIAL DATA SCHEDULE (CONSOLIDATED)

OTHER	DEC-31-1994 JUN-30-1994 PER-BOOK	OTHER	DEC-31-1994 JUN-30-1994 PRO-FORMA
6,623,609,000		6,632,609,000	
372,384,000		372,384,000	
779,871,000		979,871,000	
2,792,852,000		2,792,852,000	
	0		0
10,577,716,000		10,777,716,000	
	671,048,000		671,048,000
903,137,000		903,137,000	
927,032,000		916,957,000	
2,280,170,000		2,270,095,000	
379,000,000		379,000,000	
	239,700,000		239,700,000
3,910,661,000		3,910,661,000	
233,000,000		433,000,000	
0		0	
69,500,000		69,500,000	
282,527,000		282,527,000	
1,500,000		1,500,000	
179,224,000		179,224,000	
	72,388,000		72,388,000
2,930,046,000		2,940,121,000	
10,577,716,000		10,777,716,000	
3,637,933,000		3,637,933,000	
286,791,000		281,366,000	
2,830,932,000		2,830,932,000	
3,117,723,000		3,112,298,000	
520,210,000		525,635,000	
84,061,000		84,061,000	
604,271,000		609,696,000	
279,573,000		295,073,000	
	324,698,000		314,623,000
44,918,000		44,918,000	
279,780,000		269,705,000	
218,822,000		218,822,000	
321,066,000		321,066,000	
0		0	
	2.25		2.17
	2.25		2.17