SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28048)

Northeast Utilities (70-10315)

Order Authorizing Various Financing Transactions and Related Transactions; Reservation of Jurisdiction

October 20, 2005

Northeast Utilities ("NU"), a public utility holding company registered under the Public Utility Holding Company Act of 1935, as amended ("Act"), Springfield, Massachusetts, has filed a declaration ("Declaration") with the Securities and Exchange Commission ("Commission") under sections 6(a) and 7 of the Act and rules 53 and 54 under the Act. The Commission issued a notice of the Declaration on September 21, 2005 (Holding Co. Act Release No. 28034).

The NU system furnishes franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through three wholly-owned subsidiaries -- the Connecticut Light and Power Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company. In addition, NU owns Holyoke Water Power Company, a utility under the Act, which owns a coal-fired plant in Holyoke, Massachusetts, and sells by wholesale contract all of the output of its generation assets to a nonutility affiliate, Select Energy, Inc.

The system also includes Yankee Energy System, Inc., an exempt gas utility holding company that is primarily engaged in the retail distribution of natural gas through its wholly-owned subsidiary, Yankee Gas Services Company. NU Enterprises, Inc. ("NUEI"), a wholly-owned subsidiary of NU, is the holding company for NU's unregulated businesses, including: Select Energy, Inc.; Northeast Generation Company ("NGC"), the system's only exempt wholesale generator ("EWG"); Mode 1 Communications, Inc. and Woods Network Services, Inc., which are exempt telecommunications companies (“ETCs”) as defined in section 34 of the Act; Select Energy Services, Inc.; and "energy-related companies" as defined in rule 58 under the Act, including E. S. Boulos Company and Northeast Generation Services Company.

By prior order (Holding Co. Act Release No. 27659 (March 18, 2003) (“Prior Order”), NU was authorized to engage in long-term financing transactions and related transactions. The Prior Order authorized NU to issue up to $600 million in long-term debt, to enter into hedging transactions with respect to existing indebtedness of NU and its nonutility subsidiaries ("Nonutility Subsidiaries")[1] and to enter into hedging transactions with respect to future expected debt issuances of NU and its Nonutility Subsidiaries through June 30, 2005.

NU now requests authority for a program of external financing and related transactions through February 8, 2006 (“Authorization Period”). Specifically, NU requests authority:

(i) to issue and sell from time to time during the Authorization Period any combination of the following types of securities, provided the aggregate amount of all new securities issued during the Authorization Period shall not exceed $750 million outstanding at any time: (a) common shares (including options and warrants exercisable for common shares), share purchase contracts ("Share Purchase Contracts"), share units consisting of a Share Purchase Contract coupled with a debt security or preferred security of NU or an affiliated entity ("Share Purchase Units") and/or other equity or equity-linked securities of types generally sold in the current marketplace (collectively, “Equity Securities”); (b) preferred securities (including without limitation preferred stock and monthly income preferred trust securities) ("Preferred Securities"); and (c) long-term debt securities having maturities of one to 50 years ("Long-term Debt").

[1] Nonutility Subsidiaries include companies formed according to rule 58 of the Act, EWGs, foreign utility companies (as defined in the Act) (“FUCOs”), ETCs and other competitive direct or indirect subsidiaries of NU.

(ii) to the extent not exempt under rule 52, to enter into various risk management instruments (“Equity Hedges”) commonly used in today's capital markets to manage equity price and credit risk, to manage interest rate risk with respect to existing indebtedness of NU and its Nonutility Subsidiaries ("Interest Rate Hedges" and collectively with Equity Hedges, “Hedges”), and to enter into hedging transactions with respect to anticipatory debt issuances (“Anticipatory Hedges") of NU and its Nonutility Subsidiaries in order to lock in current interest rates and/or manage interest rate risk exposure.

NU contemplates that securities will be issued and sold directly to the public in one or more offerings registered under the Securities Act of 1933, as amended ("1933 Act") either (i) through underwriters selected by negotiation or competitive bidding or (ii) through a selling agent acting either as agent or as principal for resale to the public either directly or through dealers, or to one or more purchasers in privately-negotiated transactions or to one or more investment banking or underwriting firms or other entities who would resell the securities without registration under the 1933 Act in reliance upon one or more applicable exemptions from registration under the 1933 Act. All securities sales will be at rates or prices and under conditions negotiated or based upon, or otherwise determined by, competitive capital markets.

Equity Securities issued and sold by NU may be issued and sold according to underwriting agreements of a type generally standard in the industry. Equity Securities may take the form of Common Shares (including options and warrants exercisable for Common Shares and including forward sales), Share Purchase Contracts, Share Purchase Units and other equity or equity-linked securities products of types then offered in the marketplace. Public distributions may be accomplished through private negotiation with underwriters, dealers or agents, as discussed below, or effected through competitive bidding among underwriters. In addition, sales may be made through private placements or other non-public offerings to one or more persons. If underwriters are used in the sale of these securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. These securities may be offered to the public either through underwriting syndicates (which may be represented by a managing underwriter or underwriters designated by NU) or directly by one or more underwriters acting alone, or may be sold directly by NU or through agents designated by NU from time to time. If dealers are used in the sale of the securities, NU will sell the securities to the dealers as principals. Any dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. If Equity Securities are being sold in an underwritten offering, NU may grant the underwriters an option permitting the purchase from NU of additional Equity Securities at the same price then being offered. The price applicable to additional shares sold in any of these transactions will be based on several factors, including the current market price of the common stock and prevailing capital market conditions.

Share Purchase Contracts would obligate holders to purchase from NU, and NU to sell to the holders, a variable or specified number of Common Shares at a future date or dates (typically between three and five years after the date of issuance). The price per share of Common Shares may be fixed at the time the Share Purchase Contracts are issued or may be determined by reference to a specific formula set forth in the Share Purchase Contracts. Share Purchase Contracts may be issued separately or as a part of Share Purchase Units (a form of "equity-linked" security), which would consist of a Share Purchase Contract and/or debt securities of NU or its affiliates and/or debt obligations of third parties, including U.S. Treasury securities and/or preferred securities, securing the holders' obligations to purchase the Common Shares under the Share Purchase Contracts. Share Purchase Contracts may require NU to make periodic payments to the holders of some or all of the Share Purchase Units or vice versa, and these payments may be unsecured or prefunded on some basis. The Share Purchase Contracts may require holders to secure their obligations under these Share Purchase Contracts in a specified manner.

Preferred Securities may be issued in one or more series with rights, preferences, and priorities as may be designated in the instrument creating each series, as determined by NU's Board of Trustees. Dividends or distributions on Preferred Securities will be made periodically and to the extent funds are legally available for this purpose but may be made subject to terms which allow the issuer to defer dividend payments or distributions for specified periods or may be non-cumulative. Preferred Securities may be convertible or exchangeable into shares of Common Shares or other securities that NU is authorized to issue. The liquidation preference, dividend or distribution rates, redemption provisions, voting rights, sinking fund provisions, maturities, conversion or exchange rights, and other terms and conditions of a particular series of preferred securities, as well as any associated placement, underwriting, structuring or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding and reflected in the applicable certificate of designation, purchase agreement or underwriting agreement, and other relevant instruments setting forth the terms.

Long-term Debt may be issued in one or more series in the form of unsecured notes or debentures with rights, preferences, and priorities as may be designated in the instrument creating each series, as determined by NU's Board of Trustees. Long-term Debt of a particular series (a) may be convertible into any other securities that NU is authorized to issue, (b) may be subject to optional and/or mandatory redemption, in whole or in part, at par or at various premiums above the principal amount, (c) may be entitled to mandatory or optional sinking fund provisions, and (d) may provide for reset of the coupon under a remarketing arrangement. The maturity dates, interest rates, redemption and sinking fund provisions and conversion features, if any, with respect to the Long-term Debt of a particular series, as well as any associated placement, underwriting or selling agent fees, commissions and discounts, if any, will be established by negotiation or competitive bidding.

The following general terms will be applicable where appropriate to the proposed external financing activities of NU (including, without limitation, securities issued for the purpose of refinancing or refunding outstanding securities of the issuer):

(a) The effective cost of capital (*i.e.*, the aggregate of all payments, including interest, dividend distributions and other periodic payments) in respect of Share Purchase Contracts, Share Purchase Units, Long-term Debt and Preferred Securities 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 (i) on any series of Share Purchase Contracts or Share Purchase Units exceed at the time of issuance 700 basis points over the yield to maturity of comparable-term U.S. Treasury securities, (ii) on any series of Long-term Debt exceed at the time of issuance 500 basis points over the yield to maturity of comparable-term U.S. Treasury securities if the interest rate on the Long-term Debt securities is a fixed rate or, if the rate on Long-term Debt securities is a floating rate, 500 basis points over the London Interbank Offered Rate ("LIBOR"), and (iii) on any series of Preferred Securities, exceed at the time of issuance 600 basis points over the yield to maturity of comparable-term U.S. Treasury securities.

(b) The maturity of Long-term Debt will be between one year and 50 years after the issuance of the debt instrument.

(c) The underwriting fees, commissions or other similar remuneration paid in connection with any non-competitive issuance, sale or distribution of securities will not exceed the greater of (a) 700 basis points of the principal or face amount of the securities being issued or (b) issuance expenses that are generally paid at the time of the pricing for sales of similar securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality.

(d) NU states that it and its public utility subsidiaries are financially sound and each has investment-grade ratings from major national rating agencies on its senior secured or unsecured debt. NU commits that at all times during the Authorization Period, it will maintain at least an investment-grade senior unsecured long-term debt rating by at least one nationally recognized rating agency and will maintain common equity (as reflected, in the most recent Form 10-K or Form 10-Q filed with the Commission) of at least 30% of its consolidated capitalization (net of securitization debt), provided that NU will in any event be authorized to issue Common Shares to the extent authorized. The term "consolidated capitalization" is defined to include, where applicable, common stock equity (comprised of common stock, additional paid in capital, retained earnings, accumulated other comprehensive income or loss and/or treasury stock), minority interests, preferred stock, preferred securities, equity linked securities, long-term debt, short-term debt and current maturities.

(e) NU states that (i) within four business days after the occurrence of a ratings event,[2] NU will notify the Commission of its occurrence (by means of a letter, via fax, email or overnight mail to the Office of Public Utility Regulation) and (ii) within 30 days after the occurrence of a Ratings Event, NU will submit a post-effective amendment to this Declaration explaining the material facts and circumstances relating to that Ratings Event (including the basis on which, taking into account the interests of investors, consumers and the public as well as other applicable criteria under the Act, it remains appropriate for NU to continue authorized securities issuances. Furthermore, no securities authorized as a result of this Declaration will be issued following the 60th day after a Ratings Event (other than common stock). NU requests that the Commission reserve jurisdiction until completion of the record over the issuance during the Authorization Period of any authorized securities (other than common stock) if the issuance would be prohibited after the 60th day following a Ratings Event.

NU’s senior unsecured long-term debt securities are currently rated BBB- by Standard & Poor's Inc., Baa2 by Moody's Investors Service and BBB by Fitch. None of NU’s other securities are rated. For these purposes, (a) a security will be deemed "investment grade" if it is rated investment grade by any of Moody's Investors Service, Standard & Poor's, Fitch Ratings or any other nationally recognized statistical rating agency (as defined by the Commission in rules adopted under the Securities Exchange Act of 1934, as amended).

(f) The proceeds from the authorized financings will be used for general corporate purposes, including (i) financing, in part, investments by and capital expenditures of NU and its subsidiaries, (ii) the acquisition, retirement or redemption by NU of any of its own securities

---

2 A ratings event ("Ratings Event") will be deemed to have occurred if, during the Authorization Period, (i) any outstanding security of NU is downgraded below investment grade; or (ii) any security issued by NU upon original issuance is rated below investment grade.

under rule 42, (iii) the financing of working capital requirements of NU and its subsidiaries, including making contributions to the NU money pool, and/or (iv) the acquisition of the securities or assets of other companies, as may be authorized by the Commission in a separate proceeding or as otherwise permissible under law. NU represents that no financing proceeds will be used to acquire the equity securities of any new subsidiary unless the acquisition has been approved by the Commission in this proceeding or in a separate proceeding or is permissible in accordance with an exemption under the Act or rules under the Act. None of the proceeds from the proposed transactions will be used by NU or its subsidiaries to acquire any securities of, or any interest in, an EWG or a FUCO.

NU also requests authorization to enter into hedging transactions in connection with the issuance and sale of securities to manage equity price and credit risk of the securities and to enter into hedging transaction to manage interest rate risk with respect to existing indebtedness of NU and its Nonutility Subsidiaries. Hedges would be accomplished through the entering into, purchasing and selling of various risk management instruments commonly used in today's capital markets, such as interest rate, credit and equity swaps, caps, collars, floors, options, forwards, futures, forward issuance agreements, the sale and/or purchase of various call or put options or warrants, or transactions involving the purchase or sale, including short sales, of U.S. Treasury Securities or U.S. government agency (*e.g.*, Fannie Mae) obligations, or LIBOR-based swap instruments, and similar products designed to manage market price, credit and interest rate risks. NU states that hedges would be used as a means of managing the risk associated with outstanding securities (equity or debt). In no case will the notional principal amount of any Hedge exceed the face value of the underlying security except to the extent necessary to adjust for differing price movements between the underlying and hedged securities or to allow for the fees related to the transaction. Transactions will be entered into for a fixed or determinable period.

Hedges would only be entered into with counterparties ("Approved Counterparties") whose senior unsecured debt ratings, or the senior unsecured debt ratings of the parent companies of the counterparties, as published by S&P, are equal to or greater than BBB, or an equivalent rating from Moody's or Fitch Inc. NU will not engage in leveraged or speculative transactions. Fees, commissions and other amounts payable to the counterparty (excluding, however, the swap or option payments) in connection with any Hedge issued will not exceed those generally obtainable in competitive markets for parties of comparable credit quality.

In addition, NU requests authorization to enter into Anticipatory Hedges with respect to itself and its Nonutility Subsidiaries, subject to certain limitations and restrictions. These Anticipatory Hedges would only be entered into with Approved Counterparties and would be utilized to fix and/or limit the interest rate risk associated with any new issuance through (i) a forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury Securities and/or a forward-dated swap (each "Forward Sale"), (ii) the purchase of put options on U.S. Treasury Securities ("Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options on U.S. Treasury Securities ("Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of U.S. Treasury Securities, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar and/or other derivative or cash transactions, including, but not limited to structured notes, caps and collars, appropriate for the Anticipatory Hedges.

According to NU, it will comply with Statement of Financial Accounting Standards ("SFAS") 133 ("Accounting for Derivative Instruments and Hedging Activities") and SFAS 138

("Accounting for Certain Derivative Instruments and Certain Hedging Activities") or other standards relating to accounting for derivative transactions as are adopted and implemented by the Financial Accounting Standards Board ("FASB"). NU represents that each Hedge and each Anticipatory Hedge will qualify for hedge accounting treatment under the current FASB standards in effect and as determined as of the date on which NU enters into each Hedge or Anticipatory Hedge. NU will also comply with any future FASB financial disclosure requirements associated with hedging transactions.

The proposed transactions are subject to section 32 of the Act and rules 53 and 54. Except in accordance with the Act, neither NU nor any of its subsidiaries (a) has acquired an ownership interest in an EWG or a FUCO, as defined in sections 32 and 33 of the Act, or (b) now is or as a consequence of the transactions proposed will become a party to or has or will as a consequence of the transactions proposed have a right under a service, sales, or construction contract with an EWG or a FUCO. None of the proceeds from the transactions proposed will be used by NU and its subsidiaries to acquire any securities of, or any interest in, an EWG or a FUCO. NU currently meets all of the conditions of rule 53(a), except for clause (1). At June 30, 2005, NU's "aggregate investment," as defined in rule 53(a)(1), in EWGs and FUCOs was approximately $448.2 million, or approximately 59.4% of NU's average "consolidated retained earnings," also as defined in rule 53(a)(1), for the four quarters ended June 30, 2005 ($755 million). With respect to rule 53(a)(1), however, the Commission has determined that NU's financing of its investment in EWGs in an amount not to exceed $1 billion would have neither of the adverse effects set forth in rule 53(c). (See Holding Co. Act Release No. 27868A (July 2, 2004((“2004 Order”)). NU asserts that its EWG investments will not adversely affect the system.

In addition, NU and its subsidiaries are in compliance and will continue to comply with the other provisions of rule 53(a) and (b).

The proposed transactions, considered in conjunction with the effect of the capitalization and earnings of NU's EWG, would not have a material adverse effect on the financial integrity of the NU system or an adverse impact on NU's public-utility subsidiaries, their customers, or the ability of state commissions to protect NU’s public-utility customers. The 2004 Order was predicated, in part, upon an assessment of NU's overall financial condition. The consolidated capitalization ratio of NU as of June 30, 2005 (excluding securitization debt) was common shareholder’s equity, 38.6%; preferred stock, 2.1%; long-term and short-term debt, 59.3%.

NU's current EWG investment, NGC (it has no FUCO investment), has been profitable for all quarterly periods ending June 30, 2000, through June 30, 2005 (NGC was acquired in March 2000). In addition, NGC has made a positive contribution to earnings by contributing $155.2 million in revenues in the 12-month period ending June 30, 2005, and net income of $44.8 million for the same period.

Other than this Commission, no other state or federal commission has jurisdiction over the proposed transactions.

The fees, commissions and expenses incurred or to be incurred in connection with the preparation and filing of this Declaration are estimated not to exceed $25,000.

Due notice of the filing of this declaration has been given in the manner prescribed in rule 23 under the Act, and no hearing has been requested of or ordered by the Commission. Based on the facts in the record, the Commission finds that the applicable standards of the Act and rules are satisfied and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and the rules under the Act, that the declaration, as amended, be permitted to become effective immediately, subject to the terms and conditions prescribed in rule 24 under the Act.

IT IS FURTHER ORDERED that NU will file certificates of notification under Rule 24 that report each of the transactions carried out in accordance with the terms and conditions of and for the purposes represented in this Declaration. The certificates would be filed within 60 days after the end of each of the first three calendar quarters and 90 days after the end of the last calendar quarter, in which transactions occur. The Rule 24 certificates will contain the following information for the reporting period: (a) any sales of any Common Shares, Share Purchase Contracts or Share Purchase Units or other Equity Securities by NU, the purchase price per share or unit and the market price per share or unit at the date of the agreement of sale; (b) the amount and terms of any Preferred Securities and Long-term Debt issued by NU during the quarter; (c) the notional amount and principal terms of any Hedge or Anticipatory Hedge entered into by NU during the quarter and the identity of the parties to the instruments.

IT IS FURTHER ORDERED, that jurisdiction is reserved pending completion of the record over the issuance of any securities (other than common stock) during the Authorization Period if the issuance would be prohibited because it is after the 60^{th} day following a Ratings Event.

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

Jonathan G. Katz
Secretary