

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
APPLICATION/DECLARATION
ON
FORM U-1
UNDER THE
PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

CONSOLIDATED EDISON, INC.
4 Irving Place
New York, New York 10003

NORTHEAST UTILITIES
174 Brush Hill Ave
West Springfield, MA 01090-0010

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

CONSOLIDATED EDISON INC.

(Name of top registered holding company)

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(Name and address of agents for service)

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

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Item 6. Exhibits and Financial Statements

(a) Exhibits

a.1 Certificate of Incorporation of New CEI (Incorporated by reference to Exhibit A to the Merger Agreement of Consolidated Edison and Northeast Utilities' Joint Proxy and Registration Statement on Form S-4 filed on March 1, 2000, Registration No. 333-31390).

b.1 Amended and Restated Agreement and Plan of Merger (Incorporated by reference to Annex A of Consolidated Edison and Northeast Utilities' Joint Proxy and Registration Statement on Form S-4 filed on March 1, 2000, Registration No. 333-31390).

c.1 Joint Proxy and Registration Statement on Form S-4 (Incorporated by reference to Consolidated Edison and Northeast Utilities' Joint Proxy and Registration Statement on Form S-4 filed on March 1, 2000, Registration No. 333-31390).

d.1 Application to FERC

d.2 Filing made with the DPUC*

d.3-1 Filing made with the MPUC

d.3-2 Order of the MPUC

d.4 Filing made with the DTE*

- d.5 Filing made with the DOR*
- d.6 Filing made with the NHPUC
- d.7 Filing made with the NJBPU
- d.8 Filing made with the NYPSC
- d.9 Filing made with the PAPUC
- d.10-1 Filing made with the VPSB
- d.10-2 Order of the VPSB
- d.11 Filing made with the NRC*
- f.1 Legal Opinions*
- g.1 Financial Data Schedules*
- h.1 Form of Notice*
- i.1 Gas Retention Analysis*
- (b) Financial Statements*

* To be filed by amendment

SIGNATURES

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

Date: April 12, 2000

Consolidated Edison, Inc.

By /s/ Joan S. Freilich
Name: Joan S. Freilich
Title: Executive Vice President and
Chief Financial Officer

Northeast Utilities

By /s/Randy A. Shoop
Name: Randy A. Shoop
Title: Assistant Treasurer-Finance

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

JOINT APPLICATION OF THE JURISDICTIONAL SUBSIDIARIES OF
CONSOLIDATED EDISON, INC. AND NORTHEAST UTILITIES
FOR APPROVAL OF MERGER

I. REQUEST FOR EXPEDITED DECISION AND NO HEARING

Pursuant to section 203 of the Federal Power Act ("FPA") (1), and part 33 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission") (2), Consolidated Edison, Inc. ("CEI"), and Northeast Utilities ("NU"), on behalf of their respective wholly-owned jurisdictional utility subsidiaries (3) (collectively, the "Applicants"), submit this Application for the Commission's approval of CEI's acquisition of NU (the "Merger") (4). This Application includes all information and exhibits required pursuant to part 33 of the Commission's regulations and the Commission's December 1996 Merger Policy Statement. (5)

As demonstrated in this Application and supporting testimony and exhibits, the Merger is consistent with the public interest. Accordingly, the Applicants respectfully request that the Commission approve the Merger promptly without a hearing. Specifically, to permit the Merger to close on schedule, the Applicants request the Commission to issue its order no later than June 14, 2000. (6)

II. EXECUTIVE SUMMARY

The Merger will not create anticompetitive effects, increase customer rates, or impair the effectiveness of regulation. As to competition, the Applicants have implemented divestiture plans and have already divested the majority of their generating capacity. Con Edison divested 5,479 MW of electric system generation in New York City last year, and also its 810 MW interest in the Bowline Point generating station, which it jointly-owned with Orange and Rockland. It will divest virtually all of its remaining fossil-fired generation outside of the City in 2001. Orange and Rockland has already divested all of its owned generating capacity. Two of NU's operating companies, CL&P and WMECO, recently divested essentially all of their fossil-fired generation, and plan to complete the sale of their hydroelectric generation early this year. In addition, CL&P and WMECO are in the process of divesting their nuclear capacity. Another NU operating company, PSNH, is awaiting regulatory approval of a settlement pursuant to which it will sell all of its generating assets. As shown in the attached testimony of Dr. William H. Hieronymus, the Merger passes all of the Commission's Appendix A screening criteria, taking into account only the divestitures that have already been completed.

The Applicants' impending divestitures will deconcentrate the market still further. Moreover, the Merger is taking place in an environment of decreasing concentration and substantial new entry throughout the region. As the Merger Policy Statement pronounces: "[T]he Commission can be confident that an application that clears the screen would have no adverse effect on competition. (7)" The facts make this true here with special force.

The Merger also will not create any vertical market power problems. Both Applicants participate in Commission-approved Independent System Operators ("ISOs"). Thus, they cannot exercise market power via control of transmission. The primary vertical issue that the Commission has focused on in mergers involving electric and gas companies has been whether the merger will give the merged company the ability and incentive to exercise market power via control of upstream gas supplies. The Merger will have no such effect. The Applicants have no such ability because they do not control any gas pipeline facilities and have no market power over the transportation of gas. Indeed, the upstream market passes the vertical screening criteria that the Commission uses to identify mergers that clearly pose no vertical harm. The Applicants have no such incentive because they have committed to divest almost all of their generating capacity. Con Edison and Orange and Rockland currently have local distribution company ("LDC") retail gas businesses located in New York. NU is in the process of acquiring Yankee Gas Services Company ("Yankee Gas"), an LDC that serves only one 81 MW gas-fired generator located in New England. This small gas generator is competitively insignificant. Moreover, it has low-cost bypass options and can leave the Yankee system at its discretion. Adding the Yankee LDC to the Con Edison family clearly does not give the merged firm any ability to affect downstream electricity markets. (8) The Merger, in short, does not raise any vertical market power concerns.

The Merger also will not subject wholesale customers to increased rates. CEI's jurisdictional utility subsidiaries, Con Edison and Orange and Rockland, do not have wholesale requirements customers. With only a few exceptions, NU's utility subsidiaries' requirements customers take service

under fixed-rate contracts, and thus their rates cannot be affected by the Merger. The Applicants nonetheless commit to hold harmless for a period of five years all wholesale requirements and transmission customers from any merger-related costs in excess of merger savings.

As a result of the Merger, the merged company will be required to be registered under section 5 of the Public Utility Holding Company Act of 1935 ("PUHCA"). In accordance with the Merger Policy Statement, (9) Applicants commit that they will follow FERC's policies regarding the treatment of costs and revenues associated with intra-company services. Thus, the Merger will not impair federal regulation. Nor will it impair state regulation. Each affected state will have the opportunity to address any state impacts in connection with this filing and such state filings that have been or will be made. Moreover, the utility subsidiaries subject to state regulation will remain so following completion of the Merger.

The Merger joins two of the industry leaders in forming and establishing ISOs. It will create the potential for improved efficiencies in operations and administration due to synergies from scale and consolidation, which will ultimately benefit consumers. The Merger will have no adverse impact on competition, wholesale rates, or the effectiveness of regulation. Because the Merger satisfies all of the requirements of FPA section 203, the Commission's regulations, and the Merger Policy Statement, the Commission should find it to be consistent with the public interest and approve it on an expedited basis.

III. THE APPLICANTS

A. CEI and Its Subsidiaries

1. CEI

CEI was organized in 1997, and is a New York corporation. It is an exempt public utility holding company under section 3(a)(1) of PUHCA. On January 1, 1998, CEI became the holding company for Con Edison, and presently owns all of Con Edison's issued and outstanding common stock. As a result of a merger that the Commission approved on January 27, 1999 (10), CEI became the holding company for Orange and Rockland on July 8, 1999, and presently owns all of Orange and Rockland's issued and outstanding common stock. Con Edison and Orange and Rockland are public utilities under the FPA.

2. Con Edison

Con Edison supplies electric service in all of New York City (except for a small part of the Borough of Queens) and most of Westchester County, New York to approximately three million customers. Its expected full service customer and retail access peak load in 2000 is 9,975 MW. Con Edison also supplies natural gas to approximately one million customers in the Boroughs of Manhattan, the Bronx, and parts of the Borough of Queens and Westchester County, New York, and steam to approximately 2,000 customers in part of Manhattan. (11) The New York Public Service Commission ("NYPSC") regulates Con Edison's retail operations. Pursuant to NYPSC retail restructuring initiatives, all of Con Edison's gas customers have retail choice, and retail choice for its electric customers is being phased in, with approximately 2,000 MW of its former electric load now taking service from other retail suppliers.

Electric Generation: Con Edison has divested 5,479 MW of fossil-fired generation in New York City. (12) It also divested its 810 MW interest in the jointly-owned Bowline Point generating station as part of Orange and Rockland's auction of its generation. Currently, Con Edison owns and operates 1,485 MW of generating capacity. (13) In addition, it is a joint owner of the Roseton station. (14) Con Edison, however, will be divesting its interest in Roseton (462 MW) in conjunction with Central Hudson Gas & Electric Corporation's ("Central Hudson") divestiture auction, which will occur no later than July 2001. Moreover, Con Edison has announced that it will explore alternatives to the continued ownership and operation of its 931 MW Indian Point 2 nuclear plant and the site's gas turbines.

Transmission and Distribution: Con Edison's transmission system has approximately 432 miles of overhead circuits and 381 miles of underground circuits, most of which operate at 138 kV and 345 kV. It has approximately 267 miles of radial subtransmission circuits operating at 138 kV. Con Edison has 14 transmission substations, which are supplied by circuits operating at 69 kV and above and have a total transformer capacity of 15,731 MVA. All of Con Edison's transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam, and Dutchess Counties in New York State. Con Edison owns various electric distribution substations and facilities located throughout New York City and Westchester County, New York. Con Edison's distribution system includes 290 distribution substations, with a transformer capacity of 20,168 MVA, 32,429 miles of overhead distribution

lines, and 87,910 miles of underground distribution lines.

Gas Facilities: Con Edison distributes natural gas to its customers through approximately 4,200 miles of mains and 362,400 service lines.

3. Orange and Rockland and Its Utility Subsidiaries

Orange and Rockland is an electric and gas distribution utility that provides service to over 200,000 electric and over 100,000 gas customers in New York in a service area covering all of Rockland County, most of Orange County, and part of Sullivan County, New York. Its expected peak load in 2000 is 1,170 MW. All of its electric and gas customers have retail choice. Orange and Rockland has two wholly-owned public utility subsidiaries, RECO, a New Jersey corporation, and Pike, a Pennsylvania corporation. RECO supplies electricity to about 67,000 customers in New Jersey in the northern parts of Bergen and Passaic Counties and small areas in northern Sussex County. Pike supplies electricity to about 4,100 customers and gas to about 1,000 customers in the northeastern corner of Pike County, Pennsylvania.

Orange and Rockland's retail operations are regulated by the NYPSC, RECO's by the New Jersey Board of Public Utilities, and Pike's by the Pennsylvania Public Utility Commission. (15)

Electric Generation: Orange and Rockland no longer owns any generating resources. (16) It currently has 19 MW of NUG contracts and certain power purchase contracts. (17)

Transmission and Distribution: Orange and Rockland and its two utility subsidiaries, RECO and Pike, own, in whole or in part, and operate 617 circuit miles of transmission lines, 77 substations, 87,416 in-service line transformers, 5,014 pole miles of overhead distribution lines, and 2,398 miles of underground distribution lines. Except for one substation in Grahamsville, New York, the transmission and distribution facilities are located in the New York, New Jersey, and Pennsylvania service territories of Orange and Rockland, RECO, and Pike respectively.

Gas Facilities: Orange and Rockland's consolidated gas operations include three propane air gas plants at Middletown, Orangeburg, and Suffern, New York, which together have a combined capacity of 30,600 Mcf per day of natural gas equivalent. Orange and Rockland's consolidated gas distribution system includes 1,758 miles of mains.

4. Other CEI Subsidiaries

CEI wholly owns several non-utility subsidiaries. These include: Consolidated Edison Solutions, Inc. (provides wholesale and retail energy and related services); Consolidated Edison Development, Inc. (invests in foreign and domestic energy and other infrastructure projects and markets Con Edison's technical services); Consolidated Edison Energy, Inc. (invests in, operates, and markets the output of electric energy supply facilities in the United States and provides specialized wholesale energy services in the electric power and natural gas markets, including Consolidated Edison Energy Massachusetts, Inc. ("CEEMI"), which owns and operates 290 MW of oil-fired and hydroelectric generating assets in Massachusetts acquired from WMECO); and Consolidated Edison Communications, Inc. (owns, operates, and invests in facilities used in the telecommunications industry).

B. NU and Its Subsidiaries

1. NU

NU is a registered public utility holding company. It directly owns six subsidiaries that are public utilities under the FPA: CL&P, WMECO, HWP, HPE, PSNH, and NAEC.

2. CL&P

CL&P owns and operates transmission and distribution facilities and provides Standard Offer Service ("SOS") to approximately 1.1 million customers in the State of Connecticut. CL&P is a public service company under Connecticut law. (18)

Electric Generation: CL&P has completed an auction for the sale of all of its fossil-fired and hydroelectric generation. CL&P has closed on the sale of 2,235 MW of fossil-fired generation to NRG Energy, Inc., an unaffiliated entity. In addition, 1,057 MW of hydroelectric generating assets and one gas turbine will be sold to Northeast Generation Company ("NGC"), an NU subsidiary, early this year. All of CL&P's NUG contracts (436 MW) have been either: (1) submitted to the Connecticut Department of Public Utility Control ("DPUC") for a review of a buy-out of, or a buy-down of the rates in, the contracts; or (2) put up for auction (conducted by the

Connecticut DPUC).

CL&P currently owns the following nuclear generating capacity: Millstone Unit 2 (711 MW); Millstone Unit 3 (603 MW); Seabrook (47 MW); and Vermont Yankee (43 MW). Under the Connecticut restructuring legislation, CL&P will divest all of this nuclear capacity by January 1, 2004. CL&P is already in the process of selling its approximately 1,315 MW of Millstone capacity in conjunction with WMECO, with completion expected in 2001, and it also is in the process of selling its Vermont Yankee share to AmerGen. CL&P has sold bilateral unit entitlement contracts for its Millstone and Seabrook capacity through 2001, and its Vermont Yankee capacity through June 2000.

Transmission and Distribution: CL&P owns and operates transmission facilities located in Connecticut. CL&P's transmission facilities include 1,597 circuit miles of overhead transmission and approximately 48 miles of underground transmission operated at voltages of 69 kV, 115 kV, and 345 kV. CL&P's distribution facilities include approximately 18,065 pole miles of overhead lines and 6,142 circuit miles of underground lines.

3. WMECO

WMECO provides transmission and distribution services and SOS and Default Service to electric consumers in the portions of western Massachusetts where it historically has provided electric service. WMECO is a public utility under Massachusetts law.

Electric Generation: WMECO has completed the sale of a portion of its fossil-fired and hydroelectric generation and is expected to complete the sale of the rest of its non-nuclear generation early this year. (19) WMECO currently owns the following nuclear generating capacity: Millstone Unit 2 (167 MW); Millstone Unit 3 (140 MW); and Vermont Yankee (12 MW). WMECO has committed to divest its Millstone capacity, with completion expected in 2001, and is also in the process of selling its Vermont Yankee share to AmerGen. It has already sold bilateral unit entitlement contracts for its Millstone entitlements through 2001, and its Vermont Yankee capacity through June 2000. Moreover, WMECO has an agreement (pending approval from the Massachusetts Department of Telecommunications and Energy ("DTE")) for the buyout of its major NUG contract (54 MW). Its only other NUG contract is for approximately 7.5 MW.

Transmission and Distribution: WMECO owns and operates transmission facilities located in the Commonwealth of Massachusetts. WMECO's transmission facilities consist of 446 line miles of transmission operated at voltages of 345 kV, 115 kV, and 69 kV. WMECO's distribution facilities include approximately 3,571 pole miles of overhead lines and 2,440 circuit miles of underground lines.

4. PSNH

PSNH owns and operates generation, transmission, and distribution facilities and provides wholesale electric service and retail electric service in New Hampshire, where it is a public utility under New Hampshire law.

Electric Generation: Currently, PSNH owns and operates 1069 MW of fossil-fired generation and 65 MW of hydroelectric capacity. It has a purchase obligation for a 418 MW share of the Seabrook nuclear plant. It also has 158 MW of NUG contracts.

On August 2, 1999, PSNH and NU reached a settlement agreement with the Governor of New Hampshire, the Attorney General of New Hampshire, the Governor's Office of Energy and Community Service, and the New Hampshire Public Utilities Commission ("NHPUC") Staff ("NH Settlement") relating to retail restructuring in that state. The agreement is pending before the NHPUC and the New Hampshire legislature. Under the NH Settlement, PSNH will divest all of its owned generation (20) and will buy down and divest its Seabrook power contract. NU anticipates that those divestitures will be completed in 2001.

Transmission and Distribution: PSNH owns and operates transmission facilities located in New Hampshire. PSNH's transmission facilities consist of 1,790 line miles of transmission operated at voltages of 345 kV, 230 kV, 115 kV, and 34.5 kV. PSNH's distribution facilities include approximately 6,520 pole miles of overhead lines and 433 circuit miles of underground lines.

5. HWP

HWP is a Massachusetts manufacturing company that owns the Mt. Tom coal-fired electric generating facility (146 MW) and six hydroelectric facilities (43.7 MW). HWP is not a public utility under Massachusetts law,

and it is authorized to make sales to certain specified commercial and industrial customers under negotiated fixed-rate contracts ("HWP Retail Electric Service Agreement"). (21) HWP also supplies certain industrial customers and a municipal customer with electric energy in exchange for certain contractual rights that the customers have to receive water from a canal system owned by HWP ("HWP Water Use Agreements").

6. HP&E

HP&E is a wholly-owned subsidiary of HWP. Since about 1957, for reasons related to financing conditions contained in HWP's corporate charter and bond indenture, ownership of Mt. Tom was vested in HWP, but 100 percent of the plant's output is sold to HP&E under HWP Rate Schedule FPC No. 2 and HP&E Rate Schedule FPC No. 3.

HP&E has no wholesale or retail captive customers, and its power entitlements and HWP's remaining power entitlements had been allocated through the Memorandum of Understanding - Pooling of Generation and Transmission among certain of the NU operating companies dated as of June 1, 1970, and amended as of April 2, 1982, ("NUG&T"). As of January 1, 2000, the NUG&T ceased to allocate generation costs. A transitional mechanism was established for HWP and HP&E to recover the costs of their electric generating assets and entitlements, and to serve retail obligations absent the NUG&T. HWP and HP&E sell the output of their generating assets to Select Energy, Inc. ("Select") at cost-based rates, and Select provides HWP with sufficient power supply for HWP's retail obligations in exchange for the retail revenues less HWP's transmission and distribution costs to serve those customers.

7. NAEC

NAEC, a wholly-owned subsidiary of NU, is a FERC-jurisdictional special purpose operating company that owns a portion of the Seabrook nuclear plant and sells the output to PSNH. NAEC holds an interest in Seabrook and, as such, is a public utility under New Hampshire law.

8. Other NU Subsidiaries

Other NU wholly-owned subsidiaries include: Northeast Utilities Service Company ("NUSCO") (provides administrative services to the NU operating companies and acts as agent for the NU operating companies providing open access transmission service over the transmission facilities of the Operating Companies that are not governed by the Independent System Operator New England, Inc. ("ISO-NE") open access transmission tariff ("OATT")); NAESCO (the operator of the Seabrook nuclear plant and the agent for the plant's joint owners); Northeast Nuclear Energy Company (agent for the joint owners of the Millstone nuclear plant); Charter Oak Energy, Inc. (invests in non-utility projects); and NU Enterprises, Inc. ("NUEI") (holding company for NU's unregulated businesses). (22)

NU also has a 22.66 percent interest in New England Hydro-Transmission Electric Company, Inc. and a 22.66 percent interest in New England Hydro-Transmission Corporation. These companies own the Hydro Quebec intertie (HQII) between New England and Canada. The HQII is operated by New England Hydro-Transmission Electric Company, Inc., a non-affiliate.

In June 1999, NU entered into an agreement to acquire Yankee Energy System, Inc. The merger is expected to become effective as early as the first quarter of 2000. Yankee, through its wholly owned subsidiary, Yankee Gas, is a natural gas distributor that serves 185,000 customers within the service area of CL&P in Connecticut.

C. Status of Retail Competition In Electricity

In each state where CEI's and NU's electric utility subsidiaries distribute electricity, full retail access already is in place or is expected to be in place in, or before, 2001.

New York -- The plans that the NYPS&C approved for Con Edison and Orange and Rockland made retail access available for all Orange and Rockland customers in May 1999, and phased in retail access for Con Edison customers, already available to all residential and small commercial customers and to be made available to all customers by the earlier of December 31, 2001 or 18 months after the New York Independent System Operator, Inc. ("NYISO") is fully operational. To date, 2,000 MW of Con Edison load has been made available for retail choice. An additional 1,000 MW will be made available April 1, 2000.

Pennsylvania -- As of May 1, 1999, electric customers of Pike had full retail access.

New Jersey -- As of December 31, 1999, electric customers of RECO had full retail access.

Connecticut -- Retail access for CL&P customers will be phased in, beginning January 1, 2000, and extended to all retail customers on July 1, 2000.

Massachusetts -- Full retail access for WMECO customers is already in place.

New Hampshire -- A small retail access pilot program for customers of PSNH is currently in place. Full retail access is expected to occur about 60 days after approval of the NH Settlement. This could happen as early as July 2000.

D. Interrelationship of the Applicants' Electric Systems

The NU and CEI operating companies are members of the New England Power Pool ("NEPOOL") and the New York Power Pool ("NYPP") respectively. These are tight power pools in which transmission-owning members have turned over operational control of their transmission facilities to the ISO-NE and the NYISO respectively. NYISO and ISO-NE are contiguous along a 400-mile border and are interconnected by eight separate interties, with aggregate transfer capability of 1,600 MW to 2,300 MW, depending on direction and system conditions. (23) The Applicants are directly interconnected by the 398 Line, owned by CL&P and Con Edison, one of the interties that comprise the NYPP/NEPOOL Interface. The 398 Line operates at 345 kV and has a summer normal rating of 1195 MW. Access to the NYPP/NEPOOL Interface is provided on a non-discriminatory basis under the NYISO and NEPOOL Tariffs administered by NYISO and ISO-NE. (24)

E. Open-Access Transmission

As noted above, the Applicants provide open access transmission service via Commission-approved regional arrangements. Under the NYISO Tariff, transmission service is provided at a single zonal rate equal to the Transmission Service Charge ("TSC") of the NYPP utility on whose system the customer is located or over whose system the energy is exported to another control area. The NEPOOL Tariff administered by ISO-NE provides for Regional Network Service, Internal Point-to-Point Service, and Through and Out Service over Pool Transmission Facilities ("PTF"). Transmission service over non-PTF facilities is provided under the individual OATTs of the NEPOOL members. Accordingly, the Applicants cannot file a single system open access tariff. Applicants have transferred control over access to their bulk transmission systems to the NYISO and ISO-NE respectively. (25) Although the Applicants have no ability to file a single-system tariff, this inability results from their participation in procompetitive regional ISOs under tariff terms that the Commission has reviewed and approved as consistent with the public interest. (26)

The Applicants have observed that in the Energy East Corporation/CMP Group, Inc. merger, the parties propose to waive certain wheeling charges in situations involving point-to-point service on Central Maine Power Company's ("CMP's") non-PTF system in a narrow set of specified transactions. (27) The Applicants do not object to Energy East/CMP's proposal in their case; however, the Applicants are not proposing such a waiver here and believe that it is unnecessary for two reasons.

First, the Commission has already found the existing transmission arrangements in NEPOOL to be appropriate, including the treatment of the non-PTF facilities. (28) As the Commission recognized, these arrangements are the product of two years of intensive negotiations among the NEPOOL stakeholders and reflect a sensitive balance struck as part of regional restructuring. (29) Accordingly, in reviewing the New England Electric System/Eastern Utilities Associates merger, the Commission instructed the merging parties to devise a mechanism that would maintain the transmission rate arrangements in NEPOOL. (30)

Second, more recently in Order No. 2000, the Commission held that coordination to address interregional problems and problems at the "seams" between RTOs should be achieved on a region-to-region basis. (31) The Commission explained that such coordination between RTOs will involve developing interregional standards, potentially including the reciprocal waiver of access charges between RTOs. (32) The Applicants expect to participate fully in resolving "seam" issues as part of the coordination process envisioned in Order No. 2000. The Merger will help make this process a success. The Applicants should not be required here to sacrifice transmission cost recovery as approved by the Commission under regional arrangements found consistent with the public interest. The Commission should approve this Application without requiring any waivers of the transmission charges found appropriate within NYPP and NEPOOL under the

IV. DESCRIPTION OF THE MERGER

As a result of deregulation and other changes, the electric and gas industries are increasingly competitive. Like many other industry participants, CEI and NU have carefully observed these changes to determine how best, as the Commission phrased it in the Merger Policy Statement, to "reposition themselves in response to the emerging competitive business landscape." (33) CEI and NU concluded that the affiliation of their utility operations would substantially improve efficiencies and create synergies that would make them more competitive, to the benefit of the customers that they serve, and accordingly entered into the Merger Agreement. The Boards of Directors of CEI and NU have approved the Merger Agreement. (34) The respective obligations of CEI and NU to effect the Merger are subject to express conditions set forth in the Merger Agreement, including that the parties obtain all necessary regulatory approvals and the approval of the Merger by CEI's and NU's shareholders. Meetings of CEI's and NU's shareholders are expected to take place in the first quarter of 2000. The Merger Agreement provides for the combination to occur through two simultaneous mergers -- the merger of CEI into New CEI, a newly-formed Delaware corporation that will become the ultimate holding company post-merger, and the merger of an indirect wholly-owned subsidiary of CEI with NU. (35) Upon completion, New CEI will own all of the assets of CEI, and NU will be a wholly-owned subsidiary of New CEI. The merged company's name will be Consolidated Edison, Inc. The utility subsidiaries of CEI and NU will retain their individual names and identities and continue to serve their respective service territories.

CEI shareholders will receive one share of New CEI common stock for each CEI common share. NU shareholders will receive payment for each NU common share, calculated from a base amount of \$25.00 for each NU common share, in either cash or New CEI common stock, depending on their election and upon allocation and proration procedures specified in the Merger Agreement. The base amount will be adjusted upward if certain conditions set forth in the Merger Agreement are met.

V. THE MERGER IS CONSISTENT WITH THE PUBLIC INTEREST

Under FPA section 203, "the Commission must approve a proposed merger if it finds that the merger will be consistent with the public interest." (36) In the Merger Policy Statement, the Commission explained that it will generally take account of three factors -- the effect of the merger on competition, rates, and, regulation -- in determining whether a merger is consistent with the public interest. (37) As demonstrated in this Application and supporting materials, the Merger will not adversely affect competition, rates, or regulation. The Commission, therefore, should approve it.

A. The Merger Will Not Adversely Affect Competition

The attached Testimony and Exhibits of Dr. William H. Hieronymus, an economist and Senior Vice-President of PHB Hagler Bailly, Inc., provides a comprehensive competition analysis of the Merger. Dr. Hieronymus conducts his analysis in accordance with the guidelines in the Merger Policy Statement and the pending Merger NOPR. (38) His analysis examines both horizontal and vertical aspects of the Merger and demonstrates that the Merger will have no adverse effects on competition in any relevant market.

1. Horizontal Effects

The horizontal effects of a merger are evaluated via the Herfindahl-Hirschman Index ("HHI") screening analysis specified in Appendix A to the Merger Policy Statement. The Appendix A analysis measures the extent to which a merger changes market concentration in order "to identify proposed mergers that clearly will not harm competition." (39) If the Merger passes the Appendix A HHI screens, there is no need for further analysis. (40)

Because the Applicants have divested the majority of their generation, and because Con Edison and Orange and Rockland are in the NYISO while NU is in ISO-NE, the Merger will not cause any material increase in market concentration. Dr. Hieronymus' analysis covers the year 2000, during which the Applicants expect to consummate the Merger, and 2001, the first full year after projected Merger completion. As demonstrated therein, the Merger readily passes all of the Appendix A screens taking into account only the divestitures that have already occurred. Because the Merger passes all of the Commission's screening criteria, it falls into the category of mergers that plainly will not harm competition and can be approved without the necessity of a hearing.

Three additional factors amplify the conclusion that the Merger

will not adversely affect competition. First, Con Edison is divesting virtually all of its remaining fossil generation located outside of New York City and NU is divesting all of its nuclear generation. (41) Thus, while the Merger has no significant impact on market concentration considering the divestitures that have already occurred, these impending additional divestitures will reduce concentration still further. Second, substantial new entry is occurring, with many thousands of MW of new generation in the process of entering the marketplace. (42) Third, Applicants are full participants in NYISO and ISO-NE and have subscribed to their respective tariffs, thus assuring that transmission services will be provided to all competitors on an appropriate basis.

Dr. Hieronymus defines the relevant product markets as non-firm energy and short-term capacity. These product definitions conform to the Merger Policy Statement and reflect the markets coordinated by the New England and New York ISOs. (43) Dr. Hieronymus defines six relevant geographic markets: (1) the NEPOOL market, defined as the control area of the ISO-NE; (2) the NYPP market, defined as the control area of the NYISO; (3) the East of Total East ("NY-ETE") market, defined as that portion of NYPP located on the eastern side of the Total East interface and related transmission constraints; (4) a New York City ("In-City") market; (5) a LIPA market, defined as LIPA's control area, and (6) the Pennsylvania-New Jersey-Maryland Interconnection ("PJM") market. These geographic market definitions reflect the key transmission interconnections and transmission constraints that affect the Applicants and are consistent with historical trading patterns. (44)

These geographic market definitions are also consistent with Commission precedent. In the Conectiv merger, the Commission found that it was reasonable for applicants to treat an ISO and the portions of the ISO affected by transmission constraints as the relevant destination markets in their Appendix A analysis. The Commission relied on the fact that under a non-pancaked ISO tariff where all customers in a transmission zone pay the same charge, all wholesale customers will face the same supply alternatives except to the degree that significant transmission constraints exist. (45) The Merger NOPR adopts the same principle. (46)

Dr. Hieronymus finds that NEPOOL is an appropriate relevant market because it operates on a unified control area basis under a non-pancaked tariff and is free of systematic transmission constraints. (47) In New York, however, significant transmission constraints exist at certain times on the Total East interface and into New York City and Long Island. As Dr. Hieronymus explains, at times when these constraints are binding, all wholesale buyers located within them have the same power supply alternatives. (48) Therefore, Dr. Hieronymus defines NY-ETE, New York City, and LIPA destination markets, and includes in them only the generation that can be economically delivered within the constraints. (49) The Commission relied on the same market definitions and approach in its decisions authorizing the start of the NYISO and ISO-NE bulk power markets. (50)

Dr. Hieronymus calculated pre- and post-merger HHIs for Economic Capacity and Available Economic Capacity. He analyzed six different time periods. For each of these time periods, he calculated HHIs at representative price levels, and, in workpapers, at levels above and below these prices. (51)

The Merger passes the Commission's screening criteria in every relevant market, in every time period, and at every price level. With respect to Economic Capacity, Dr. Hieronymus' analysis shows that the NYPP and NEPOOL markets are unconcentrated post-merger, with HHIs well below 1,000 in all time periods. (52) Under the Appendix A screen, where the post-merger HHI is below 1,000, the Merger will not adversely affect competition. (53) The NY-ETE Economic Capacity is also generally unconcentrated, with post-merger HHIs below 1,000 in shoulder seasons, and near or just above 1,000 in winter and summer periods. HHI deltas are only 20-40 points, except during the shoulder off-peak period, when the change is 64-66 points. All of these values are well within the 100 point screening threshold even for moderately concentrated markets. (54) Thus, the Merger will pose no competitive problem in the NY-ETE market.

The Merger also readily passes the Appendix A screens in the New York City, LIPA, and PJM markets. NU owns no generation in New York and would have to wheel power over two constrained interfaces to reach the in-City market. The New York City Economic Capacity market is moderately concentrated, with a maximum post-merger HHI of 1209, and HHI changes from 9-30 points -- well below the 100 point screening threshold for such markets. (55) Applicants own no generation in the LIPA market and participate there only minimally, reflecting the weak interconnections into that area. Con Edison's market share is typically 3-5 percent, and NU's share never exceeds 1.5 percent in any period. Although the LIPA market is highly concentrated, the HHI change attributable to the Merger is small and within the

Commission's screening thresholds.(56) In PJM, the Merger also has negligible effects, with HHI changes near zero.(57)

The analysis of Available Economic Capacity likewise shows that the Merger passes the Commission's screens in every market, time period, and price range. As Dr. Hieronymus observes, all of the New York utilities, and almost all of the utilities in NEPOOL and PJM, have implemented, or are in the process of implementing, retail access and divestiture. Thus, his Available Economic Capacity analysis necessarily relies on reasonable estimates as to the pace of retail access penetration and the timing of the remaining divestitures.(58) His analysis shows that, in NEPOOL, the market is unconcentrated, with post-merger HHI deltas of less than 30 points.(59) In the other relevant geographic markets, the HHI change is zero or de minimis. (60) Thus the Available Economic Capacity results confirm that the Merger poses no horizontal competitive concerns.

2. Vertical Effects

The Commission's decisions in Enova (61) and Dominion Resources (62) indicate that a merger may raise vertical concerns if it gives the merged company the ability to manipulate delivered gas supplies and thereby raise rivals' costs or favor its own generation. Dr. Hieronymus analyzes the effect of the Merger on the relevant upstream and downstream markets and finds that it does not raise such concerns.

a. The Applicants' Activities in The Upstream Transportation Markets Give Them No Ability To Exercise Vertical Market Power

Dr. Hieronymus first analyzes the upstream markets for commodity gas supplies and gas transportation. He finds that the Applicants clearly have no market power over sales of commodity gas. (63) The Applicants' role in the commodity market is as buyers, not sellers.

Dr. Hieronymus also finds that the Applicants have no ability to raise rivals' costs via control over upstream gas transportation. (64) The Applicants do not control any gas pipeline facilities. (65) They possess certain firm transportation rights, but Dr. Hieronymus' analysis shows that these rights do not give them any ability to exercise market power. Con Edison (including Orange and Rockland) has only about 8 percent of the firm transportation rights into the Metro New York/southern New England market. Yankee Gas similarly has firm rights to about eight percent of the upstream transportation capacity into the region. (66) Each company uses this capacity to serve the requirements of its LDC retail gas customers. Thus, the Applicants' role in the upstream transportation market is limited, and consists of re-selling any residual transportation capacity at times that it is not needed by their retail gas customers. Their non-dominant market shares and their commitments to their requirements gas customers would ensure that they have no market power. (67)

Moreover, as Dr. Hieronymus points out, the Applicants, as mere rights holders, completely lack the ability to raise the costs of potential rivals. (68) The Applicants cannot withhold capacity or take any of the actions (e.g., curtail service, close windows, or require alternative nomination) that theoretically might be available to a pipeline. (69) Nor, as rights holders, do they receive any competitively-sensitive information about the operations of other generators connected to the pipeline on which they have rights. They also cannot impede entry because they have no control over pipeline expansion.

Finally, Dr. Hieronymus finds that if rights-holders' entitlements are to be considered, the upstream delivered gas market would not be highly concentrated, i.e., the post-merger HHI would be well below 1800. (70) Under the vertical market power screening criteria stated in Dominion Resources, if either the upstream or downstream market is not highly concentrated, this alone establishes the absence of any vertical concerns. (71) Thus, the Merger satisfies the Commission's screening criteria for identifying mergers that do not pose any vertical concerns.

The vertical concerns with upstream transportation that the Commission has identified in some other contexts do not exist in this transaction. The facts of this case are clearly different from those in Enova and Dominion Resources. Those cases involved a firm controlling key pipeline facilities combining with a firm owning significant gas generation in the market served by the pipeline. The Commission's concern was that the merged company would raise rival gas generators' costs by manipulating pipeline service. (72) Here, neither Applicant controls any pipeline facilities or has any market power over upstream transportation, the upstream market is not highly concentrated, and both Applicants have committed to divest most of their generation, including nearly all of their gas generation.

In sum, "the vertical combination of the Applicants' interests in the upstream gas transportation market with their remaining post-divestiture downstream electric generation is unlikely to enhance any incentive they may have to exercise market power." (73)

b. The Merger Will Not Create The Incentive Or Ability To Exercise Market Power Via The Applicants' LDC Activities

The Merger also will not give the Applicants any enhanced ability or incentive to exercise market power by reason of their ownership of local distribution businesses. Both Con Edison and NU (with completion of the Yankee acquisition) will already operate local distribution business that provide service to certain gas generators in New York and New England. The Merger will not change this status. (74)

Yankee Gas serves one 81 MW generator, Montville 5, located in New England. The New England market is unconcentrated and large. Because Yankee Gas serves only a minimal amount of gas-fired generation in the New England market, combining Yankee Gas with the Con Edison family could have no significant effect on the downstream electricity market in New York. (75) Moreover, as Dr. Hieronymus describes, the merged firm has no ability to affect delivered gas prices to Montville 5 via its LDC activities. (76) Yankee can be easily bypassed with a direct interconnect to the Algonquin pipeline, as reflected by the bypass discount Montville 5 currently receives. Similarly, merging the Con Edison/O&R LDC business with NU will not give the merged firm any enhanced ability or incentive to exercise market power in downstream markets in New England. The New England generation market is unconcentrated and would remain so even if downstream HHIs were calculated with the gas-fired generation served by the Applicants' LDC businesses attributed to the merged company. Thus, the Merger would not have any adverse effects on competition in New England even in a worst-case scenario. (77) In fact, as Dr. Hieronymus testifies, all of the large gas-fired generating stations served by Applicants have economic bypass alternatives and benefit from strict regulation of LDC services and terms of access. (78) In short, the Merger plainly does not create or enhance vertical market power.

3. Barriers To Entry

Finally, Dr. Hieronymus finds that the proposed Merger would not create any entry barriers. The Merger does not give the Applicants control over generating sites in the relevant markets or fuel supplies, (79) and the Applicants' ISO participation ensures that they will be unable to use their ownership of transmission to disadvantage competitors.

B. The Merger Will Not Adversely Affect Rates

1. Effect on Wholesale Sales Rates

In the Merger Policy Statement, the Commission explained that, in evaluating the effects that a proposed merger could have on rates, its primary focus is on ratepayer protection. (80) CEI's public utility subsidiaries, Con Edison and Orange and Rockland, do not have the type of wholesale requirements customers that would require ratepayer protections. Con Edison does not provide traditional requirements service to any wholesale customer. Orange and Rockland sells full requirements wholesale power solely to its two wholly-owned public utility subsidiaries, Pike in Pennsylvania and RECO in New Jersey, both of which make only retail sales. In approving the merger between CEI and Orange and Rockland, the Commission held that, due to the nature of Orange and Rockland's wholesale relationship with its utility subsidiaries, Orange and Rockland's plans to divest fully its generation, and the pending availability of retail access in New Jersey and Pennsylvania, the ratepayer protections described in the Merger Policy Statement were not necessary. (81)

The NU operating companies supply wholesale requirements power to various customers. (82) Except for a few minor exceptions, these customers are served under competitively-negotiated power sales agreements that contained fixed rates. Because the rates of each customer will remain fixed under the terms of the existing contracts, the Merger cannot have an adverse rate effect on these customers. (83) Thus, for these customers no additional ratepayer protection is necessary. Nonetheless, the Applicants hereby commit that, for the five-year period following the consummation of the Merger, they will hold harmless all existing wholesale requirements and transmission customers from any merger-related costs to the extent that those costs are not offset by merger-related savings. (84)

PSNH has three wholesale requirements customers whose rates are subject to adjustment by either a fuel and purchased power adjustment clause or a fuel adjustment clause. (85) The first two customers are municipalities in New Hampshire -- the Town of Ashland (Electric Light

Department), which is located in the County of Grafton and the New Hampton Village Precinct, which is located in the County of Belknap. Both municipal customers take service under virtually identical Resale Service Agreements, which are subject to changes pursuant to a fuel and purchased power adjustment clause. The third customer is Citizens Utilities Company, which takes service under a power sales agreement that is subject to a fuel adjustment clause. With respect to those three customers, the Applicants' hold-harmless commitment will ensure that no merger-related costs that are not offset by merger savings will be passed on to them.

In addition, WMECO provides "Border Line" requirements service at wholesale for the benefit of a limited number of retail customers of New York State Electric and Gas Company ("NYSEG") who border WMECO's service territory. The Applicants' hold-harmless commitment will ensure that no merger-related costs that are not offset by merger savings will be passed on to NYSEG.

2. Effect on Wholesale Transmission Rates

The merger will have no adverse effect on wholesale transmission rates. The NU operating companies are members of NEPOOL, and have committed their PTF facilities to the control of ISO-NE, which administers the NEPOOL Tariff. As with other transmission systems in NEPOOL, the NU operating companies also have their own Order No. 888 OATT, which governs transmission service across their non-PTF facilities. In addition, certain grandfathered "Excepted Transactions" are also provided under the local network tariffs. (86)

To ensure that all of the Applicants' transmission customers are insulated from any adverse effects relating to the merger, the Applicants hereby commit that for a period of five years following the consummation of the Merger, they will not seek to include in their transmission revenue requirements under the NYISO and ISO-NE Tariffs, or under NU's individual Order No. 888 OATT, any adverse cost effects attributable to the merger. (87) This commitment fully satisfies the ratepayer protection requirements set forth in the Merger Policy Statement.

Finally, Con Edison has a number of long-term firm transmission contracts that were not made under its OATT, and Orange and Rockland has a non-OATT transmission agreement with NYPA under which Orange and Rockland transmits NYPA hydroelectric power to PSE&G. Con Edison and Orange and Rockland commit that for a period of five years following consummation of the Merger, neither will seek to increase rates under these transmission agreements to recover merger-related costs in excess of merger savings.

C. The Merger Will Not Adversely Effect Regulation

The Commission focuses on two issues in deciding whether a proposed merger would impair effective regulation: (1) whether the merger would shift authority from the Commission to the Securities and Exchange Commission ("SEC"); and (2) whether affected states have the authority to act on the merger. (88) NU currently is a registered holding company regulated by the SEC. Although CEI is currently an exempt holding company under PUHCA section 3(a)(1), New CEI (the post-merger company) will be required to be registered under PUHCA section 5.

In those mergers where the merged company is required to become a registered holding company under PUHCA, FERC has conditioned merger approval on the merged firm's agreement to abide by the Commission's policies with respect to intra-system transactions within the newly-formed holding company structure. The Applicants, therefore, commit that they will follow the Commission's policies regarding the treatment of costs and revenues associated with intra-company services.

As to the issue of whether affected states have the authority to act on the Merger, the Applicants are making appropriate filings with the state public utility commissions in these jurisdictions: Connecticut, Maine, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, and Vermont. Moreover, each state regulatory agency may intervene as of right in this proceeding, and the public utility subsidiaries subject to state regulation will remain so post-merger. Consequently, the Merger will not impair effective regulation.

VI. MERGER ACCOUNTING

The Merger Policy Statement states that "proper accounting treatment is . . . a requirement for all mergers." (89) The Merger will be accounted for as an acquisition of NU by New CEI. It therefore will be recorded using purchase accounting and generally accepted accounting principles. Under the purchase method of accounting, New CEI will add NU's assets to its own at their fair market value, and any premium paid over and

above the fair market value of NU's assets will be reflected as goodwill on New CEI's consolidated balance sheet and must be written off against New CEI's consolidated future earnings. (90)

VII. OTHER FILINGS

In addition to the approval requested from the Commission pursuant to FPA section 203, the Applicants have also filed, or will hereafter file, the following requests for Federal and State regulatory approvals in connection with the Merger:

A. Other Federal Filings

1. SEC

The Applicants must file for approval of the Merger before the SEC pursuant to PUHCA section 9(a)(2). The Applicants expect to file for such approval shortly.

2. Hart-Scott-Rodino

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), the Merger may not be consummated until certain information has been submitted to the DOJ and the FTC and the HSR waiting period has been satisfied. The Applicants will be complying with these requirements.

3. Nuclear Regulatory Commission

Certain of CEI's and NU's utility subsidiaries have ownership interests in, and/or are operating license holders for, nuclear power plants (Indian Point 1 and 2, Millstone 1, 2, and 3, and Seabrook). Because the Merger may constitute an indirect transfer of control of operating licenses, pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, the Applicants are required to seek the prior consent of the Nuclear Regulatory Commission ("NRC") for the transfer of control of these licenses that may result from the merger. The Applicants have applied to the NRC for the necessary approval. A copy of their NRC filing is included in Exhibit G.

B. State Filings

The Applicants have made filings related to the Merger before state regulatory bodies in Connecticut, Massachusetts, and New York. Copies of such filings are included in Exhibit G. The Applicants expect to make filings in other relevant state jurisdictions shortly. They will serve the Commission with copies of these filings after they are made.

VIII. INFORMATION SUBMITTED UNDER THE ACQUISITION AND MERGER FILING REQUIREMENTS OF 18 C.F.R. SECTION 33.2

A. Section 33.2(a)

The exact name and address of the principal business office of the Applicants.

Consolidated Edison, Inc.
4 Irving Place
New York, New York 10003

Northeast Utilities
107 Selden Street
Berlin, CT 06037

B. Section 33.2(b)

Name and address of the persons authorized to receive notices and communications with respect to the application.

For CEI:

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The Applicants request that the names of these persons be placed upon the official service list compiled by the Secretary of the Commission in this proceeding.

C. Section 33.2(c)
Designation of the territories served, by counties and states.
This information is contained in Section III of this Application.

D. Section 33.2(d)

A general statement briefly describing the facilities owned or operated for transmission of electric energy in interstate commerce or the sale of electric at wholesale in interstate commerce.
This information is contained in Section III of this Application.

E. Section 33.2(e)

Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for purchase or acquisition of securities of a public utility, also a description of the consideration, if any, and the method of arriving at the amount thereof.

The Merger involves the acquisition by New CEI of NU for the consideration described in Section IV of this Application.

F. Section 33.2(f)

A statement of facilities to be disposed of, consolidated, or merged, giving a description of their present use and of their proposed use after disposition, consolidation, or merger. State whether the proposed disposition of facilities or plan for consolidation or merger includes all the operating facilities of the parties to the transaction.

A description of the facilities to be merged is set forth in Section III of this Application. As a result of the Merger, NU will become a wholly-owned subsidiary of New CEI. The Merger includes all of the operating facilities of NU. All jurisdictional facilities shall be operated after the consummation of the Merger in substantially the same manner as they currently are operated.

G. Section 33.2(g)

A statement (in the form prescribed by the Commission's Uniform System of Accounts for Public Utilities and Licensees) of the cost of the facilities involved in the sale, lease, or other disposition or merger or consolidation. If original cost is not known, an estimate of original cost based, insofar as possible, upon records or data of the applicant or its predecessors must be furnished, together with a full explanation of the manner in which such estimate has been made, and a description and statement of the present custody of all existing pertinent data and records.

The costs of the facilities involved in the Merger are set forth in the financial statements attached hereto as Exhibit C in accordance with section 33.3 of the Commission's regulations.

H. Section 33.2(h)

A statement as to the effect of proposed transaction upon any contract for the purchase, sale, or interchange of electric energy. The Merger will have no material effect upon any contract of the Applicants for the purchase, sale, or interchange of electric energy.

I. Section 33.2(i)

A statement as to whether or not any application with respect to the transaction or any part thereof is required to be filed with any other Federal or State regulatory body. The other federal and state filings required in connection with the Merger are set forth in Section VII of this Application.

J. Section 33.2(j)

The facts relied upon by the applicants to show that the proposed disposition, merger, or consolidation of facilities or acquisition of securities will be consistent with the public interest.

The facts relied upon by the Applicants to show that the Merger will be consistent with the public interest are set forth in this Application and the related testimony and exhibits herewith submitted.

K. Section 33.2(k)

A brief statement of franchises held, showing date of expiration if not perpetual.

The Applicants submit that they possess franchises, consents, or other rights necessary for the provision of electric, gas, or steam service in the respective service territories of their utility subsidiaries. A brief statement of the franchises held is contained in Attachment 3 to this Application.

L. Section 33.2(l)

Form of notice.

A form of notice suitable for publication in the Federal Register that briefly summarizes the facts contained in this Application is included in Attachment 4 to this Application. An electronic version of the notice is also submitted herewith on a 3 1/2" diskette, in WordPerfect 5.1 for DOS.

IX. REQUIRED EXHIBITS UNDER 18 C.F.R. SECTION 33.3

The exhibits required pursuant to section 33.3 of the Commission's regulations are included with this filing as Exhibits A through I.

X. PROCEDURAL MATTERS

A. Request For Approval Without Hearing

The Applicants respectfully request that the Commission approve the Merger without a hearing on the basis of the facts and analyses set forth in this Application and supporting testimony and exhibits, which demonstrate that the Merger will not have an adverse effect on competition, rates, or regulation.

B. Closing Date

The Merger is scheduled to close on or before July 20, 2000. The Applicants shall advise the Commission of the actual closing date promptly upon its occurrence.

XI. CONCLUSION

For the reasons set forth in this Application and the supporting testimony and exhibits, the Applicants respectfully request that the Commission:

1. Find that the Merger will not have a potential adverse effect on competition, rates, or regulation, and that this filing with the Commission satisfies all applicable requirements for authorization of the Merger under section 203 of the Federal Power Act and part 33 of the Commission's regulations;

2. Approve the Merger and grant any and all other authorizations or approvals incidental thereto that may be required;

3. Issue such approvals and related authorizations based on the Application and supporting materials, without hearing; and

4. Waive any filing requirement or other regulation as the Commission may find necessary or appropriate to allow this Application to be accepted for filing and granted.

Respectfully submitted,

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January 14, 2000

Footnotes

(1) 16 U.S.C. Section 824b (1994).

(2) 18 C.F.R. Section 33 (1999).

(3) The utility subsidiaries of CEI are Consolidated Edison Company of New York, Inc. ("Con Edison"), Orange and Rockland Utilities, Inc. ("Orange and Rockland"), Rockland Electric Company ("RECO"), and Pike County Light & Power Company ("Pike"). The utility subsidiaries of NU are The Connecticut Light and Power Company ("CL&P"), Western Massachusetts Electric Company ("WMECO"), Holyoke Water Power Company ("HWP"), Holyoke Power and Electric Company ("HPE"), Public Service Company of New Hampshire ("PSNH"), North Atlantic Energy Corporation ("NAEC"), and North Atlantic Energy Service Company ("NAESCO").

(4) Under Commission precedent, a merger of two holding companies that own public utility subsidiaries requires the Commission's prior approval under FPA section 203 because the merger would result in a transfer of control of public utility jurisdictional facilities. Enova Corp. and Pacific Enterprises, 79 FERC 61,107 at 61,448 (1997); see also Central Vermont Public Service Corp., 39 FERC 61,295 at 61,960 (1987) ("transfer of ownership and control of jurisdictional facilities, through a transfer of a public utility's common stock from existing shareholders to a newly created holding company, constitutes a disposition of jurisdictional facilities requiring prior Commission approval under Section 203.").

(5) Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement, Order No. 592, 61 Fed. Reg. 68,595 (1996), III FERC Stats. & Regs., Regs. Preambles 31,044 (1996), order on reconsideration, Order No. 592-A, 62 Fed. Reg. 33,341 (1997), 79 FERC 61,321 (1997) ("Merger Policy Statement").

(6) In the Merger Policy Statement, the Commission states its intention to rule upon complete merger applications within 60-90 days after the comment period closes. *Id.* at 30,127. The Applicants plan to consummate the Merger on July 20, 2000. To meet this date, the Applicants need the Commission to act by no later than its Open Meeting date of June 14, 2000 (i.e., approximately 150 days from the date of this filing) because the SEC, which also has to approve the Merger, will not issue its approval until it has had the opportunity to study the Commission's decision.

(7) *Id.* at 30,119.

(8) Conversely, the generation served by Con Edison's and Orange and Rockland's LDC entities in New York is completely insignificant in the highly competitive downstream markets in New England. Moreover, such gas generators

have retail choice and economic bypass opportunities.

(9) Merger Policy Statement at 30,125.

(10) Consolidated Edison Co. of New York, Inc. and Orange and Rockland Utils., Inc., 86 FERC 61,064 (1999).

(11) Con Edison has two wholly-owned subsidiaries that own real property in New York State. Con Edison also owns a 28.8 percent interest in Honeoye Storage Corporation, which owns and operates a gas storage facility in western New York.

(12) The NYPSC approved Con Edison's electric generation divestiture plan in orders issued July 21 and August 5, 1998. Under the Plan, Con Edison auctioned off its In-City electric system generation in three bundles: 1,456 MW consisting of the Arthur Kill generating station and Astoria gas turbines ("Arthur Kill bundle"); 2,168 MW consisting of the Ravenswood generating station and gas turbines ("Ravenswood bundle"); and 1,855 MW consisting of the Astoria generating station plus the Gowanus and Narrows turbines ("Astoria bundle").

(13) This consists of the Indian Point 2 nuclear plant (931 MW), steam system cogeneration units (463 MW), and small gas and combustion turbines (91 MW, summer).

(14) Con Edison also currently has certain non-utility generation ("NUG") contracts (2,071 MW) and power purchase contracts (525 MW). Additionally, Con Edison has transition contracts to purchase the capacity of the divested plants (but no energy) until the ISO commences a capacity market, scheduled to begin in May 2000.

(15) Orange and Rockland and RECO have certain non-utility subsidiaries.

(16) The NYPSC approved Orange and Rockland's divestiture plan on April 16, 1998. Orange and Rockland sold its generation in four bundles -- one covering its Lovett station, one for the Bowline Point station (including Con Edison's share), one for its hydroelectric facilities, and one for its gas turbines.

(17) Specifically, Orange and Rockland has contracts for 25 MW from New York Power Authority's ("NYPA's") Blenheim-Gilboa pumped storage facility, and for 400 MW of capacity from Public Service Electric and Gas Company ("PSE&G"). The PSE&G contract expires on October 31, 2000. In addition, Orange and Rockland has a contract with Southern Energy for 600 MW for the summer 2000 capability period. This contract expires on October 31, 2000. However, the energy component of the contract ends on April 30, 2000.

(18) CL&P wholly owns several non-utility subsidiaries, most of which are inactive.

(19) Under comprehensive electric utility restructuring legislation enacted in Massachusetts in November 1997, WMECO is required to maximize the mitigation of transition costs that it otherwise is entitled to recover from customers, in part by divesting generation assets and applying the net proceeds against transition costs. Pursuant to this legislation, WMECO has auctioned off its generation as follows: 290 MW of hydroelectric and fossil-fired generating assets to CEEMI, a Con Edison affiliate; and 272 MW of hydroelectric generating assets to NGC.

(20) PSNH has retained the option to bid on its non-nuclear assets.

(21) HWP does not have an exclusive franchise and its customers may choose alternative suppliers.

(22) NUEI has the following subsidiaries: HEC, Inc. ("HEC") (provides energy management, demand-side management, and related consulting services for governmental, commercial, industrial, and institutional companies); Mode I Communications, Inc. (holds interest in fiber-optic communications network company); NGC (acquires and holds non-nuclear generation assets); Northeast Generation Services Company, (provides operations and management services to power generators and commercial and industrial customers); Select (provides retail and wholesale energy services and power marketing); and Select Energy Portland Pipeline, Inc. (has a five percent interest in Portland Natural Gas Transmission System ("PNGTS")).

(23) These interties, collectively known as the NYPP/NEPOOL Interface, consist of: (1) a 345 kV intertie between CL&P in NEPOOL and Con Edison (known as the 398 line) in NYPP; (2) a 345 kV intertie between WMECO in NEPOOL and Niagara Mohawk in NYPP; (3) a 230 kV intertie between the New

England Electric System in NEPOOL and Niagara Mohawk Power Corporation ("Niagara Mohawk") in NYPP; (4) a 115 kV intertie between Vermont Electric Power Company ("Vermont Electric") in NEPOOL and NYPA in NYPP; (5) a 115 kV intertie between Vermont Electric in NEPOOL and Niagara Mohawk in NYPP; (6) a second 115 kV intertie between Vermont Electric in NEPOOL and Niagara Mohawk in NYPP; (7) a 69 kV intertie between CL&P in NEPOOL and Central Hudson in NYPP; and (8) a 138 kV intertie between CL&P in NEPOOL and Long Island Power Authority ("LIPA") in NYPP.

(24) Pursuant to the NEPOOL Tariff, NUSCO, as agent of the NU operating companies, has obtained a reservation for 500 MW of inbound transmission capacity from NYPP to NEPOOL until March 1, 2000, and has filed an extension -- until March 1, 2001 -- with the ISO-NE. NU is expected to continue to possess significant provider-of-last-resort obligations during this period as well as wholesale power obligations. The Applicants' Appendix A analysis imputes this 500 MW of capacity to the merged company even though NU has not identified the suppliers that it will contract with over this capacity and even though Con Edison will not own sufficient economic capacity to utilize this capacity should Con Edison sell Indian Point 2. The Merger passes all of the Appendix A screening criteria even with this conservative treatment. Prepared Direct Testimony of William H. Hieronymus ("APP-1") at 53-55, 63-65.

(25) The Commission has made it clear that the ISOs are responsible for any modifications to their tariffs. See, e.g., Regional Transmission Organizations, Order No. 2000, 89 FERC 61,285 (1999) ("Order No. 2000"), mimeo at 324, 330. The only way for the Applicants to submit a single-system tariff would be for them to withdraw their transmission facilities from the operational control of the NYISO and ISO-NE.

(26) Central Hudson Gas & Elec. Corp., 83 FERC 61,352 (1998), order on reh'g, 87 FERC 61,135 (1999); New England Power Pool, 79 FERC 61,374 (1997), order on reh'g, 85 FERC 61,242 (1998).

(27) See Section 203 Joint Application of Energy East Corporation and CMP Group, Inc. for Authorization and Approval of their Proposed Merger and the Resulting Disposition of Jurisdictional Facilities, Docket No. EC00-1-000 at 17-19 (Oct. 1, 1999).

(28) New England Power Pool, 83 FERC 61,045 at 61,241 (1998).

(29) Id. at 61,226.

(30) New England Power Co., 88 FERC 61,292 at 61,889 (1999).

(31) Order No. 2000, mimeo at 494-97.

(32) Indeed, the Commission stated that it encourages the reciprocal waivers of transmission access charges between RTOs only if they are reasonable in terms of cost recovery, cost shifting, efficiency, and discrimination. Id. at 519.

(33) Merger Policy Statement at 30,111.

(34) The Board resolutions approving the Merger are contained in Exhibit A to this filing. The Agreement and Plan of Merger among Consolidated Edison, Inc., Northeast Utilities, CWB Holdings, Inc., and N Acquisition LLC entered into on October 13, 1999 ("Merger Agreement"), is contained in Exhibit H. The Merger Agreement was amended and restated as of January 11, 2000, and is currently being executed. The Applicants will provide the Commission with the Amended and Restated Merger Agreement after executed copies become available.

(35) Pre-and post-merger corporate organization charts are contained in Attachment 1 to this Application.

(36) Consolidated Edison, 86 FERC at 61,244.

(37) Merger Policy Statement at 30,111.

(38) Revised Filing Requirements Under Part 33 of the Commission's Regulations, 63 Fed. Reg. 20,340 (1998), IV FERC Stats. and Regs., Proposed Regs. 32,528 (1998) ("Merger NOPR").

(39) Merger Policy Statement at 30,111, 30,117-19.

(40) Id. at 30,119-20.

(41) In addition, as noted earlier, Con Edison has announced that it is exploring alternatives to its continued ownership and operation of the Indian Point 2 nuclear unit.

- (42) APP-1 at 29-30.
- (43) Merger Policy Statement at 30,130; New England Power Pool, 85 FERC 61,379 (1998); Central Hudson Gas & Elec. Corp., 86 FERC 61,062 (1999).
- (44) APP-1 at 5-7.
- (45) Atlantic City Elec. Co., 80 FERC 61,126 at 61,407 (1997).
- (46) Merger NOPR at 33,367.
- (47) APP-1 at 37-38.
- (48) Id. at 38-40, 41.
- (49) Id. As Dr. Hieronymus explains, the key transmission constraints cut through the historic service areas of several New York utilities, leaving some parts on one side of the constraints and some on the other. Id. at 41.
- (50) New England Power Pool, 85 FERC at 62,477; Central Hudson Gas & Elec. Corp., 86 FERC at 61,233.
- (51) APP-1 at 57.
- (52) APP-1 at 63; APP-12 at 1; APP-13 at 1.
- (53) Merger Policy Statement at 30,129.
- (54) APP-1 at 63-64; APP-12 at 1; APP-13 at 1.
- (55) APP-1 at 64-65. Dr. Hieronymus also finds that the Merger will have no adverse effect on the in-City market during stormwatch conditions. Indeed, NU owns no generation that could be called on in such conditions. Id. at 66.
- (56) Id. at 66-67; APP-12 at 2. The HHI deltas are less than 10 points, except during very low price levels during off-peak periods when the deltas are only 11-31 points. APP-12 at 2.
- (57) APP-1 at 67; APP-12 at 2; APP-13 at 2.
- (58) APP-1 at 69-71.
- (59) APP-1 at 73; APP-14 at 1; APP-15 at 1.
- (60) See APP-14, APP-15.
- (61) San Diego Gas & Elec. Co. and Enova Energy, Inc. ("Enova"), 79 FERC 61,372 at 62,560-63 (1997), reh'g denied, 85 FERC 61,037 (1998).
- (62) Dominion Resources, Inc. and Consolidated Natural Gas Co., 89 FERC 61,162 at 61,477-78 (1999).
- (63) APP-1 at 81.
- (64) Id. at 82-88.
- (65) Con Edison owns no portion of any gas transmission system. NU owns a non-controlling, five percent share in PNGTS, which is the smallest share of the seven participants in that project. Id. at 83-84.
- (66) Id. at 84-85.
- (67) Id. at 84-85.
- (68) Id. at 84.
- (69) Id. at 85-86. The Applicants cannot withhold the pipeline capacity represented by their contractual entitlements. Any capacity that the Applicants do not use simply reverts to the pipeline operator as interruptible capacity for sales to others or must be released under Commission Order No. 636. Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation; and Regulation of Natural Gas Pipelines After Wellhead Decontrol, 57 Fed. Reg. 13,267 (1992), FERC Stats. & Regs., Regs. Preambles 1991-1996 30,939 at 30,416 (1992).
- (70) APP-1 at 86; APP-19.
- (71) Dominion Resources, 89 FERC at 61,481; APP-1 at 87.
- (72) Dominion Resources, 89 FERC at 61,477; Enova, 79 FERC at 62,560-

(73) Consolidated Edison, 86 FERC at 61,247.

(74) Moreover, neither Applicant's LDC delivers or transports gas to the area where the other Applicant's generating facilities are located. Thus, there is no potential for the LDCs to favor the generation that they become affiliated with through the Merger -- they do not serve such generation. APP-1 at 9-10.

(75) APP-1 at 92. Montville 5 is only one of a very large number of generators in New England that must compete for access across the constrained NEPOOL-NYPP and NY-ETE interfaces.

(76) Id. at 90.

(77) Id. at 91-92.

(78) Id. at 94.

(79) Id. at 75-77.

(80) Merger Policy Statement at 30,123. The Commission is concerned with sales priced on a cost-of-service basis. The Commission has explained that ratepayer protection concerns are not applicable to customers paying market-based rates. See, e.g., Destec Energy, Inc. and NGC Corp., 79 FERC 61,373 at 62,574-75 (1997); Enron Corp., 78 FERC 61,179 at 61,737 (1997).

(81) Consolidated Edison, 86 FERC 61,064 at 61,247-48.

(82) Wholesale requirements customers of the NU operating companies are listed in Attachment 2 to this Application.

(83) See, e.g., BEC Energy and Commonwealth Energy System, 88 FERC 61,002 (1999). In the Merger Policy Statement, the Commission stated that fixed rates are among the acceptable ratepayer protection mechanisms, and customers served under fixed rate contracts are held harmless from any adverse rate effect due to a merger. Merger Policy Statement at 30,124.

(84) As noted, this hold-harmless commitment is unnecessary and even redundant with respect to those customers taking service under negotiated, fixed rate contracts given that they are already fully protected under the terms of their contracts.

(85) PSNH had an Amended and Restated Agreement for Partial Requirements Resale Service ("APRA") with the New Hampshire Electric Cooperative, Inc. ("NHEC"). However, pursuant to a settlement agreement between PSNH and NHEC, the APRA terminated as of January 1, 2000. The Commission approved this settlement agreement in a Letter Order issued on December 23, 1999 in Docket No. EL96-53-005.

(86) During the transition period established for the NEPOOL restructuring, customers connected to PTF will pay rates under both the ISO-NE Tariff and the applicable local network tariffs, such as the NU operating companies' OATT. Ultimately, when the transition period has concluded and all Excepted Transactions have terminated, all transmission service over PTF will be provided at rates set forth in the ISO-NE Tariff, and all service over non-PTF will be provided at rates set forth in local network tariffs. New England Power Pool, 83 FERC at 61,238-39.

(87) The Commission has held that such hold-harmless provisions are adequate to protect transmission customers from any adverse effect of the merger upon rates. See, e.g., BEC Energy, 88 FERC at 61,007-08.

(88) Merger Policy Statement at 30,124-25.

(89) Merger Policy Statement at 30,126 (footnote omitted).

(90) Con Edison and NU will each record as a regulatory asset in FERC Account 186 the respective costs that they incur to achieve the Merger. Assuming that the Merger is approved, such costs will be amortized over periods to be determined by state regulators. The amortization of the regulatory asset will be a charge to Miscellaneous General Expenses (FERC Account 930.2). Exhibits C, E, and F to the Application, which include pro forma balance sheets of CEI and NU, also illustrate the accounting treatment of the costs of the Merger.

Due to the effects of the "push-down" accounting method, the current retained earnings of the NU operating companies will be recharacterized as additional paid-in capital and the pre-merger balances in their retained earnings accounts, the traditional source of dividend payments, will be

eliminated once the merger has closed. In addition, amortization of the acquisition premium created by the Merger will effectively reduce net income and future earnings, and thus possibly limit or preclude future payment of dividends. Accordingly, the NU operating companies shortly will file a request with the Commission for authorization to pay dividends out of paid-in capital and to calculate future earnings available for the payment of dividends without regard to the amortization of the acquisition premium. The Commission recently granted such a request. New England Power Co. and Montaup Elec. Co., 89 FERC 61,266 (Dec. 15, 1999).

EXHIBIT D.3.1

Dennis L. Keschl, Administrative Director
Maine Public Utilities Commission
242 State Street
State House Station 18
Augusta, ME 04333-0018

Dear Mr. Keschl:

I write on behalf of Public Service Company of New Hampshire ("PSNH") to request an exemption, pursuant to Section 708(2)(A), from the approval requirements for a reorganization that will occur upon the acquisition by merger of PSNH's parent, Northeast Utilities ("NU"), by Consolidated Edison, Inc. ("CEI"). The merger transaction is described in detail in Attachment A, which is a copy of the text of the Joint Petition seeking approval of this merger by the New Hampshire Public Utilities Commission.

This Commission has historically granted exemptions to PSNH for various reorganizations and the issuance of securities. Recent examples include Docket No. 90-093, the proceeding involving PSNH's bankruptcy Plan of Reorganization, and Docket No. 98-182, wherein the Commission by Order dated March 31, 1998 exempted PSNH from the approval requirements of Section 708, 901 and 1101 for any "issuance of securities, including the granting of any mortgage on or security interest in PSNH's properties in Maine or elsewhere...so long as PSNH is incorporated under the laws of a state other than the State of Maine and the issuance is approved by the agency regulating public utilities in that state." Exemptions from the Section 708 approval requirements are particularly appropriate in the case of PSNH, because the company's contacts with the State of Maine are extremely limited. PSNH does not provide retail electric service to any customers in Maine. While PSNH does own and operate certain properties in Maine, but it receives no compensation in Maine from retail electric sales or as a result of the properties which it owns in this state. PSNH is incorporated in New Hampshire, and the acquisition by merger of NU and CEI will be reviewed by the New Hampshire Public Utilities Commission, as well as other regulatory agencies including the New York State Public Service Commission and the Federal Energy Regulatory Commission. Simply put, there are no ratepayers in Maine that could possibly be adversely affected by a Section 708 reorganization at the Company's parent's level, and this transaction should accordingly be exempted from those approval requirements.

For the reasons set forth above, PSNH requests that the Commission issue an order, if at all possible by March 31, 2000, as follows:

The acquisition by merger of Public Service Company of New Hampshire's parent, Northeast Utilities, by Consolidated Edison, Inc. shall not require approval of this Commission under 35-A M.R.S.A. Section 708 or otherwise so long as the transaction is approved by the agency regulating public utilities in the state in which Public Service Company of New Hampshire is incorporated.

In the alternative, PSNH requests approval of the transaction under Section 708.

I appreciate the Commission's attention to this request. If you need further information, please do not hesitate to contact me.

Sincerely,

/s/Jerrold A. Crouter

cc: Catherine E. Shively, Esq.
Public Advocate

E-mail: jcrouter@dwmlaw.com

EXHIBIT D.3.2N - MAINE ORDER

PUBLIC SERVICE COMPANY OF ORDER
NEW HAMPSHIRE ET AL.
Request For Exemption of Chapter
708(2) (A)

WELCH, Chairman; NUGENT, and DIAMOND Commissioners

1. SUMMARY

In this Order we approve the merger of Northeast Utilities, parent company of Public Service of New Hampshire (PSNH) with Consolidated Edison, Inc., on the condition that the New Hampshire Public Utilities Commission and the Federal Energy Regulatory Commission approve the merger.

II. DISCUSSION and DECISION

On January 19, 2000, PSNH asked the Commission to issue an order finding that the acquisition by merger of PSNH's parent, Northeast Utilities, by Consolidated Edison, Inc. does not require approval under 35-A M.R.S.A. Section 708, as long as the New Hampshire Public Utilities Commission approves the merger. In the alternative, PSNH requests approval of the merger under 35-A M.R.S.A. Section 708. PSNH makes this request because it owns property in Maine, which is defined as "transmission and distribution plant" under 35-A M.R.S.A. Section 102(20-A). This primarily consists of transmission lines (see letter attached as Attachment 1 to this Order).¹ As an owner of transmission and distribution plant within Maine, PSNH is a public utility subject to the requirements of Title 35-A, including the reorganization statute, section 708.

The Commission may approve a reorganization of a Maine utility if "the reorganization is consistent with the interests of the utility's ratepayers and investors." Also in approving any reorganization, the Commission must assure that "the ability of the utility to provide safe, reasonable and adequate service is not impaired." 35-A M.R.S.A. Section 708(2) (A) (4).

PSNH's contacts with the state of Maine are extremely limited. While it owns and operates certain transmission and distribution plant in Maine, it does not provide retail service to any customers in Maine nor does it receive any compensation in Maine as a result of the properties it owns in Maine. Our primary interest is in assuring that PSNH maintains its T&D plant in Maine in a safe and reasonable manner.

Because PSNH's contacts are so limited, we believe we can adequately discharge our responsibilities under section 708 by approving the merger upon the condition that the merger be approved by the New Hampshire Public Utilities Commission and the Federal Energy Regulatory Commission. The merged utility will continue to be responsible for managing its T&D plant in Maine in a safe and reasonable manner and in accordance with the National Electric Safety Code, as required by 35-A M.R.S.A. Section 2305-A(2).

Accordingly, we approve the merger of Northeast Utility with Consolidated Edison, Inc. on the condition that the merger is approved by the New Hampshire Public Utilities Commission and Federal Energy Regulatory Commission, as described in this Order.

Dated at Augusta, Maine, this 17th day of March, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent
Diamond

5 M.R.S.A. Section 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1 . Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. Section 1320 (1)-(4) and the Maine Rules of Civil Procedure, Rule 73 et seq.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. Section 1320 (5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.

1 The various generating facilities owned by PSNH in Maine are no longer electric plant subject to our jurisdiction. See 35-A M.R.S.A. Section 102(6-A).

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No: DE-00-

Public Service Company of New Hampshire
North Atlantic Energy Corporation
North Atlantic Energy Service Corporation
Northeast Utilities
Consolidated Edison, Inc.

Joint Petition of Public Service Company of New Hampshire, North Atlantic
Energy Corporation, North Atlantic Energy Service Corporation,
Northeast Utilities and Consolidated Edison, Inc.
For Approval of Merger

January 18, 2000

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DE-00-

Re: Public Service Company of New Hampshire, North Atlantic Energy
Corporation, North Atlantic Energy Service Corporation, Northeast Utilities
and Consolidated Edison, Inc.

Joint Petition for Approval of Merger

Public Service Company of New Hampshire ("PSNH"), North Atlantic Energy Corporation ("NAEC"), North Atlantic Energy Service Corporation ("NAESCO"), Northeast Utilities ("NU") and Consolidated Edison, Inc. ("CEI") (together, the "Joint Petitioners") hereby submit this petition requesting that the New Hampshire Public Utilities Commission (the "Commission"), pursuant to the provisions of RSA 369:8 and RSA Chapter 374, and any other applicable statutes, approve the acquisition by CEI of NU, the parent company of PSNH, NAEC and NAESCO, which will be accomplished through a merger as described herein. As a result of these transactions, NU will become a direct, wholly-owned subsidiary of a newly formed public utility holding company ("New CEI"). New CEI's outstanding shares of common stock will be wholly owned by the holders of CEI and NU common shares. PSNH, NAEC and NAESCO will continue to be wholly-owned subsidiaries of NU. The transactions described above collectively constitute the merger referenced in this petition.

As described below, and as supported in detail by the prefiled written testimony of Michael G. Morris and Hyman Schoenblum submitted on behalf of the Joint Petitioners, the merger described above will not adversely affect the rates, terms, service or operation of PSNH, NAEC and NAESCO, will result in "no net harm" to the customers of PSNH, NAEC and NAESCO, and therefore, the proposed transaction is lawful, proper and in the public interest, and meets the public-interest standard embodied in RSA 369:8 and RSA Chapter 374, including but not limited to RSA 374:33, and any other applicable statutes.

In support thereof, the Joint Petitioners state the following:

1. PSNH, NAEC and NAESCO are New Hampshire public utility corporations with a principal place of business in Manchester, New Hampshire. NU is the owner of 100 percent of the common stock of PSNH, NAEC and NAESCO.

2. NU, a Massachusetts business trust headquartered in Berlin, Connecticut, is the parent company of the Northeast Utilities system (the "NU System") and a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA"). The NU System currently serves approximately 30 percent of New England's electric needs, with approximately 1.7 million utility customers.

3. The legal name and principal place of business of CEI is:

Consolidated Edison, Inc.
4 Irving Place
New York, New York 10003

CEI, incorporated in New York in 1997, is the public utility holding company for Consolidated Edison Company of New York, Inc. ("CECONY") and Orange and Rockland Utilities, Inc. ("O&R"), both of which are regulated utilities. CECONY and O&R, which are described more fully below, serve three million electric customers in New York, New Jersey and Pennsylvania and one million gas customers in New York and Pennsylvania. CECONY also serves approximately 2,000 steam customers in Manhattan. The franchise territory of CEI subsidiaries is shown in Exhibit 1.

CEI also has four non-utility subsidiaries which provide electric and gas supply services, invest in energy infrastructure projects, market technical services and develop and manage infrastructure for a communications business. CEI has no employees and no significant business operations other than through its regulated and non-regulated subsidiaries. For the twelve months ending September 30, 1999, CEI had approximately \$7.2 billion in consolidated operating revenues.

CEI's Regulated Utility Subsidiaries

CECONY, incorporated in New York State in 1884, provides electric service to over 3 million customers and gas service to over 1 million customers in New York City and Westchester County, as well as steam service to parts of New York City. CECONY's principal place of business is in New York City and it has approximately 14,200 employees. CECONY is regulated by the New York State Public Service Commission ("NYSPSC").

For 1998, which was prior to the closing of CEI's acquisition of O&R, substantially all of CEI's operating revenues, operating income, net income and total assets were those of CECONY. CECONY's 1998 operating revenues were approximately \$7.0 billion, of which \$5.0 billion were electric operating revenues, \$1.0 billion were gas operating revenues and \$322 million were steam operating revenues. In 1998, CECONY had \$5.7 billion in electric sales, of which 36.5 percent was to residential customers, 62 percent was to commercial customers and industrial customers and the balance to railroads and public authorities.

As of December 31, 1998, CECONY's electric transmission system had approximately 432 miles of overhead circuits operating at 138, 230, 345 and 500 kV; approximately 381 miles of underground circuits operating at 138 and 345 kV; 267 miles of radial sub-transmission circuits operating at 138 kV; and 14 transmission substations supplied by circuits operated at 69 kV and above with a total transformer capacity of 15,731 megavolt amperes. These transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. CECONY has transmission interconnections with Niagara Mohawk, Central Hudson, O&R, New York State Electric and Gas Corporation, Connecticut Light and Power Company, Long Island Lighting Company, the New York Power Authority and Public Service Electric and Gas Company. CECONY's electric distribution system includes 290 distribution substations in New York City and Westchester County, New York, with a transformer capacity of 20,168 megavolt amperes, 32,429 miles of overhead distribution lines and 87,910 miles of underground distribution lines.

At the beginning of 2000, CECONY will have approximately 1,500 MW of generating capacity it owns and operates, 462 MW of entitlements to jointly owned units, 2,090 MW of non-utility generation ("NUG") contracts and 550 MW of other contracts. The owned capacity includes the 931 MW Indian Point Unit 2 ("IP2") nuclear generating station located in Westchester County. In December 1999, CECONY announced that it was pursuing operating and ownership alternatives for IP2. The balance of CECONY's owned capacity includes approximately 460 MW that produces both electricity and steam for its steam distribution system in Manhattan and some small combustion turbines located in various facilities in New York City. CECONY has agreed in principle to sell its share of the Roseton Generating Station, which it jointly owns with Niagara Mohawk Power Company ("NiMo") and Central Hudson Gas and Electric Corporation ("CHG&E"), as part of CHG&E's divestiture, which is

required to be completed by June 2001. This sale will reduce CECONY's capacity, including NUG's, by 462 MW to 4,140 MW.

CECONY's natural gas distribution system includes approximately 4,200 miles of mains and 362,300 service lines. CECONY owns a natural gas liquification facility and storage tank at its Astoria property in Queens. This plant can store approximately 1,000 mdth, of which a maximum of about 250 mdth can be withdrawn per day. CECONY has an additional 1,230 mdth of natural gas storage capacity at a field in upstate New York owned and operated by Honeoye Storage Corporation, in which CECONY has a 28.8 percent ownership interest.

CECONY also generates steam for distribution at three steam/electric generating stations and five steam-only generating stations. Steam is distributed to customers through approximately 86 miles of mains and 18 miles of pipelines.(1)

(1) CECONY has two wholly-owned subsidiaries: Davids Island Development Corporation ("Davids Island") and D.C.K. Management Corporation ("DCK"). Davids Island owns real property acquired as a possible site for an electric generating plant in Dutchess and Columbia Counties in New York State, which it is in the process of disposing. DCK owns real property in New York City.

O&R and Its Subsidiaries

In July 1999, CEI completed its acquisition of O&R for \$791.5 million in cash. As a wholly-owned utility subsidiary of CEI, O&R, along with its two utility subsidiaries -Rockland Electric Company ("RECO") and Pike County Light and Power Company ("Pike") -provides electric service to 274,000 customers and natural gas service to 117,000 customers in southeastern New York State and adjacent sections of New Jersey and Pennsylvania. O&R's, RECO's and Pike's service territories cover approximately 1,350 square miles, extending along the west bank of the Hudson River, directly across from CECONY's service territory, as illustrated in Exhibit 1.

O&R, a New York corporation with its principal office in Pearl River, New York, has been providing electric and gas service in New York State for approximately 100 years. In 1998, O&R had operating revenues of approximately \$626 million, of which approximately \$490 million (78.3 percent) were electric operating revenues and \$136 million (21.7 percent) were gas operating revenues. O&R has approximately 1,000 employees.

O&R owns and operates 617 circuit miles of transmission lines, 78 substations, 84,509 in-service line transformers, 4,967 pole miles of overhead distribution lines, and 2,271 miles of underground distribution lines. O&R's gas operations include three propane air gas plants, which have a combined capacity of 30,600 Mcf per day natural gas equivalent. The gas distribution system includes 1,758 miles of mains.

O&R is regulated by the NYPSC, RECO is regulated by the New Jersey Board of Public Utilities ("NJBPUC") and Pike is regulated by the Pennsylvania Public Utility Commission ("PaPUC"). RECO has two wholly-owned non-utility subsidiaries, which in turn have subsidiaries engaged in the energy service and real estate businesses.(2)

O&R also has three wholly-owned non-utility subsidiaries: Clove Development Corporation ("Clove"), a New York corporation, O&R Energy Development, Inc. and O&R Development, Inc., both Delaware corporations. Clove holds approximately 5,200 acres of real estate, located primarily in the Mongaup Valley region of Sullivan County, New York. O&R Development, Inc., which was formed to promote industrial and corporate development in O&R's service territory by providing improved sites and buildings, owns approximately 200 acres of land, which are being marketed for sale. O&R Energy Development, Inc. is currently inactive.

CEI's Non-Regulated Subsidiaries

CEI currently has four wholly-owned, non-utility, non-regulated subsidiaries: Consolidated Edison Solutions, Inc. ("CES"), Consolidated Edison Development, Inc. ("CED"), Consolidated Edison Energy, Inc. ("CEE") and Consolidated Edison Communications, Inc. ("CECI").

(2) RECO's two wholly-owned non-utility subsidiaries are Enserve Holdings, Inc. ("Enserve") and Saddle River Holdings Corp. ("SRH"), both Delaware corporations. Enserve has two wholly-owned currently inactive non-

utility subsidiaries, Palisades Energy Services, Inc., which provides non-regulated energy services to industrial, commercial, institutional and government energy users, and Compass Resources, Inc. ("Compass"), which was formed to invest in energy technology ventures and new energy processes. RECO's other non-utility subsidiary, SRH, was established for the purpose of investing in non-utility business ventures. SRH has two wholly-owned non-utility subsidiaries, NORSTAR Holdings, Inc. ("NHI") and Atlantic Morris Broadcasting, Inc. ("AMB"). NHI has two wholly-owned non-utility subsidiaries, NORSTAR Management, Inc. ("NMI"), and Millbrook Holdings, Inc. ("Millbrook"). NMI is the sole general partner of NORSTAR Energy Limited Partnership, a gas marketing company that is discontinuing operations. The NORSTAR Partnership is the majority owner of NORSTAR Energy Pipeline Company, LLC, which is currently inactive. NHI's Millbrook subsidiary holds a leasehold interest in non-utility real estate in Morris County, New Jersey. SRH's other non-utility subsidiary, AMB, which owned six radio stations, is currently inactive.

CES is an energy service company providing competitive gas and electric supply and energy-related products and services. CES has an interest in Inventory Management & Distribution Company, Inc. ("IMD"), an energy marketing firm, and in Remote Source Lighting International, Inc. ("RSLI"), a lighting technology company.

CED invests in energy infrastructure projects and markets CECONY's technical services. CE Development has invested in electric generating plants in California, Michigan, Guatemala and the Netherlands.(3)

Another wholly-owned CEI subsidiary, CEE, markets specialized energy supply services to wholesale customers in the Northeast and Mid-Atlantic states. In July 1999, CEE, through its subsidiary Consolidated Edison Energy Massachusetts Inc. purchased 290 MW of electric generating capacity from Western Massachusetts Electric Company, which it currently owns and operates.

The remaining wholly-owned CEI subsidiary, CECI, was formed to explore opportunities to build a communications business by leveraging CECONY's expertise in building and managing infrastructure, including fiber optic cable. On November 23, 1999, CECI executed an agreement to purchase 10.75 percent of the common stock, on a fully-diluted basis, of NorthEast Optic Network, Inc. ("NEON"), a Westborough, Massachusetts-based provider of broadband telecommunications services in New England and New York State. NU owns approximately 30 percent of NEON.

(3) CED has five direct operating subsidiaries: (i) Con Edison Development, Guatemala, Ltd. invests in projects in Latin America; (ii) Consolidated Edison Leasing, Inc. has an investment in a leveraged-lease transaction in a power plant in the Netherlands; (iii) Con Edison Leasing, LLC, has an investment in a leveraged-lease transaction in a gas distribution system in the Netherlands; (iv) CED Ada, Inc. which has an indirect interest in a qualifying cogeneration facility in Michigan; and (v) Carson Acquisition, Inc. which has an indirect leasehold interest in a qualifying cogeneration facility in California.

4. The merger will be consummated under an Agreement and Plan of Merger dated as of October 13, 1999 as amended and restated January 11, 2000 by and between CEI and NU (the "Merger Agreement"), a copy of which is attached hereto as Exhibit 2. The merger was approved by both the NU Board of Trustees and the CEI Board of Directors in meetings on October 12, 1999.

5. Pursuant to the Merger Agreement, CEI will acquire NU for a base price of \$25 per NU common share, subject to adjustments as described more fully below. To effect the acquisition, CEI will merge into New CEI, a new parent holding company incorporated in Delaware, formerly called CWB Holdings, Inc. A subsidiary of New CEI, N Acquisition Corp., will then merge into NU, with NU being the entity surviving that merger. As a result of these transactions, NU will become a direct, wholly-owned subsidiary of New CEI, the parent of the combined company. These two transactions collectively constitute the Merger referred to in this Application. The combined company will conduct business under the name "Consolidated Edison, Inc."

6. Upon completion of the Merger, the former holders of CEI and NU common shares will together own all of the outstanding shares of common stock of New CEI. New CEI will in turn own all of the outstanding common shares of CECONY, NU, O&R and CEI's non-utility subsidiaries. NU will

continue to own its regulated utilities. New CEI will register with the Securities and Exchange Commission ("SEC") as a registered public utility holding company pursuant to the PUHCA.

7. As the result of the Merger, each CEI shareholder will receive one share of New CEI common stock for each CEI common share that he or she holds. NU shareholders may elect to receive stock or cash consideration. Each NU shareholder may elect to receive, for each NU common share, a fraction of a share of New CEI common stock equal to a numerator of \$25.00 divided by the weighted average trading price of CEI common shares over 20 trading days randomly selected from the 40 trading days ending five trading days prior to the closing of the Merger. However, the CEI share price used to calculate this fraction will not be less than \$36.00 nor greater than \$46.00. The Merger Agreement further provides that \$1.00 is to be added to the numerator if, prior to the closing of the Merger, NU enters into binding agreements to sell certain nuclear facilities which meet specific conditions set forth in the Merger Agreement (the "Divestiture Condition"). In addition, \$0.0034 will be added to the numerator for each day after August 5, 2000 through the day prior to the closing of the merger.

8. In the alternative, holders of NU common shares may elect to receive, for each NU common share, cash consideration equal to \$25.00 per NU common share, provided that an additional \$1.00 per share will be payable if, prior to the closing of the Merger, NU satisfies the Divestiture Condition, and an additional \$0.0034 will be added to the numerator described above for each day after August 5, 2000 through the day prior to the closing of the Merger.

9. Elections by NU shareholders for stock or cash consideration will each be subject to allocation and proration procedures. These procedures provide that not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into the right to receive cash consideration, and not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into common stock of the combined company.

10. If the Merger closes prior to December 31, 2000, and the Divestiture Condition has not been satisfied, but thereafter and on or prior to December 31, 2000 the Divestiture Condition is satisfied, then each NU shareholder (whether the shareholder elected stock or cash consideration) will be entitled to \$1.00 per converted NU common share to be paid in cash by New CEI.

11. The aggregate price to be paid to NU shareholders (including the value of the stock consideration), which is estimated to be not more than \$3.8 billion, will depend upon the adjustments described above and the number of NU common shares outstanding at the completion of the Merger.

12. The proposed merger of CEI and NU will not have any impact on the Commission's regulatory authority over NU's New Hampshire operations. PSNH, NAEC and NAESCO will continue to be subsidiaries of NU, and will continue to be subject to the Commission's jurisdiction in the same manner as they have in the past.

13. CEI and NU seek New Hampshire Public Utilities Commission approval of the merger on or before June 1, 2000, in order that the merger can be completed in July, 2000. In addition to various regulatory filings and approvals, completion of the Merger requires, among other things, the approval of at least a majority of the CEI shares outstanding and entitled to vote and at least two-thirds of the NU shares outstanding and entitled to vote.

14. Consummation of the merger between CEI and NU is subject to certain conditions, which include regulatory approval by the Commission, as set forth in Article VI of the Merger Agreement. Other required regulatory reviews include those of the state regulatory commissions in Connecticut, Maine, Massachusetts, New Jersey, New York, Pennsylvania and Vermont. The merger is also conditioned upon and requires the approvals of the Securities and Exchange Commission, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission. In addition the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976 will have to expire without objection from the U.S. Justice Department or the Federal Trade Commission.

15. In Northern Utilities, Inc., Docket No. DF 98-040, Order No. 22,983 (1998) ("Northern Utilities"), the Commission approved a stipulation between the parties that granted Northern the right to request recovery of merger-related costs in a future proceeding on the condition that the benefits of the merger to customers are demonstrated to equal or exceed

such costs. Northern Utilities at 4, 7. In approving the stipulation, the Commission ruled that Northern's customers would not be harmed as a result of the merger because, among other things, the conditions set forth therein: (1) required Northern to substantiate savings resulting from the merger before seeking to include any part of the acquisition premium in rates; and (2) deferred a determination regarding capital structure issues until the time of any such request. Id. at 7.

16. In New England Electric System, DE 99-035, Order No. 23,308 (1999) ("New England Electric"), the Commission stated that the mandate in RSA 369:8, which requires that mergers will "not adversely affect the rates, terms service, or operation of the public utility within the state" embodies the same standard reflected in RSA 374:33, which authorizes the Commission to approve mergers that are "lawful, proper and in the public interest." New England Electric, slip op. at 16. Thus, proposed mergers must meet a "no net harm" test in order to be approved by the Commission. Id. The Commission stated that, in applying the no net harm test, it must "assess the benefits and risks of the proposed merger and determine what the overall effect on the public interest will be, giving the transaction...approval if the effect is at worst neutral from the public interest perspective." Id. Accordingly, the Commission's standard will be met where an applicant for approval of a merger demonstrates that customers would be no worse off with the merger than without the merger. Id. at 17.

17. Pursuant to the Commission's findings in Northern Utilities and New England Electric, the Joint Petitioners file herewith a merger proposal that exceeds the Commission's "no net harm" standard. Specifically, the merger will result in no significant changes in the operation or the regulation of PSNH, NAEC and NAESCO, and the Joint Petitioners are not seeking recovery of any acquisition premium associated with the merger and acquisition. As the cost savings associated with the merger are expected to take several years to fully materialize, pursuant to the terms and conditions of the Settlement Agreement, these savings will flow through to customers in the ordinary course after the Initial Delivery Charge Period (i.e. commencing after the first 30 months after competition).

18. The proposed transactions and the expected benefits are discussed in detail in the accompanying testimonies of Michael G. Morris and Hyman Schoenblum. As indicated in the testimonies, the benefits of the merger include an estimated cumulative net \$1.3 billion of savings over an initial ten year period for the combined entity. These savings are estimated to result from the elimination of duplicate corporate and administrative functions and greater efficiency in operations and business processes and increased purchasing efficiencies, increased opportunities for employees, a strengthening of the ability to offer additional services to customers, enhancement of competition and continued commitment to service reliability, economic development and community involvement.

WHEREFORE, the Joint Petitioners respectfully request that the Commission

a. Determine that the proposed acquisition of NU, and of its wholly-owned subsidiaries PSNH, NAEC and NAESCO by CEI, which will be accomplished through the merger of CEI and New CEI, and the merger of a subsidiary of CEI into NU, with NU being the entity surviving that merger, and that the terms thereof will not adversely affect the rates, terms, service or operation of PSNH, NAEC and NAESCO, that the merger meets the "no net harm" test and is lawful, proper and in the public interest.

b. Approve the above-described transactions as filed in accordance with RSA 369:8 and RSA Chapter 374, including RSA 374:33, and any other applicable statutes.

c. Issue such other and further orders as may be necessary and just and reasonable.

Respectfully submitted,
JOINT PETITIONERS:

Public Service Company of
New Hampshire
North Atlantic Energy Corporation
North Atlantic Energy Service Corporation
Northeast Utilities

By Their Attorneys,

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Assistant Secretary and
Assistant General Counsel

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and

Consolidated Edison, Inc.

By its Attorney

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Consolidated Edison Company
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4 Irving Place
New York, New York 10003

Dated January 18, 2000

January 13, 2000

Mark W. Musser, Esq.
Secretary and Chief of Regulatory Policy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Re: Joint Petition of Consolidated Edison, Inc. and
Northeast Utilities to New York Public Service
Commission Regarding Merger and Stock
Acquisition

Dear Secretary Musser:

On behalf of Consolidated Edison, Inc. ("CEI") I have enclosed with this letter a copy of the joint petition of CEI and Northeast Utilities ("NU") filed yesterday with the New York Public Service Commission regarding the merger of CEI and NU and acquisition by CEI of all the outstanding common stock of NU. I am also enclosing an additional copy of the summary of the transaction which I have previously reviewed with you and other members of Board Staff.

Upon consummation of the transaction Rockland Electric Company, a New Jersey public utility, will continue to be owned and controlled as it is now by Orange and Rockland Utilities, Inc., a New York public utility, which in turn will continue to be owned and controlled by CEI. As such, we do not believe that any filing with or approval of the Board is required in connection with the consummation of the transaction; the enclosed petition and summary are being provided in order to apprise the Board of the pendency and status of the transaction.

As you will note from the enclosed petition, consummation of the transaction will require the approval of both the Federal Energy Regulatory Commission and Securities and Exchange Commission under applicable provisions of the Federal Power Act and Public Utility Holding Company Act of 1935, respectively. Copies of the petitions filed on behalf of CEI and NU with those federal agencies will be provided to the Board as soon as possible after they are filed.

Naturally, if members of the Board or Staff have any questions concerning the transaction, we will be happy to answer them.

Respectfully,

/S/Vincent J. Sharkey, Jr.

VJS/lh
Enclosures

cc: President Herbert H. Tate, Jr. [w/enclosures]
Commissioner Carmen Armenti [w/enclosures]
Commissioner Frederick F. Butler [w/enclosures]
Elizabeth Murray [w/enclosures]
Dr. Fred Grygiel [w/enclosures]
Robert Chilton [w/enclosures]
James Eric Andrews, Esq. [w/enclosures]
Blossom A. Peretz, Esq. [w/enclosures]

bcc: John L. Carley, Esq.
Chanoch Lubling, Esq.
[w/o enclosures]

PUBLIC SERVICE COMMISSION

STATE OF NEW YORK

Joint Petition of Consolidated Edison, Inc. and :
 Northeast Utilities Regarding Merger : JOINT PETITION
 and Stock Acquisition :

TO THE PUBLIC SERVICE COMMISSION
 OF THE STATE OF NEW YORK:

On October 13, 1999, Consolidated Edison, Inc. ("CEI") and Northeast Utilities ("NU") (jointly referred to herein as the "Petitioners") entered into an Agreement and Plan of Merger, ("Merger Agreement"), pursuant to which all of the assets of both CEI and NU will be owned by a single holding company. A copy of the Merger Agreement is attached hereto as Appendix A. CEI and NU are currently separate holding companies, both of which have regulated and unregulated subsidiaries. Under the Merger Agreement, CEI will acquire all of the common stock of NU for \$25.00 per share (subject to adjustment under certain specified conditions) in a combination of cash and common stock. To effect the acquisition, CEI has established a subsidiary, Consolidated Edison, Inc. ("New CEI"), which will ultimately be the new parent holding company. New CEI has, in turn, established a subsidiary, "N Acquisition LLC". At the closing of the merger transaction (the "Merger"), CEI will merge into New CEI and N Acquisition LLC will merge into NU, with a result that NU will become a subsidiary of New CEI. Charts showing the transaction and the resulting structure are shown on Appendix B. The combined company will be the nation's largest electric distribution utility with over 5 million electric customers, as well as 1.4 million gas customers, serving a diverse mix of urban and suburban communities with a population of more than 13 million. The combined company will have revenues on a pro forma basis of approximately \$11 billion and total assets of almost \$28 billion.

The Merger Agreement provides for the acquisition by CEI, which is not itself a regulated New York electric corporation, of certain out-of-state assets. It does not call for the sale, transfer or assignment of any of the franchises, permits, operating rights or any other assets or any of the stock of any regulated New York electric, gas, steam or telephone corporation. Therefore, the Petitioners do not believe that Commission approval of the Merger under section 70 of the Public Service Law is required.(1) However, given the significance of the Merger to New York State, which will become home to the headquarters of one of the country's premier utility companies, Petitioners are seeking the Commission's expeditious review of the Merger. Affirmative Commission support for this Merger is consistent with New York's goal of facilitating and encouraging efficient utility operations and the transition to a competitive energy marketplace.

The Merger of CEI and NU is clearly in the public interest. As will be demonstrated below, the Merger will create the potential for improved efficiencies in operations and administration due to synergies from scale and consolidation, which will ultimately benefit consumers. In addition, the Merger will enable the combined company to safely, reliably and efficiently operate the largest transmission and distribution system in the Northeast, with resultant benefits to customers, shareholders and employees alike. The Merger will provide the combined company with scale and scope to invest in infrastructure, advanced technologies and improved service; it will result in a financially strong company that will attract future capital investments for necessary system improvements and provide its shareholders with appropriate returns; and it will provide employees in both companies with greater opportunities for job advancement and skills enhancement.

I. INFORMATION REGARDING THE PETITIONERS

A. CEI

CEI is a public utility holding company organized under the laws of the State of New York and has its principal place of business at 4 Irving Place, New York, New York 10003. CEI, not itself an operating company, provides a wide range of energy-related products and services to its customers through its six subsidiaries: Con Edison, a regulated utility providing electric service to over three million customers, natural gas service to over a million customers in New York City and Westchester County, and steam service to about 2,000 customers in parts of Manhattan; Orange and Rockland, a regulated utility serving over 250,000 electric customers and over 100,000 gas customers in a 1,350 square mile area, comprising sections in southeastern New York State, in the adjacent sections of northern New Jersey (through its wholly-owned subsidiary, Rockland Electric Company ("RECO"), a

regulated New Jersey utility,) and in northeastern Pennsylvania (through its wholly-owned subsidiary, Pike County Light & Power Company ("Pike"), a regulated Pennsylvania utility); Consolidated Edison Solutions, Inc., a retail energy services company; Consolidated Edison Energy, Inc., a wholesale energy supply company; Consolidated Edison Development, Inc., an infrastructure development company; and Consolidated Edison Communications, Inc., a telecommunications infrastructure company. CEI had approximately \$7.1 billion in consolidated operating revenues for the year ending December 31, 1998, and approximately \$5.6 billion in consolidated operating revenues for the nine months ending September 30, 1999.

B. NU

NU, a Massachusetts business trust, is a public utility holding company for a number of companies comprising the NU system, and is not itself an operating company. Its principal place of business is located at 174 Brush Hill Avenue, West Springfield, Massachusetts, with the general offices of NU and its subsidiaries located at 107 Selden Street, Berlin, Connecticut 06037. NU serves approximately 1.75 million electric customers through its wholly-owned operating subsidiaries: The Connecticut Light and Power Company, serving approximately 1.12 million customers in Connecticut; Public Service Company of New Hampshire, serving approximately 430,000 customers in New Hampshire; Western Massachusetts Electric Company, serving approximately 200,000 customers in Massachusetts, and Holyoke Water Power Company, serving approximately 30 industrial customers in Massachusetts. Other subsidiaries of NU market natural gas, electricity and electric products and services in the Northeast, provide energy conservation services, and hold investments in telecommunications infrastructure.

In June 1999, NU entered into an agreement to acquire Yankee Energy System, Inc. ("Yankee Energy"). The merger is expected to close as early as in the first quarter of 2000. Yankee Energy is the largest natural gas distributor in Connecticut, serving approximately 185,000 gas customers. NU had approximately \$3.8 billion in consolidated operating revenues for the year ending December 31, 1998, and approximately \$3.3 billion for the nine months ending September 30, 1999.

C. Certificates Of Incorporation

Certified copies of CEI's Certificate of Incorporation, Con Edison's Certificate of Incorporation, and Orange and Rockland's Restated Certificate of Incorporation, and each amendment or restatement of each such Certificate, have been filed with the Commission.

D. Corporate Structure

In Case 96-E-0897, the Commission approved, subject to certain conditions and understandings, an Agreement and Settlement, dated September 19, 1997, among Con Edison, Staff and other parties ("the Con Edison Settlement Agreement"). (2) As permitted by the Con Edison Settlement Agreement, Con Edison became a wholly-owned subsidiary of a newly-formed holding company, CEI, on January 1, 1998. (3) Subsequently, pursuant to the Commission's April 2, 1999 Order Authorizing Merger in Case 98-M-0961, Orange and Rockland became a wholly-owned subsidiary of CEI on July 8, 1999.

CEI, the parent company of Con Edison and Orange and Rockland, is currently a holding company exempt from registration under the Public Utility Holding Company Act of 1935 ("PUHCA"). NU is a holding company registered under PUHCA. CEI and NU will both be required to obtain Securities and Exchange Commission ("SEC") approval of the Merger under PUHCA. New CEI will be required to register under section 5 of PUHCA within 30 days of the effective time of the Merger, and New CEI will become subject to the restrictions that PUHCA imposes on registered holding companies, including requirements respecting the provision of services to operating companies from service companies.

Except as provided herein, the revised corporate structure approved in the April 2, 1999 Order Authorizing Merger in Case 98-M-0961 remains the same.

E. Cost Allocation

The registered PUHCA status of New CEI will require a service company framework, similar to Northeast Utilities Service Company ("NUSCO"), NU's existing service company, to the extent services are shared by operating companies. Under the service company framework, all CEI subsidiaries will receive allocations of costs appropriate to the services being rendered to them as approved by the SEC. Prior to implementing such new cost allocations, or making any transfer of utility assets to the service company, the New York regulated utilities will make the appropriate filings with the Commission, including required revisions to the existing affiliate transaction rules, if any.

II. SUMMARY OF THE MERGER AGREEMENT

Pursuant to the Merger Agreement, CEI agreed to acquire NU for a base price of \$25 per NU common share (subject to certain adjustments and allocations described below), payable in cash and stock. Upon completion of the Merger, New CEI and NU will be the surviving companies, the former holders of CEI and NU common shares will together own all of the outstanding shares of common stock of New CEI, and New CEI will in turn own all of the outstanding common shares of Con Edison, NU (which will continue to own its regulated utilities), Orange and Rockland (which will continue to own its regulated utilities) and non-utility subsidiaries.

Each NU shareholder may elect to receive, for each NU common share, a fraction of a share of New CEI common stock equal to a numerator of \$25.00 divided by the weighted average trading price of a CEI common share over 20 trading days randomly selected from the 40 trading days ending five trading days prior to the closing of the Merger. However, the CEI share price used to calculate this fraction will not be less than \$36.00 nor greater than \$46.00. The Merger Agreement further provides that \$1.00 is to be added to the numerator if, prior to the closing of the Merger, NU enters into binding agreements to sell certain nuclear facilities which meet specific conditions set forth in the Merger Agreement (the "Divestiture Condition"). In addition, \$0.0034 will be added to the numerator for each day after August 5, 2000, should the merger not have closed by then, through the day prior to the closing of the Merger.

In the alternative, holders of NU common shares may elect to receive, for each NU common share, cash consideration equal to \$25.00 per NU common share, provided that an additional \$1.00 per share will be payable if, prior to the closing of the Merger, NU satisfies the Divestiture Condition, and an additional \$0.0034 will be added to the numerator for each day after August 5, 2000 through the day prior to the closing of the Merger.

Elections by NU shareholders of stock or cash consideration will each be subject to allocation and proration procedures. These procedures provide that not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into the right to receive cash consideration, and not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into common stock of the combined company.

If the Merger closes on or prior to December 31, 2000, and the Divestiture Condition has not been satisfied, but thereafter on or prior to December 31, 2000 the Divestiture Condition is satisfied, then each NU shareholder (whether the shareholder elected stock or cash consideration) will be entitled to \$1.00 per converted NU common share to be paid in cash by New CEI.

The aggregate price to be paid to NU shareholders (including the value of the stock consideration), will depend upon the adjustments described above and the number of NU common shares outstanding at the completion of the Merger, but is not expected to exceed \$3.6 billion. New CEI will account for the Merger under the purchase method of accounting in accordance with generally accepted accounting principles. Under the purchase method of accounting, CEI will value NU's net assets and liabilities at their fair market value, and any premium paid over and above fair market value will be reflected as goodwill and amortized over 40 years. The fair market value for assets utilized in the regulatory framework is generally their book value. The transaction is valued at approximately \$7.5 billion, including NU's debt, capitalized leases and preferred securities.

The respective Boards of Directors of the Petitioners have approved the Merger Agreement to combine the two companies and create a new holding company. In addition to the Boards' approval, the Merger Agreement is conditioned upon the approvals of the shareholders of both CEI and NU. NU needs the approval of at least two-thirds of its outstanding common shares; CEI needs the approval of the majority of its common shares. The parties plan to call special meetings of their shareholders to approve the Merger in early 2000. The Merger is also subject to federal and state regulatory approvals and filings and certain conditions customary for transactions of this type.

III. MANAGEMENT OF THE MERGED COMPANY

Upon the completion of the Merger, NU will become a wholly-owned subsidiary of the New CEI. Eugene R. McGrath, the current Chairman and Chief Executive Officer of CEI, will continue as Chairman and Chief Executive Officer of New CEI. Michael G. Morris, the current NU Chairman, will become President of New CEI. Four of the Directors of New CEI, including Mr. Morris, will be designated by NU. The remaining Directors will be designated

by CEI.

New CEI's corporate headquarters will be located in New York City, and the headquarters of New CEI's operating utilities will remain in their respective service territories. This structure will preserve all of the benefits of localized management while simultaneously allowing for the efficiencies and economies that will be derived from the Merger.

The Merger Agreement provides for headquarters for the unregulated business and for personnel providing services to the NU companies to be located in Connecticut.

IV. THE BENEFITS OF THE MERGER

Dramatic changes are occurring in the regulation of the electric and gas industries at the federal and state levels, resulting in an increasingly competitive environment in which gas and electric utilities operate. Both CEI and NU have concluded that size, resources and a larger customer base will be critical in achieving lower rates for customers, as well as competitive investor returns. Accordingly, Petitioners believe that the terms of the business combination set forth in the Merger Agreement will provide a mutually beneficial setting for responding to this evolving and increasingly competitive energy marketplace.

The common vision of CEI and NU and their complementary strategies, in combination with their management, personnel, technical expertise and financial strength, will create a company with the capabilities and resources better positioned to succeed and grow in the new competitive energy marketplace. The Merger would join two well-managed companies with complementary and contiguous operations, providing substantial strategic and financial benefits to customers, employees and shareholders alike. These benefits are expected to include a strong, regional foundation, providing New CEI with the scale and scope necessary to invest in infrastructure, utilize advanced technologies in a cost-effective manner and better serve customers. The combination will enable Petitioners to meet their commitments to customer service and system reliability. In addition, Petitioners anticipate substantial merger savings over time in their regulated businesses from greater efficiencies in operations and business processes through the elimination of duplicate facilities and activities, administration and other labor cost savings, and increased purchasing efficiencies.

A. Merger Savings

Substantial savings have recently been captured by the Con Edison Settlement Agreement;⁽⁴⁾ the Orange and Rockland Restructuring Plan,⁽⁵⁾ and the recent merger of Con Edison and Orange and Rockland.⁽⁶⁾ The Merger will provide savings that will rebound to consumers for many years.

As shown on Appendix C, based on current estimates, the Merger is anticipated to result in savings for the regulated operations of New CEI, net of transaction costs and costs to achieve, of approximately \$1.3 billion on a cumulative nominal basis over the first ten years following the closing of the transaction, which is scheduled for July 2000. These savings were derived by combining, to the extent practicable, the costs and workforces of the two companies and applying general reduction factors, mainly in the administrative areas, that normally result from a combination of similarly-sized companies. A transition team has been established to identify the precise means by which the Merger efficiencies will be realized and, while specific assumed reductions in certain areas will be overstated or understated, CEI and NU expect that the overall level of merger savings will be phased in and realized over time, with the savings achieved at the end of the ten-year period being in the range of \$1.3 billion.⁽⁷⁾

Appendix C also shows the estimated transaction costs and other costs to achieve, which total approximately \$319 million. Transaction costs and costs to achieve include the incremental legal, financial, employee and organizational costs incurred and to be incurred to effectuate and implement the Merger.

Petitioners propose a reasonable and equitable allocation between consumers and investors of the synergy savings resulting from the Merger, which will eliminate time-consuming litigation over estimated levels of synergy savings and costs-to-achieve, while giving appropriate recognition for the investment required to bring about desirable and efficient combinations such as the Merger.⁽⁸⁾ While Petitioners are not seeking direct recovery of the acquisition premium through rates, Petitioners propose that they be permitted to retain the merger savings for a sufficient time to allow CEI's shareholders a reasonable opportunity to recover their investment.

Specifically, the Petitioners propose that, in the absence of a general rate case, the Petitioners retain the synergy savings that would normally be

retained if the Petitioners were to reduce expenses in a period between rate cases. In other words, the Petitioners will retain all near-term synergy savings, except that savings in costs that are normally flowed through to consumers through fuel or gas clauses; the latter savings will be fully and immediately flowed through to customers, as would be the case with reductions in other cost elements subject to adjustment-clause recovery. This regime should continue in effect for a period of 7 years. Thereafter, merger savings should be allocated between consumers and investors in a manner to be determined by the Commission, taking into account the ongoing amortization expenses associated with the Merger and the interests of consumers in realizing benefits from the Merger. Under this approach, the near-term costs of implementing the Merger will not be charged to customers but will be borne by investors and will offset the retention of near-term non-fuel synergy savings. If any earnings caps or sharing mechanisms are in effect, identified synergy savings would be excluded from such calculations. This allocation approach is to provide ratepayers with significant short- and long-term benefits that would not have been available absent the Merger and balances the need to recognize the significant costs to effectuate the Merger with the interest of achieving a key objective in effectuating the Merger, that is, the provision of efficiency benefits to customers.

If a general rate case filed after closing of the Merger is decided for any of the regulated services of Con Edison or Orange and Rockland during the 7-year retention period, the revenue requirement would be determined based on normal cost of service principles, including applicable synergy savings and applicable merger costs. This revenue requirement would then be adjusted to include company retention of applicable synergy savings net of applicable merger costs, and rates would be set on the adjusted revenue requirement. The retained net savings will not exceed an amount equivalent to the annual return of and return on the unamortized acquisition premium for the same period. The utility would have the burden of showing that net synergy savings at least in the amount reflected in the retention would be realized.⁽⁹⁾ If a multi-year rate case is negotiated, subsequent rate year retentions (in the event net synergies increase or decrease from the synergy levels reflected in the rate case revenue requirement) could be projected and reflected in a manner to be negotiated. An allocation of the synergy savings among the regulated companies has not yet been finalized.

B. Ability To Finance Utility Operations

Under the terms of the Merger, each of the regulated subsidiaries will remain as direct or indirect subsidiaries of CEI and as separate utilities subject to the jurisdiction of the appropriate regulatory agency. Thus, Con Edison and Orange and Rockland will remain as separate regulated utilities subject to Commission jurisdiction, and Commission approval pursuant to Section 69 of the Public Service Law will continue to be required for any additional debt or preferred equity financing by the New York regulated utilities.

As a consequence, the transaction will not impair the ability of any subsidiary to continue to raise debt or preferred equity capital in the future. Moreover, additional equity capital, whether raised publicly at the New CEI level or generated internally, will be invested in each subsidiary, as appropriate, to fund utility capital expenditures while maintaining a cost-effective capital structure at the utility level. To facilitate appropriate allocation of capital within New CEI, the merged company expects to create a guideline for prioritizing the allocation of funds among the subsidiaries. A committee comprised of senior managers will be established at the time of the Merger consummation, which would monitor operating and financial requirements with a view to ensuring that capital allocated to the regulated companies is adequate to provide safe and reliable service to customers.

C. Customer Service

The Merger will facilitate the achievement of the customer service quality goals set forth in the Con Edison Settlement Agreement and the Orange and Rockland Restructuring Plan. The combination of CEI and NU should strengthen the ability of the operating companies to offer enhanced and additional services to customers. This will include the utilization of best practices and innovative technology now available in the separate companies in responding to customer service needs.

Significantly, since both Con Edison and Orange and Rockland will remain regulated utilities subject to the full jurisdiction of the Commission, the proposed transaction would not limit the Commission's authority to take appropriate action to further address customer needs for either or both utilities, if required.

D. Electric System Reliability And Service

The Con Edison Settlement Agreement, the Orange and Rockland Restructuring Plan, and the Settlement adopted in the April 2, 1999 Order Authorizing Merger in Case 98-M-0961 contain explicit commitments to the provision of high levels of reliability. These commitments will continue after the Merger, and the combination of CEI and NU will enable the regulated utilities to draw on the combined expertise and strengths of their respective workforces to meet these commitments and to assure continued system reliability. For example, because of its size and service area characteristics, Con Edison has developed comprehensive systems to support reliability, including managerial systems, such as performance tracking and root-cause analysis; remote substation and overhead system monitoring; outage management systems; and power quality services. These systems may be adapted to enhance existing NU systems. Similarly, NU has developed expertise in establishing and participating in a regional transmission organization, which has only recently been established in New York, and has an extensive overhead distribution system that, with implementation of best practices, should assist CEI in dealing with its overhead systems in Richmond, Westchester, Orange, Rockland and Sullivan counties in New York and in New Jersey and Pennsylvania. (10) NU also has a great deal of experience with a service company structure, which will be essential, to the extent services are shared by operating companies, once the new CEI is established and becomes a registered holding company under PUHCA.

E. Employee Benefits

The Merger will allow the combined companies to draw on a large and more diverse and talented workforce while offering employees greater opportunities for advancement as well as career training and development. Con Edison has maintained a long-term commitment to the career development of its employees through, among other things, courses and career development programs at Con Edison's Learning Center. These programs have already benefited Orange and Rockland's employees, and will continue to the benefit of all of New CEI's employees. While New CEI will seek to identify and eliminate redundant functions in its operations, there are expected to also be opportunities for professional growth in the combined company, including the unregulated ventures. Significantly, the Merger Agreement provides for the honoring of all collective bargaining agreements and for any workforce reductions to be made on a fair and equitable basis, reflecting employees' prior experience and skills without regard to prior affiliation. The companies will minimize any merger impact to the workforce through a combination of measures including attrition, retraining, reduced hiring and other appropriate measures.

F. Commitment To Communities And To Economic Development

As a result of the Merger, New CEI will be better positioned to maintain its strong commitment to the economic development and welfare within the subsidiaries' respective service territories. Both CEI and NU have strong records of community involvement and charitable contributions, which will be maintained after the Merger.

Economic development has been an important objective of both CEI and NU, and will continue to be a core objective of New CEI. The Merger will improve the contributions made by the utilities to the economies of their respective service areas not only through significantly increasing the efficiency of the energy infrastructure, but also by facilitating the transition to competition for customers served by New CEI.

G. Effect On Competition

The Merger will enhance competition in the electric industry and will advance competitive interests. Both petitioners have committed to and implemented comprehensive generation divestiture programs and have established open access transmission tariffs consistent with the rules and requirements of the Federal Energy Regulatory Commission ("FERC"). The technological innovations that have played a major role in facilitating competition, allowing new markets to form and expanding the types of transactions that utilities can accommodate, can be more effectively supported and encouraged on a larger scale. Business combinations such as the Merger will provide the resources necessary to foster innovation, will add vitality and strength to the drive to competition, and will thereby increase the savings available to consumers.

In terms of the competitive restructuring already underway, Petitioners have committed themselves firmly to the development of competitive electric and gas markets in their respective service areas, are implementing retail access programs in compliance with existing rate agreements and have committed to adhering to specified affiliate transaction rules. Con Edison and Orange and Rockland were active participants in the electric and gas restructuring proceedings in New York State and have committed to the restructuring of these markets, the introduction of competition, and enabling

customers to choose an alternative energy supplier. The Merger will enhance and facilitate these commitments. In addition, the combination of the unregulated subsidiaries of CEI and NU should enable them to innovate and expand their products and service to retail customers.

H. Effect On Regulation

The proposed business combination will not impact the Commission's jurisdiction over Con Edison and Orange and Rockland, nor will it impede the Commission's regulatory authority over the rates, service, operations, and financial condition of these regulated utilities. Both utilities will continue in existence and be subject to the same governmental orders to which they were subject immediately prior to the Merger. Moreover, the Merger will have no effect on the provisions of the Con Edison Settlement Agreement and the Orange and Rockland Restructuring Plan relating to rate reductions, retail access programs and divestiture of generating facilities.

V. OTHER REGULATORY FILINGS

Certain other federal and state regulatory approvals and filings will be obtained and made, as applicable, to effect the transaction contemplated by the Merger Agreement, including the following:

A. Federal Energy Regulatory Commission

CEI and NU are subject to the jurisdiction of the FERC under Section 205 of the Federal Power Act ("FPA") with respect to certain wholesale electric sales and transmission services. FERC has also asserted jurisdiction over any transfer of ownership and control over FERC jurisdictional facilities under section 203 of the FPA. An application seeking the approval of the FERC will be filed in the same time frame as this Joint Petition.

B. Securities and Exchange Commission

CEI, a holding company exempt from most provisions of PUHCA under Section 3(a) (1) of the Act, and NU, a holding company regulated by and registered under PUHCA, are required to obtain SEC approval under Section 9(a) (2) of PUHCA in connection with the Merger. Section 9(a) (2) requires an entity owning, directly or indirectly, 5 percent or more of the outstanding voting securities of a public utility company to obtain the approval of the SEC under Section 10 prior to acquiring a direct or indirect interest in 5 percent or more of the voting securities of any additional public utility company.

As a result of the Merger, CEI, a holding company which currently holds in excess of 5 percent of the voting securities of a public utility within the meaning of PUHCA, will be deemed to have indirectly acquired through New CEI all of the common shares of NU, a public utility holding company within the meaning of PUHCA. Therefore, the approval of the merger by the SEC is required. It is anticipated that an application seeking SEC approval will be filed in the same time frame as this Joint Petition.

C. Nuclear Regulatory Commission

The Atomic Energy Act provides that a Nuclear Regulatory Commission ("NRC") license for nuclear generating facilities may not be transferred or in any manner disposed of, directly or indirectly, through transfer of control, unless the NRC finds that the transfer complies with the Atomic Energy Act and consents to the transfer. Subsidiaries and affiliates of CEI and NU hold licenses for their nuclear generating facilities; therefore, notification of the merger will be made to the NRC and its consent sought to the extent the NRC deems necessary. It is anticipated that a submittal to the NRC approval will be filed in the same time frame as this Joint Petition.

D. Hart-Scott-Rodino

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), the transaction may not be consummated until the requisite notifications and report forms have been filed with the Antitrust Division of the Department of Justice and the Federal Trade Commission and the HSR waiting period requirements have been satisfied.

E. Connecticut Department of Public Utility Control

The Connecticut Light and Power Company is subject to the jurisdiction of the Connecticut Department of Public Utility Control ("CT DPUC"). A filing with the CT DPUC will be made in the same time frame as this Joint Petition.

F. Massachusetts Department of Telecommunications and Energy

The Western Massachusetts Electric Company is subject to the jurisdiction of the Massachusetts Department of Telecommunications and Energy ("MA DTE"). A filing with the MA DTE will be made in the same time frame as this Joint Petition.

G. New Hampshire Public Utilities Commission

The Public Service Company of New Hampshire is subject to the jurisdiction of the New Hampshire Public Utilities Commission ("NH PUC"). A filing with the NH PUC will be made in the same time frame as this Joint Petition.

H. Other State Filings

RECO is subject to the jurisdiction of the New Jersey Board of Public Utilities; Pike is subject to the jurisdiction of the Pennsylvania Public Utility Commission; and NU owns entitlement contracts to nuclear generation and other generation and transmission facilities that are subject to the jurisdiction of the Maine Public Utilities Commission and the Vermont Public Service Board. To the extent required, appropriate filings will be made with these state regulatory agencies in the same time frame as this Joint Petition.

VI. OTHER MATTERS

Each Petitioner respectfully reserves the right to withdraw this Joint Petition at any time prior to Commission action on the Joint Petition, and further reserves the right to decide not to consummate the transactions described herein, to the extent either of them is permitted to do so pursuant to the terms of the Merger Agreement. Con Edison waives no rights under its Settlement Agreement and, in particular, waives no rights respecting the duration, scope and terms of rate and rate-related provisions contained therein. Similarly, Orange and Rockland waives no rights under its Restructuring Plan and, in particular, waives no rights respecting the duration, scope and terms of rate and rate-related provisions contained therein.

VII. CORRESPONDENCE AND COMMUNICATIONS

All communications and correspondence with respect to this Joint Petition should be addressed as follows:

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VIII. APPENDICES

The following appendices, which are attached to this Joint Petition, are incorporated herein and made a part hereof:

- A. Appendix A - Agreement and Plan of Merger, dated October 13, 1999
- B. Appendix B - Description of Merger
- C. Appendix C - Quantification of Synergy Savings
- D. Appendix D - Consolidated Financial Statements of CEI as of December 31, 1998 and September 30, 1999
- E. Appendix E - Consolidated Financial Statements of NU as of December 31, 1998 and September 30, 1999

IX. CONCLUSION AND REQUEST FOR RELIEF

For all of the foregoing reasons, Petitioners believe that their proposed business combination is in the public interest and respectfully request the Commission's expeditious review, support for the Merger and approval of related actions, as and to the extent required, and that the Commission take such action by not later than June 15, 2000, to the end that the Merger can be consummated no later than the scheduled date of July 15, 2000, and grant such other and further relief to which Petitioners may be entitled.

Dated: New York, New York
January 11, 2000

Respectfully submitted,

Consolidated Edison, Inc.
4 Irving Place
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Tel: 212-460-6330

Northeast Utilities
107 Selden Street
Berlin, CT 06037
Tel: 860-665-3639

By:
John D. McMahon
Senior Vice President and
General Counsel

By:
Cheryl W. Grise
Senior Vice President, Secretary and
General Counsel

Footnotes:

1. Although the structure of the Merger calls for the establishment of New CEI and the merger of CEI into New CEI, this structure is not necessary to effectuate the Merger, but will assure maximum flexibility under tax rules. Significantly, the merger of CEI into New CEI will not change the ultimate beneficial ownership of Consolidated Edison Company of New York, Inc. ("Con Edison") or Orange and Rockland Utilities, Inc. ("Orange and Rockland"), because they will be controlled by the same shareholders.
2. Case 96-E-0897, Consolidated Edison Company of New York, Inc., Order Adopting Terms of Settlement Subject to Conditions and Understandings (September 23, 1997); Confirming Order (October 1, 1997); and Opinion No. 97-16 (November 3, 1997).
3. In addition, in Case 96-E-0900, the Commission approved an Electric Rate and Restructuring Plan, dated November 6, 1997 among Orange and Rockland, Staff and other parties ("the Orange and Rockland Restructuring Plan"). Case 96-E-0900, Orange and Rockland Utilities, Inc., Order Adopting Terms of Settlement (November 26, 1997) and Opinion No. 97-27 (December 31, 1997).
4. The Con Edison Settlement Agreement provides for electric rate reductions of \$1.1 billion on a cumulative basis over the five-year period ending March 31, 2002, exclusive of the savings that electric customers may achieve through the new competitive markets.
5. The Orange and Rockland Restructuring Plan calls for cumulative electric rate reductions of approximately \$32.4 million over the plan's four-year term expiring November 30, 2001, exclusive of the savings that electric customers may achieve through the new competitive markets.
6. It is expected that the New York customers of Con Edison and Orange and Rockland will benefit by one-half the synergy savings of the merger of those two companies, which, in the first five-years alone, is expected to total some \$164 million.
7. The cost savings were based on current cost and expense levels for each company absent the Merger and then escalated by 3 percent each year through 2010.
8. The acquisition premium, or the excess of the purchase price over the fair market value of NU's net assets, is estimated to be \$1.5 billion and will be accounted for as goodwill and amortized to expense over a 40-year period.
9. The burden would be met if the utility is able to show that net savings are reasonably attributable to combinations of functions or other operating or financial changes adopted by the merging companies. The burden of proof would be met by, for example, using a baseline index of costs based on actual costs during a pre-transaction period with appropriate escalation. Costs below this level would be presumed to reflect merger-related savings.
10. Significantly, the service territories of CEI and NU are contiguous, directly intertied and include the largest customer base in the New England and New York power pools (ISOs). This will facilitate the combined companies' ability to foster greater cooperation between the pools and to

take advantage of operating efficiencies.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In Re: Application of Pike County Light & Power Company for a Certificate of Public Convenience Evidencing Approval under Section 1102(a) (3) of the Public Utility Code) of the Transfer by Merger from Consolidated Edison, Inc. to a newly-formed holding company also named Consolidated Edison, Inc. the Title to, or the Possession or Use of, All Property of Pike County Light & Power Company, Used or Useful in the Public Service)

Docket No:
A-

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

A. Introduction

1. By this Application, Pike County Light & Power Company ("Pike"), seeks, pursuant to Section 1102(a) (3) of the Public Utility Code, 66 Pa.C.S. Section 1102(a) (3), as interpreted in the Statement of Policy on Utility Stock Transfers, at 52 Pa. Code Section 69.901, a certificate of public convenience evidencing the Pennsylvania Public Utility Commission's ("Commission") approval of the transfer by merger from Consolidated Edison, Inc. ("CEI") to a newly-formed holding company, also named Consolidated Edison, Inc. ("New CEI") the title to, or the possession or use of, all property of Pike, that is used or useful in the public service. As explained in greater detail herein, the merger of CEI into New CEI is part of a larger transaction, in which a subsidiary of New CEI will merge with Northeast Utilities ("NU"), with a result that NU will become a subsidiary of New CEI. Shareholders of NU will receive shares of New CEI common stock as part of the transaction. CEI shareholders will remain the majority shareholders of New CEI following the merger.

2. The complete name and address of the Applicant is:

Pike County Light & Power Company
One Blue Hill Plaza
Pearl River, New York 10965

3. The names, addresses and telephone numbers of the Applicant's attorneys are:

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4. The name, address and telephone numbers of an additional attorney for Pike is:

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B. The Parties to the Proposed Transaction

5. Pike is a Pennsylvania corporation organized in 1910, which

provides electric and gas public utility service in the northeastern corner of Pike County, Pennsylvania. As shown in Exhibit F hereto, as of March 31, 1999, Pike served approximately 5,200 customers. Pike provides service throughout a 51 square mile service territory in Pike County. For the twelve months ended December 31, 1999, Pike's jurisdictional electric sales amounted to approximately 59,800 MWH and its jurisdictional gas sales amounted to approximately 135,000 MCF. As shown in Exhibit H hereto, for the same period, Pike's annual operating revenues were approximately \$6,359,000. Pike's system does not include any bulk transmission lines operating at or above 230,000 volts and it includes approximately 118 miles of other transmission and distribution lines operating at less than 230,000 volts.

6. Orange and Rockland Utilities, Inc. ("Orange and Rockland") is a public utility, incorporated in New York State. Orange and Rockland is the sole stockholder of both Pike and Rockland Electric Company ("RECO"), a New Jersey public utility. Orange and Rockland, Pike and RECO jointly operate a single fully integrated electric production and transmission system ("Orange and Rockland System") serving parts of Pennsylvania, New Jersey and New York. Orange and Rockland, along with Pike and RECO, is a participating party in the New York Independent System Operator ("NYISO") the successor to the New York Power Pool ("NYPP"). Orange and Rockland's NYISO operations and other wholesale services are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission ("FERC").

7. CEI is a corporation organized under the laws of the State of New York and is currently a holding company exempt from registration under the Public Utility Holding Company Act of 1935 ("PUHCA"). CEI's principal business office is at 4 Irving Place, New York, New York 10003. The stock of CEI is publicly held. CEI is the sole stockholder of Orange and Rockland and is thus the parent company of Pike. CEI is also the sole stockholder of Consolidated Edison Company of New York, Inc. ("Con Edison"). Con Edison provides electric service to over three million customers in all of New York City (except part of Queens) and in most of Westchester County, New York. Con Edison also provides gas service to over a million customers in Manhattan, the Bronx and parts of Queens and Westchester County, New York and steam service to about 2,000 customers in part of Manhattan. Its electric, gas and steam retail rates are established by the New York Public Service Commission ("NYPSC"). Con Edison's principal business office is at 4 Irving Place, New York, New York 10003. Con Edison is a participant in the NYISO. Other subsidiaries of CEI provide wholesale and retail energy services(1).

8. New CEI is currently a subsidiary of CEI. New CEI formerly was called CWB Holdings, Inc. New CEI is incorporated in Delaware. New CEI was created to effectuate the merger transaction with NU. As noted previously, following the merger, the common stock of New CEI will be held by the former shareholders of CEI and NU, with former CEI shareholders continuing to hold a majority of New CEI's common stock.

9. NU, a Massachusetts business trust, is a public utility holding company for a number of companies comprising the NU system, and is not itself an operating company. Its principal place of business is located at 174 Brush Hill Avenue, West Springfield, Massachusetts, with the general offices of NU and its subsidiaries located at 107 Seldlen Street, Berlin, Connecticut 06037. NU serves approximately 1.75 million electric customers through its wholly-owned operating subsidiaries: The Connecticut Light and Power Company ("CL&P") serving 1.12 million customers in Connecticut; Public Service Company of New Hampshire ("PSNH") serving approximately 430,000 customers in New Hampshire; Western Massachusetts Electric Company ("WEMCO") serving approximately 200,000 customers in Massachusetts and Holyoke Water Power Company, serving approximately 30 industrial customers in Massachusetts. Other smaller subsidiaries of NU market natural gas, electricity and electric products and services in the Northeast, provide energy conservation services, and hold investments in telecommunications infrastructure networks.(2)

In June 1999, NU entered into an agreement to acquire Yankee Energy System, Inc. ("Yankee Energy"). The merger is expected to become effective as early as the first quarter of 2000. Yankee Energy is the largest natural gas distributor in Connecticut. For the year ending December 31, 1998, NU had approximately \$3.8 billion in consolidated operating revenues.

C. Description of the Merger

10. The Merger will be consummated under an Agreement and Plan of Merger dated as of October 13, 1999 by and between CEI and NU (the "Merger Agreement"), a copy of which is attached hereto as Exhibit A. The Merger Agreement was approved by both the NU Board of Trustees and the CEI Board of Directors in meetings on October 12, 1999.

11. Under the Merger Agreement, CEI will acquire NU for a base price of \$25 per NU common share, subject to adjustments and allocations as described more fully below. To effect the acquisition, CEI will merge into New CEI, with New CEI being the surviving company. In addition, a subsidiary of New CEI, N Acquisition LLC, will merge into NU, with NU being the entity surviving that merger. As a result of these transactions, NU will become a direct, wholly-owned subsidiary of New CEI, the parent of the combined company. These two transactions collectively constitute the Merger referred to in this Application. The combined company will conduct business under the name "Consolidated Edison, Inc." Charts showing the transaction and the pre- and post-merger corporate structures are provided in Exhibit B.

12. Upon completion of the Merger, the former holders of CEI and NU common shares will together own all of the outstanding shares of common stock of New CEI. New CEI will in turn own all of the outstanding common shares of Con Edison, NU, Orange and Rockland and CEI's non-utility subsidiaries. Orange and Rockland will continue to own Pike and RECO. NU will continue to own its regulated utilities and non-utility subsidiaries. New CEI will register as a public utility holding company pursuant to the PUHCA.

13. The shares of New CEI common stock will be distributed as follows:

a. As the result of the Merger, each CEI shareholder will receive one share of New CEI common stock for each CEI common share that he or she holds.

b. NU shareholders may elect to receive stock or cash consideration. Each NU shareholder may elect to receive, for each NU common share, a fraction of a share of New CEI common stock equal to a numerator of \$25.00 divided by the weighted average trading price of CEI common shares over 20 trading days randomly selected from the 40 trading days ending five trading days prior to the closing of the Merger. However, the CEI share price used to calculate this fraction will not be less than \$36.00 nor greater than \$46.00. The Merger Agreement further provides that \$1.00 is to be added to the numerator if, prior to the closing of the Merger, NU enters into binding agreements to sell certain nuclear facilities which meet specific conditions set forth in the Merger Agreement (the "Divestiture Condition"). In addition, \$0.0034 will be added to the numerator for each day after August 5, 2000, should the Merger not have closed by then, through the day prior to the closing of the Merger.

c. In the alternative, holders of NU common shares may elect to receive, for each NU common share, cash consideration equal to \$25.00 per NU common share, provided that an additional \$1.00 per share will be payable if, prior to the closing of the Merger, NU satisfies the Divestiture Condition, and an additional \$0.0034 will be added to the numerator for each day after August 5, 2000 through the day prior to the closing of the Merger.

d. Elections by NU shareholders of stock or cash consideration will each be subject to allocation and proration procedures. These procedures provide that not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into the right to receive cash consideration, and not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into common stock of the combined company.

e. If the Merger closes on or prior to December 31, 2000, and the Divestiture Condition has not been satisfied, but thereafter on or prior to December 31, 2000 the Divestiture Condition is satisfied, then each NU shareholder (whether the shareholder elected stock or cash consideration) will be entitled to \$1.00 per converted NU common share to be paid in cash by New CEI.

f. The aggregate price to be paid to NU shareholders (including the value of the stock consideration) will depend upon the adjustments described above and the number of NU common shares outstanding at the completion of the Merger, but is not expected to exceed \$3.6 billion. It is estimated that NU shareholders will receive less than 20% of New CEI Common Stock, with the remainder retained by CEI shareholders.

14. CEI and NU seek to complete the Merger in July 2000. In addition to various regulatory reviews, completion of the Merger requires, among other things, the approval of at least a majority of the CEI shares outstanding and entitled to vote and at least two-thirds of the NU shares outstanding and

entitled to vote. CEI and NU plan to call special meetings of their shareholders to approve the Merger in early 2000.

15. The Merger will result in a change in the ultimate corporate owner of Orange and Rockland (from CEI to New CEI) but, as noted above, CEI shareholders will remain the majority shareholders of New CEI. The Merger will not involve any change in the manner in which Pike provides electric transmission and delivery service to its customers. Pike will continue to exist, will retain its present name, and will operate as a wholly-owned subsidiary of Orange and Rockland. The services currently being provided by Pike will continue to be offered pursuant to Commission-approved tariffs.

16. New CEI will account for the Merger under the purchase method of accounting in accordance with generally accepted accounting principles. Under the purchase method of accounting, CEI will value NU's net assets and liabilities at their fair market value, and any premium paid over and above fair market value will be reflected as goodwill and amortized over 40 years. The fair market value for assets utilized in the regulatory framework is generally their book value. The transaction is valued at approximately \$7.5 billion, including NU's debt, capitalized leases and preferred securities.

D. Benefits of the Merger

17. The Merger is expected to produce benefits, including cost savings through greater efficiencies and economies of scale and scope, a more diverse customer base, and a regional platform for growth. More specifically, the Merger will provide the opportunity to achieve cost savings through greater operating efficiencies. Scale has importance in many areas, including utility operations, product development and corporate services. The Merger also will create a regional platform for marketing utility and non-utility services, which will strengthen the ability of the combined company to offer additional services to customers.

18. Dramatic changes are occurring in the regulation of the electric and gas industries at the federal and state levels, resulting in an increasingly competitive environment in which gas and electric utilities operate. Following an evaluation of this transformation of the energy industry to determine how best to respond to these changes, both CEI and NU have concluded that size, resources and a larger customer base will be critical in achieving lower rates for customers, as well as competitive investor returns. Accordingly, the terms of the business combination set forth in the Merger Agreement will provide a mutually beneficial setting for responding to this evolving and increasingly competitive energy marketplace.

19. The common vision of CEI and NU and their complementary strategies, in combination with their management, personnel, technical expertise and financial strength, will create a company with the capabilities and resources better positioned to succeed and grow in the new competitive energy marketplace. The Merger would join two well-managed companies with complementary and contiguous operations, providing substantial strategic and financial benefits to customers, employees and shareholders alike. These benefits are expected to include a strong, regional foundation, providing New CEI with the scale and scope necessary to invest in infrastructure, utilize advanced technologies in a cost-effective manner and better serve customers. As explained further herein, the combination will improve Pike's ability to meet its commitments to customer service and system reliability. In addition, Pike anticipates savings in the operation of New CEI's regulated businesses from greater efficiencies in operations and business processes through the elimination of duplicate facilities and activities, administration and other labor cost savings and increased purchasing efficiencies. A portion of these savings will inure to Pike's benefit, which will provide continued rate stability for Pike's customers.

20. The Merger will not have an adverse effect on competition among suppliers of electric utility services. Pike owns no generating assets. Pike's corporate parent, Orange and Rockland, has fully divested itself of generation assets. Pike has already implemented customer choice in electricity provider in accordance with the Commission's Order entered July 23, 1998, at Docket No. R-00974150, which approved a settlement of Pike's electric restructuring proceeding. That settlement included specified affiliate transaction rules. Nothing in this Merger will have any effect upon that settlement. Con Edison has sold approximately 6,300 MW of its approximately 8,300 MW of generating capacity. NU's operating subsidiaries have, or are in the process of, divesting their generating facilities. CL&P and WEMCO recently divested most of their fossil-fueled generating facilities and are in the process of divesting their nuclear capacity. PSNH is awaiting approval of its agreement to auction off all of its generating assets. Both CEI and NU have established open access transmission tariffs consistent with the rules and requirements of the FERC. This Merger will provide the resources to foster innovation and will add vitality and strength to the drive to competition and thereby increase the savings available to consumers.

As a result, the Merger will not result in either anticompetitive or discriminatory conduct and will not prevent retail customers from obtaining the benefits of a competitive retail electricity market. Because Pike's annual gas operating revenues are less than \$6,000,000 per year, Pike is not subject to the provisions of the Natural Gas Choice and Competition Act, Chapter 22 of the Public Utility Code.

21. The Merger will have no impact on jobs located in Pennsylvania. Pike has no operating employees. As a wholly-owned subsidiary of Orange and Rockland, all the service requirements of Pike's customers are furnished by Orange and Rockland. Orange and Rockland bills Pike for these services pursuant to the terms of the Joint Operating Agreement between them dated October 24, 1962. Orange and Rockland will continue to maintain a significant local workforce. The combined companies recognize that a local workforce is necessary to maintain excellent customer service levels and to respond to the particular needs within each of the States that the operating utilities will serve.

22. The Merger will not adversely affect Pike's service to its customers in Pennsylvania. New CEI is committed to maintaining Pike's existing high standards of reliability and customer service. Merger-related savings will be obtained primarily through achieving economies of scale, such as elimination of duplicative departments and systems, principally at the administrative levels of CEI and NU(3). As a result, the Merger will not have an adverse effect on the provision of safe, adequate and proper utility service at just and reasonable rates.

23. The registered PUHCA status of New CEI will require a service company framework similar to Northeast Utilities Service Company ("NUSCO"), NU's existing service company, to the extent services are shared by operating companies. Under the service company framework, all the CEI subsidiaries will receive allocations of costs appropriate to the services being rendered to them as approved by the SEC. Prior to implementing such new cost allocations, Pike will make the appropriate affiliated interest agreement filings with the Commission under Chapter 21 of the Public Utility Code.

24. The Merger should strengthen the ability of Pike to offer improved and additional services to its customers by providing access to the best practices and innovative technology and methods now employed by the separate companies. For example, NU has developed expertise in establishing and participating in restructured wholesale markets, which have only recently been established in New York and Pennsylvania, and has an extensive overhead distribution system that, with implementation of best practices, should assist CEI in dealing with its overhead systems in New York, New Jersey and Pennsylvania.(4) NU also has a great deal of experience with a service company structure, which will be essential, to the extent services are shared by operating companies, once New CEI is established and becomes a registered holding company under PUHCA.

25. The Merger Agreement provides that Con Edison and Orange and Rockland will remain separate operating utilities owned by New CEI. Pike will remain as a wholly owned subsidiary of Orange and Rockland. As a consequence, the transaction will not impact on the ability of Pike to continue to raise debt or preferred equity capital in the future. Moreover, additional equity capital, whether raised publicly at the New CEI level, or generated internally, will be invested in NU, Con Edison and Orange and Rockland (including Pike), as appropriate, to fund utility capital expenditures while maintaining a cost-effective capital structure at the utility level. To facilitate appropriate allocation of capital within New CEI, the merged company expects to create a guideline for prioritizing the allocation of funds among the subsidiaries. A committee comprised of senior managers will be established at the time of the Merger consummation, which would monitor operating and financial requirements with a view to ensuring that capital allocated to the regulated companies is adequate to provide safe and reliable service to customers.

26. The Merger will produce certain net savings which are driven by the operating efficiencies expected from the Merger. As shown on Exhibit J, based on current estimates, the Merger is anticipated to result in savings for the regulated operations of New CEI, net of transaction costs and costs to achieve, of approximately \$1.3 billion on a cumulative nominal basis over the first ten years following the closing of the transaction, which is scheduled for July 2000. These savings were derived by combining, to the extent practicable, the costs and workforces of CEI and NU and applying general reduction factors, mainly in the administrative areas, that normally result from a combination of similarly-sized companies. A transition team has been established to identify the precise means by which the Merger efficiencies will be realized and, while specific assumed reductions in certain areas will be overstated or understated, CEI and NU expect that the overall level of merger savings will be phased in and realized over time, with the savings achieved at the end of the ten-year period being in the

range of \$1.3 billion. (5)

27. Exhibit J also shows the estimated transaction costs and other costs to achieve, which total approximately \$319 million. Transaction costs and costs to achieve include the incremental legal, financial, employee and organizational costs incurred and to be incurred to effectuate and implement the Merger.

28. Consistent with general Commission practice, Pike proposes that, in the absence of a general rate case, it retain the synergy savings that would normally be retained if it were to reduce expenses in a period between rate cases. Pike will retain all near-term synergy savings, except savings in costs that are normally flowed through to consumers through Pike's gas cost adjustment clause; the latter savings will be fully and immediately flowed through to customers, as would be the case with reductions in other cost elements subject to adjustment-clause recovery. Under this approach, the near-term costs of implementing the Merger will not be charged to customers but will be borne by investors and will offset the retention of near-term and non-fuel synergy savings. (6) Pike requests that, for accounting purposes, Pike's pro rata share of the costs to achieve the merger be allowed to be recorded as a Regulatory Asset and amortized to Pike's electric and gas departments over a period of five years, commencing with the effective date of the Merger. For recording purposes, "costs to achieve the merger" shall include those costs incurred directly by and/or allocated to Pike to complete the Merger.

29. If a general rate case filed after closing of the Merger is decided for any of the regulated services of Pike, the revenue requirement would be determined based on normal cost of service principles, including applicable synergy savings and applicable Merger costs as amortized during the test year in that proceeding. Any party to that proceeding would have the right to challenge the reasonableness and prudence of claimed Merger costs. An allocation of the synergy savings among the regulated companies has not yet been finalized, and will be provided to the Commission in the near future.

30. The assets of Orange and Rockland and Pike will continue to be recorded on their books and records at the same values as before the Merger.

E. Rates

31. Presently, Pike provides electric and gas service to Pennsylvania jurisdictional customers under tariffs and rates reviewed and approved by the Commission. Pike's rates will not change as a result of the Merger.

F. Service

32. As noted above, service provided by Pike will not be affected by the Merger.

G. Regulatory Approvals

33. To the extent required, filings will be made with the utility commissions of the states of New York, New Jersey, Connecticut, Massachusetts, New Hampshire, Maine and Vermont.

34. CEI, a holding company exempt from most provisions of PUHCA under Section 3(a) (1) of the Act, and NU, a holding company regulated by and registered under PUHCA, are required to obtain SEC approval under Section 9(a) (2) of PUHCA in connection with the Merger. Section 9(a) (2) requires an entity owning, directly or indirectly, 5 percent or more of the outstanding voting securities of a public utility company to obtain the approval of the SEC under Section 10 prior to acquiring a direct or indirect interest in 5 percent or more of the voting securities of any additional public utility company.

As a result of the Merger, CEI, a holding company which currently holds in excess of 5 percent of the voting securities of a public utility within the meaning of PUHCA, will be deemed to have indirectly acquired through New CEI all of the common shares of NU, a public utility holding company within the meaning of PUHCA. Therefore, the approval of the merger by the SEC is required. It is anticipated that an application seeking SEC approval will be filed in the same time frame as this Application.

35. CEI and NU are subject to the jurisdiction of the FERC under Section 205 of the Federal Power Act ("FPA") with respect to certain wholesale electric sales and transmission services. FERC has also asserted jurisdiction over any transfer of ownership and control over FERC jurisdictional facilities under section 203 of the FPA. An application seeking the approval of the FERC was filed on January 14, 2000.

36. The expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, will be required.

37. The Atomic Energy Act provides that a Nuclear Regulatory Commission ("NRC") license for nuclear generating facilities may not be transferred or in any manner disposed of, directly or indirectly, through transfer of control, unless the NRC finds that the transfer complies with the Atomic Energy Act and consents to the transfer. Subsidiaries and affiliates of CEI and NU hold licenses for their nuclear generating facilities; therefore, notification of the Merger was made to the NRC on January 13, 2000, and its consent sought to the extent the NRC deems necessary.

H. Service Territories

38. Provided as Exhibit C hereto are copies of Pike's tariff sheets which identify the areas where it provides gas and electric service in Pennsylvania. Exhibit D hereto is a map depicting the portions of Pennsylvania where Pike provides service.

39. The gas and electric service territories of Pike would not be changed by the Commission's approval of this Application or by the consummation of the transaction proposed herein.

I. Pike Corporate History

40. Pike was organized in 1910 as a subsidiary of the Orange County Public Service Company of Port Jervis, New York. In 1913, Pike merged with Matamoras Gas Company and Pike Gas Company to form Pike County Light & Power Company. In 1914, Pike County Light & Power Company merged with Milford Electric Company, Milford Township Electric Company, and Westfall Electric Company to become what is known today as Pike County Light & Power Company. Pike County Light & Power Company was acquired by the Tenney Company in 1926 and merged into Rockland Light and Power Company. On February 28, 1958, Orange and Rockland Electric Company merged into Rockland Light and Power Company and the merged company became Orange and Rockland Utilities, Inc. On July 8, 1999, Orange and Rockland merged with and became a wholly-owned subsidiary of CEI.

J. Supporting Data

41. Pike will employ, in furnishing service, plant in service presently used by it to furnish service, together with plant presently under construction and plant which may be added in the future prior to approval of this Application. Exhibit E is a Statement for Pike of the original cost, by primary account, of plant in service. Also shown on Exhibit E is the reserve for depreciation associated with plant in service. Approval by the Commission of this Application and the consummation of the transaction proposed herein will not alter the original cost of plant in service or the depreciation reserve of each company.

42. Exhibit F hereto indicates for Pike the number of customers, by class, as of March 31, 1999. Approval by the Commission of this Application and the consummation of the transaction proposed herein will not alter the number of customers served by Pike.

43. Exhibit G hereto contains balance sheets for Pike as of December 31, 1999. Approval by the Commission of this Application and the consummation of the transaction proposed herein will have no material effect upon Pike's balance sheets.

44. Exhibit H hereto is the statement of income for Pike, for the twelve months ended December 31, 1999. Approval by the Commission of this Application and the consummation of the transaction proposed herein will not affect Pike's income statement.

45. Exhibit I hereto is the Statement of Financial Condition of CEI as of December 31, 1998 and September 30, 1999.

K. Miscellaneous

46. All of the annual reports, tariffs and other documents filed by Pike with the Commission and filings by its predecessors, are made a part hereof by reference.

47. The following exhibits are attached to this Petition, incorporated herein and made a part hereof:

- a. Exhibit A - Agreement and Plan of Merger;
- Exhibit B - Comparison of Pre- and Post-Merger Corporate Structure
- Exhibit C - Tariff sheets
- Exhibit D - Map of Pike
- Exhibit E - Statement of Pike Original Cost Plant in

- Exhibit F - Customers Served as of March 31, 1999
- Exhibit G - Pike Balance Sheet
- Exhibit H - Pike Statement of Income
- Exhibit I - Statement of Financial Condition of CEI as of December 31, 1998 and September 30, 1999
- Exhibit J - Quantification of Synergy Savings

48. The Merger Agreement provides that, prior to the closing date, the Merger Agreement may be terminated for a variety of reasons. In the event that the Merger Agreement is so terminated in accordance with its terms, Pike respectfully reserves the right to withdraw this Petition.

WHEREFORE, for all the foregoing reasons, Pike County Light & Power Company respectfully requests that the Pennsylvania Public Utility Commission approve this Application and issue a certificate of public convenience approving the transfer by merger from Consolidated Edison, Inc. to a newly-formed subsidiary also named Consolidated Edison, Inc. by merger the title to, or the possession or use of, all property of Pike County Light & Power Company, that is used or useful in the public service. Pike also requests that its pro rata share of the costs to achieve the merger be allowed to be recorded as a Regulatory Asset and amortized to Pike's electric and gas departments over a period of five years, commencing with the effective date of the Merger. Pike further requests that the Commission take such action no later than June 15, 2000, so that the Merger can be consummated in July, 2000, as scheduled.

Respectfully submitted,

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Of Counsel:
 MORGAN, LEWIS & BOCKIUS LLP
 Attorneys for Pike County Light & Power
 Company, Orange and Rockland Utilities,
 Inc., and Consolidated Edison, Inc.

Dated: January 20, 2000

AFFIDAVIT

STATE OF NEW YORK :
 :
 COUNTY OF ROCKLAND : SS.

, being duly sworn according to law, deposes and states that he is of Pike Light & Power Company; that he is authorized to and does made this affidavit for it; and that the facts set forth above related to Pike Light & Power Company are correct to the best of his knowledge, information and belief.

Sworn to and subscribed
 before me this day
 of January, 2000.

Notary Public

Footnotes:

(1) Con Edison Solutions, Inc., another wholly-owned subsidiary of CEI, is licensed to market gas and electricity in Pennsylvania.

(2) Select Energy, a wholly-owned subsidiary of NU, is licensed to market gas and electricity in Pennsylvania.

(3) By order entered March 11, 1999, at A-110650F0003, the Commission approved the merger of Orange and Rockland and CEI. That merger resulted in substantial reductions in the administrative staff of Orange and Rockland. As a result, the proposed merger of CEI and NU is not anticipated to result in any substantial change to Orange and Rockland's staff.

(4) Significantly, the service territories of CEI and NU are contiguous, directly intertied and include the largest customer base in the New England and New York power pools (ISOs). This will facilitate the combined companies' ability to foster greater cooperation between the pools and to take advantage of operating efficiencies.

(5) The cost savings were based on current cost and expense levels for each company absent the Merger and then escalated by 3 percent each year through 2010.

(6) Pike notes that the acquisition premium, or the excess of the purchase price over the fair market value of NU's net assets, is estimated to be \$1.5 billion and will be accounted for as goodwill on New CEI's balance sheet and amortized to expense over a 40-year period.

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No:

Joint Petition of Public Service Company)
of New Hampshire, Northeast Utilities)
and Consolidated Edison, Inc. For)
Approval of Merger)

JOINT PETITION FOR APPROVAL OF MERGER

Public Service Company of New Hampshire ("PSNH"), Northeast Utilities ("NU") and Consolidated Edison, Inc. ("CEI") (together, the "Joint Petitioners") hereby submit this petition requesting that the Vermont Public Service Board (the "Board"), pursuant to the provisions of 30 VSA Section 107, and any other applicable statutes, approve the acquisition by CEI of NU, the parent company of PSNH, which will be accomplished through a merger as described herein. As a result of these transactions, NU will become a direct, wholly-owned subsidiary of a newly formed public utility holding company ("New CEI"). New CEI's outstanding shares of common stock will be wholly owned by the holders of CEI and NU common shares. PSNH will continue to be a wholly-owned subsidiary of NU. The transactions described above collectively constitute the merger referenced in this petition.

As described below, and as supported in detail by the prefiled written testimony of Michael G. Morris and Hyman Schoenblum submitted on behalf of the Joint Petitioners in New Hampshire, the transactions described above will not adversely affect the rates, terms, service or operation of PSNH; and therefore, the proposed transactions are lawful, proper and in the public interest, and meet the public good standard embodied in 30 VSA Section 107.

In support thereof, the Joint Petitioners state the following:

1. PSNH is a New Hampshire public utility corporation with a principal place of business in Manchester, New Hampshire. NU is the owner of 100 percent of the common stock of PSNH. PSNH does not provide retail electric service to any customers in Vermont, and receives no compensation in Vermont from retail electric sales. However, PSNH owns and operates certain property in Vermont (the "Vermont Properties") which are listed in Exhibit "1" attached hereto, but receives no compensation as a result of its ownership of the Vermont Properties.

2. NU, a Massachusetts business trust headquartered in Berlin, Connecticut, is the parent company of the Northeast Utilities system (the "NU System") and a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA"). The NU System currently serves approximately 30 percent of New England's electric needs, with approximately 1.7 million utility customers, and is one of the 24 largest electric utility systems in the country as measured by revenues.

3. The legal name and principal place of business of CEI is:

Consolidated Edison, Inc.
4 Irving Place
New York, New York 10003

CEI, incorporated in New York in 1997, is the public utility holding company for Consolidated Edison Company of New York, Inc. ("CECONY") and Orange and Rockland Utilities, Inc. ("O&R"), both of which are regulated utilities. CECONY and O&R, which are described more fully below, serve three million electric customers in New York, New Jersey and Pennsylvania and one million gas customers in New York and Pennsylvania. CECONY also serves approximately 2,000 steam customers in Manhattan. The franchise territory of CEI subsidiaries is shown in Exhibit 2.

CEI also has four non-utility subsidiaries which provide electric and gas supply services, invest in energy infrastructure projects, market technical services and develop and manage infrastructure for a communications business. CEI has no employees and no significant business operations other than through its regulated and non-regulated subsidiaries. For the twelve months ending September 30, 1999, CEI had approximately \$7.2 billion in consolidated operating revenues.

CEI's Regulated Utility Subsidiaries

CECONY, incorporated in New York State in 1884, provides electric service to over three million customers and gas service to over one million customers in New York City and Westchester County, as well as steam service to parts of Manhattan. CECONY's principal place of business is in New York City and it has approximately 14,200 employees. CECONY is regulated by the New York State Public Service Commission ("NYSPSC").

For 1998, which was prior to the closing of CEI's acquisition of O&R, substantially all of CEI's operating revenues, operating income, net income and total assets were those of CECONY. CECONY's 1998 operating revenues were approximately \$7.0 billion, of which \$5.0 billion were electric operating revenues, \$1.0 billion were gas operating revenues and \$322 million were steam operating revenues. In 1998, CECONY had \$5.7 billion in electric sales, of which 36.5 percent was to residential customers, 62 percent was to commercial and industrial customers and the balance to railroads and public authorities.

As of December 31, 1998, CECONY's electric transmission system had approximately 432 miles of overhead circuits operating at 138, 230, 345 and 500 kV; approximately 381 miles of underground circuits operating at 138 and 345 kV; 267 miles of radial sub-transmission circuits operating at 138 kV; and 14 transmission substations supplied by circuits operated at 69 kV and above with a total transformer capacity of 15,731 megavolt amperes. CECONY has transmission interconnections with Niagara Mohawk, Central Hudson, O&R, New York State Electric and Gas Corporation, CL&P, Long Island Lighting Company, the New York Power Authority and Public Service Electric and Gas Company. These transmission facilities are located in New York City and Westchester, Orange, Rockland, Putnam and Dutchess counties in New York State. CECONY's electric distribution system includes 290 distribution substations in New York City and Westchester County, New York, with a transformer capacity of 20,168 megavolt amperes, 32,429 miles of overhead distribution lines and 87,910 miles of underground distribution lines.

At the beginning of 2000, CECONY will have approximately 1,500 MW of capacity it owns and operates, 462 MW of entitlements to jointly owned units, 2,090 MW of non-utility generation ("NUG") contracts and 550 MW of other contracts. The owned capacity includes the 931 MW Indian Point Unit 2 ("IP2") nuclear generating station located in Westchester County. In December 1999, CECONY announced that it was pursuing operating and ownership alternatives for IP2. The balance of CECONY's owned capacity includes approximately 460 MW that produces both electricity and steam for its steam distribution system in Manhattan and some small combustion turbines located in various facilities in New York City. CECONY has agreed in principle to sell its share of the Roseton Generating Station, which it jointly owns with Niagara Mohawk Power Company ("NiMo") and Central Hudson Gas and Electric Corporation ("CHG&E"), as part of CHG&E's divestiture, which is required to be completed by June 2001. This sale will reduce CECONY's capacity, including NUG's, by 462 MW to 4,140 MW.

CECONY's natural gas distribution system includes approximately 4,200 miles of mains and 362,300 service lines. CECONY owns a natural gas liquification facility and storage tank at its Astoria property in Queens. This plant can store approximately 1,000 mdth, of which a maximum of about 250 mdth can be withdrawn per day. CECONY has an additional 1,230 mdth of natural gas storage capacity at a field in upstate New York owned and operated by Honeoye Storage Corporation, in which CECONY has a 28.8 percent ownership interest. CECONY also generates steam for distribution at three steam/electric generating stations and five steam-only generating stations. Steam is distributed to customers through approximately 86 miles of mains and 18 miles of pipelines.(1)

O&R and Its Subsidiaries

In July 1999, CEI completed its acquisition of O&R for \$791.5 million in cash. As a wholly-owned utility subsidiary of CEI, O&R, along with its two utility subsidiaries - Rockland Electric Company ("RECO") and Pike County Light and Power Company ("Pike") - provides electric service to 274,000 customers and natural gas service to 117,000 customers in southeastern New York State and adjacent sections of New Jersey and Pennsylvania. O&R's, RECO's and Pike's service territories cover approximately 1,350 square miles, extending along the west bank of the Hudson River, directly across from CECONY's service territory.

O&R, a New York corporation with its principal office in Pearl River, New York, has been providing electric and gas service in New York State

for approximately 100 years. In 1998, O&R had operating revenues of approximately \$626 million, of which approximately \$490 million (78.3 percent) were electric operating revenues and \$136 million (21.7 percent) were gas operating revenues. O&R has approximately 1,000 employees.

O&R owns and operates 617 circuit miles of transmission lines, 78 substations, 84,509 in-service line transformers, 4,967 pole miles of overhead distribution lines, and 2,271 miles of underground distribution lines. O&R's gas operations include three propane air gas plants, which have a combined capacity of 30,600 Mcf per day natural gas equivalent. The gas distribution system includes 1,758 miles of mains.

O&R is regulated by the NYPSC, RECO is regulated by the New Jersey Board of Public Utilities ("NJBPU") and Pike is regulated by the Pennsylvania Public Utility Commission ("PaPUC"). RECO has two wholly-owned non-

(1) CECONY has two wholly-owned subsidiaries: Davids Island Development Corporation ("Davids Island") and D.C.K. Management Corporation ("DCK"). Davids Island owns real property acquired as a possible site for an electric generating plant in Dutchess and Columbia Counties in New York State, which it is in the process of disposing. DCK owns real property in New York City.

utility subsidiaries, which in turn have subsidiaries engaged in the energy service and real estate businesses. (2)

O&R also has three wholly-owned non-utility subsidiaries: Clove Development Corporation ("Clove"), a New York corporation, O&R Energy Development, Inc. and O&R Development, Inc., both Delaware corporations. Clove holds approximately 5,200 acres of real estate, located primarily in the Mongaup Valley region of Sullivan County, New York. O&R Development, Inc., which was formed to promote industrial and corporate development in O&R's service territory by providing improved sites and buildings, owns approximately 200 acres of land, which are being marketed for sale. O&R Energy Development, Inc. is currently inactive.

CEI's Non-Regulated Subsidiaries

CEI currently has four wholly-owned, non-utility, non-regulated subsidiaries: Consolidated Edison Solutions, Inc. ("CES"), Consolidated Edison Development, Inc. ("CED"), Consolidated Edison Energy, Inc. ("CEE") and Consolidated Edison Communications, Inc. ("CECI").

CES is an energy service company providing competitive gas and electric supply and energy-related products and services. CES has an interest in Inventory Management & Distribution Company, Inc. ("IMD"), an energy marketing firm, and in Remote Source Lighting International, Inc. ("RSLI"), a lighting technology company.

(2) RECO's two wholly-owned non-utility subsidiaries are Enserve Holdings, Inc. ("Enserve") and Saddle River Holdings Corp. ("SRH"), both Delaware corporations. Enserve has two wholly-owned, currently inactive non-utility subsidiaries, Palisades Energy Services, Inc., which provides non-regulated energy services to industrial, commercial, institutional and government energy users, and Compass Resources, Inc. ("Compass"), which was formed to invest in energy technology ventures and new energy processes. RECO's other non-utility subsidiary, SRH, was established for the purpose of investing in non-utility business ventures. SRH has two wholly-owned non-utility subsidiaries, NORSTAR Holdings, Inc. ("NHI") and Atlantic Morris Broadcasting, Inc. ("AMB"). NHI has two wholly-owned non-utility subsidiaries, NORSTAR Management, Inc. ("NMI"), and Millbrook Holdings, Inc. ("Millbrook"). NMI is the sole general partner of NORSTAR Energy Limited Partnership, a gas marketing company that is discontinuing operations. The NORSTAR Partnership is the majority owner of NORSTAR Energy Pipeline Company, LLC, which is currently inactive. NHI's Millbrook subsidiary holds a leasehold interest in non-utility real estate in Morris County, New Jersey. SRH's other non-utility subsidiary, AMB, which owned six radio stations, is currently inactive.

CED invests in energy infrastructure projects and markets CECONY's technical services. CE Development has invested in electric generating plants in California, Michigan, Guatemala and the Netherlands. (3)

Another wholly-owned CEI subsidiary, CEE, markets specialized energy supply services to wholesale customers in the Northeast and Mid-Atlantic

states. In July 1999, CEE, through its subsidiary Consolidated Edison Energy Massachusetts, Inc., purchased 290 MW of electric generating capacity from Western Massachusetts Electric Company, which it currently owns and operates.

The remaining wholly-owned CEI subsidiary, CECI, was formed to explore opportunities to build a communications business by leveraging CECONY's expertise in building and managing infrastructure, including fiber optic cable. On November 23, 1999, CECI executed an agreement to purchase 10.75 percent of the common stock, on a fully-diluted basis, of NorthEast Optic Network, Inc. ("NEON"), a Westborough, Massachusetts-based provider of broadband telecommunications services in New England and New York State. NU owns approximately 30 percent of NEON.

4. The merger will be consummated under an Agreement and Plan of Merger dated as of October 13, 1999, as amended and restated January 11, 2000, by and between CEI and NU (the "Merger Agreement"), a copy of which is attached hereto as Exhibit 3. The merger was approved by both the NU Board of Trustees and the CEI Board of Directors in meetings on October 12, 1999.

5. Pursuant to the Merger Agreement, CEI will acquire NU for a base price of \$25 per NU common share, subject to adjustments as described more fully below. To effect the acquisition, CEI will merge into New CEI, a new parent holding company incorporated in Delaware, formerly called CWB Holdings, Inc.. A subsidiary of New CEI, N Acquisition Corp., will then merge into NU, with NU being the entity surviving that merger. As a result of these transactions, NU will become a direct, wholly-owned subsidiary of New CEI, the parent of the combined company. These two transactions collectively constitute the Merger referred to in this Application. The combined company will conduct business under the name "Consolidated Edison, Inc."

(3) CED has five direct operating subsidiaries: (i) Con Edison Development, Guatemala, Ltd. invests in projects in Latin America; (ii) Consolidated Edison Leasing, Inc. has an investment in a leveraged-lease transaction in a power plant in the Netherlands; (iii) Con Edison Leasing, LLC, has an investment in a leveraged-lease transaction in a gas distribution system in the Netherlands; (iv) CED Ada, Inc. which has an indirect interest in a qualifying cogeneration facility in Michigan; and (v) Carson Acquisition, Inc. which has an indirect leasehold interest in a qualifying cogeneration facility in California.

6. Upon completion of the Merger, the former holders of CEI and NU common shares will together own all of the outstanding shares of common stock of New CEI. New CEI will in turn own all of the outstanding common shares of CECONY, NU, O&R and CEI's non-utility subsidiaries. NU will continue to own its regulated utilities. New CEI will register with the Securities and Exchange Commission ("SEC") as a public utility holding company pursuant to the PUHCA.

7. As the result of the Merger, each CEI shareholder will receive one share of New CEI common stock for each CEI common share that he or she holds. NU shareholders may elect to receive stock or cash consideration. Each NU shareholder may elect to receive, for each NU common share, a fraction of a share of New CEI common stock equal to a numerator of \$25.00 divided by the weighted average trading price of CEI common shares over 20 trading days randomly selected from the 40 trading days ending five trading days prior to the closing of the Merger. However, the CEI share price used to calculate this fraction will not be less than \$36.00 nor greater than \$46.00. The Merger Agreement further provides that \$1.00 is to be added to the numerator if, prior to the closing of the Merger, NU enters into binding agreements to sell certain nuclear facilities which meet specific conditions set forth in the Merger Agreement (the "Divestiture Condition"). In addition, \$0.0034 will be added to the numerator for each day after August 5, 2000 through the day prior to the closing of the merger.

8. In the alternative, holders of NU common shares may elect to receive, for each NU common share, cash consideration equal to \$25.00 per NU common share, provided that an additional \$1.00 per share will be payable if, prior to the closing of the Merger, NU satisfies the Divestiture Condition, and an additional \$0.0034 will be added to the numerator described above for each day after August 5, 2000 through the day prior to the closing of the Merger.

9. Elections by NU shareholders for stock or cash consideration will each be subject to allocation and proration procedures. These procedures

provide that not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into the right to receive cash consideration, and not more than 50 percent of the aggregate number of NU shares eligible to receive Merger consideration will be converted into common stock of the combined company.

10. If the Merger closes prior to December 31, 2000, and the Divestiture Condition has not been satisfied, but thereafter and on or prior to December 31, 2000 the Divestiture Condition is satisfied, then each NU shareholder (whether the shareholder elected stock or cash consideration) will be entitled to \$1.00 per converted NU common share to be paid in cash by New CEI.

11. The aggregate price to be paid to NU shareholders (including the value of the stock consideration), which is estimated to be not more than \$3.8 billion, will depend upon the adjustments described above and the number of NU common shares outstanding at the completion of the Merger.

12. The proposed Merger of CEI and NU will not have any impact on the Board's jurisdiction over PSNH and PSNH will continue to be regulated by the Board in the same manner as it has in the past.

13. CEI and NU seek Vermont Public Service Board approval of the merger on or before June 15, 2000, in order that the merger can be completed in July, 2000. In addition to various regulatory filings and approvals, completion of the Merger requires, among other things, the approval of at least a majority of the CEI shares outstanding and entitled to vote and at least two-thirds of the NU shares outstanding and entitled to vote.

14. Consummation of the merger between CEI and NU is subject to certain conditions, which include regulatory approval by the Board, as set forth in Article VI of the Merger Agreement. Other required regulatory reviews include those of the state regulatory commissions in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, and Pennsylvania. The merger is also conditioned upon and requires the approvals of the Securities and Exchange Commission, the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission. In addition the waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976 will have to expire without objection from the U.S. Justice Department or the Federal Trade Commission.

15. The proposed transactions and the expected benefits are discussed in detail in the accompanying testimonies of Michael G. Morris and Hyman Schoenblum. As indicated in the testimonies, the benefits of the merger include an estimated net cumulative \$1.3 billion of savings over an initial ten year period for the combined entity. These savings are estimated to result from the elimination of duplicate corporate and administrative functions and greater efficiency in operations and business processes and increased purchasing efficiencies, increased opportunities for employees, a strengthening of the ability to offer additional services to customers, enhancement of competition and continued commitment to service reliability, economic development and community involvement.

WHEREFORE, the Joint Petitioners respectfully request that the Board

a. Determine that the proposed acquisition of NU, and of its wholly-owned subsidiary PSNH, which will be accomplished through the merger of CEI and New CEI, and the merger of a subsidiary of CEI into NU, with NU being the entity surviving that merger, and that the terms thereof are consistent with the public good.

b. Approve the above-described transactions as filed in accordance with the provisions of 30 VSA Chapter 3, and any other applicable statutes.

c. Issue such other and further orders as may be necessary and just and reasonable.

Respectfully submitted,
JOINT PETITIONERS:

Public Service Company of New Hampshire
Northeast Utilities

By Their Attorneys,

Zuccaro, Willis & Bent

Dated: January 19, 2000

By
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and
Consolidated Edison, Inc.

By its Attorney

Dated: January 19, 2000

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EXHIBIT 10.2

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6346

Joint Petition of Public Service Company of New)
Hampshire, Northeast Utilities and Consolidated)
Edison, Inc. For Approval of Merger)

Order Entered:

I. INTRODUCTION

This Docket concerns a petition filed by Public Service Company of New Hampshire ("PSNH"), Northeast Utilities ("NU") and Consolidated Edison, Inc. ("CEI") seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. Section 107, of the acquisition of NU and its wholly-owned subsidiary PSNH to be accomplished through the merger of CEI and a newly formed public utility holding company ("New CEI"), and the merger of a subsidiary of CEI into NU, with NU being the entity surviving the merger, In this Proposal for Decision, I recommend that the Board approve the proposed transaction,

On January 20, 2000, PSNH, NU and CEI (together "Joint Petitioners") filed a petition with the Board for approval of the acquisition of NU and its wholly-owned subsidiary PSNH (the "Acquisition") to be accomplished through the merger of CEI and New CEI, and the merger of a subsidiary of CEI into NU, with NU being the entity surviving the merger, all upon terms detailed in the testimony of Michael G. Morris and Hyman Schoenblum.

In support of the joint petition, Joint Petitioners submitted the prefiled testimony of Michael G. Morris, Chairman, Chief Executive Officer and President of NU and Chairman of its principal subsidiaries, including PSNH, and the testimony of Hyman Schoenblum, Vice President and Controller of CEI. Copies of the filing were served on the Vermont Department of Public Service ("Department"), a statutory party to this proceeding.

I conducted a prehearing conference in this Docket on February 17, 2000, and established March 2, 2000, as the deadline for motions to intervene. None were filed. Thereafter, the Department PSNH, NU and CEI entered into a stipulation resolving the issues in this proceeding and waived their respective rights under 3 V.S.A. Section 811 to review a proposal for decision, file exceptions, present briefs and oral arguments and convene a hearing.

I have reviewed the petition, the supporting testimony, and the accompanying documents. I conclude that approval of the joint petition pursuant to 30 V.S.A. Section 107 is appropriate and that the approval may occur without hearing. The parties have agreed that the record upon which the Board may base its determination in this proceeding shall consist of all

testimony, exhibits and data filed by the Joint Petitioners. Therefore, based upon the evidence in the record, the testimony and exhibits presented in the Docket, and the stipulation entered into by PSNH, NU, CEI and the Department on March 10, 2000, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. Section 8.

II. FINDINGS OF FACT

In making findings of fact in this case, I have addressed the six broad categories and 15 standards applied by the Board in deciding previous cases under Section 1071 and make the following findings:

A. The Joint Petitioners

1. PSNH is a New Hampshire public utility corporation which does not provide retail electric service to any customers in Vermont. Petition at

2. PSNH owns property in Vermont consisting of a 1.1 MW hydroelectric generating plant in Canaan, Vermont. The entire output of the plant is transmitted via a 34.5-KV transmission line to PSNH's electric system in New Hampshire. Petition at Appendix A.

3. PSNH owns and operates the following electric transmission facilities within Vermont: a 115-KV transmission line running from Littleton, New Hampshire, which traverses nine miles through the towns of Concord and Waterford, Vermont; and certain transmission lines of 345-K-V, 115-KV and 69-KV located in New Hampshire which interconnect with other companies' lines at the Vermont State border. PSNH also owns 4.0 percent of the outstanding shares of common stock of Vermont Yankee Nuclear Power Corporation and has contracted to purchase 3.591 percent of its capacity and electric energy. Petition at Appendix A.

4. PSNH receives no compensation in Vermont from retail sales as a result of the properties it owns in the State of Vermont. Petition at 2.

5. NU is a Massachusetts business trust, is the parent entity of the Northeast Utilities holding company system (the "NU System"), is a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA") and is owner of 100 percent of the common stock of PSNH. Petition at 2.

6. CEI is incorporated in New York State and is a public utility holding company for Consolidated Edison Company of New York ("CECONY") and Orange and Rockland Utilities, Inc. ("O&R"). Schoenblum pf. at 3.

B. Legal Authority

7. CEI is currently an exempt holding company for the purposes of the PUHCA. NU is a registered holding company under PUHCA. CEI and NU will obtain Securities Exchange Commission approval under the Public Utility Holding Company Act to effect the Acquisition. New CEI will register under Section 5 of PUHCA and will become subject to the restrictions that PUHCA imposes on registered holding company systems. Schoenblum pf. at 11.

C. Services

i. Emergency Service

8. The Acquisition will result in the availability of additional line crews and other personnel to assist PSNH in system emergencies, and the sharing of CEI's expertise in reliability improvement. Morris pf. at 11.

ii. Compatibility

9. PSNH's facilities are today compatible with neighboring systems. Following the Acquisition, New CEI will have a significant presence in the northeast energy market, particularly in the delivery of electricity to retail customers. It will be the nation's largest electric distribution utility with over 5,000,000 customers and the largest distribution system in both the New York and New England power pools. Schoenblum pf. at 8.

iii. Terms and Conditions of Service

10. No finding is required under this factor because of Finding No. 1 that PSNH does not provide retail electric service to any customers in Vermont.

iv. Service Quality

11. PSNH seeks to provide a high quality of service and has plans to improve that service, Morris pf. at 6.

12. According to two recognized reliability surveys of the electric utility industry, CECONY ranked first (best) in 1998 of all utilities for customer system interruption rate (SAIFI). Schoenblum pf. at 27.

13. SAIFI statistics are not expected to change for 1999, even when the July 6-8, 1999 heat wave related outages in New York City are included. Schoenblum pf. at 28.

v. Customer Service

14. No finding is required under this section because of Finding No. 1 that PSNH does not provide retail electric service to any customers in Vermont.

D. Facilities

i. Quality of Facilities

15. CEI's financial strength should aid NU in its ability to raise capital to provide system improvements. Technological improvements can be more rapidly deployed because their costs can be spread over a much larger customer base. Morris pf. at 5.

16. New CEI will have a strong regional foundation, which should help provide the scale and scope necessary to invest in infrastructure, utilize advanced technologies in a cost effective manner and better serve customers. Schoenblum pf. at 14.

ii. Rate of Investment

17. NU's existing operating company subsidiaries, including PSNH, will remain as separate operating companies. As a consequence, the merger should not impair PSNH's ability to continue to raise debt or preferred equity capital in the future, and should, instead, enhance such ability. Schoenblum pf. at 19.

E. Company Structure

i. Financial Stability

18. Upon completion of the merger, NU will become a wholly-owned subsidiary of the new holding company, New CEI. Schoenblum pf. at 14.

19. CEI's total capitalization was \$10 billion as of September 30, 1999, and CEI's market capitalization was approximately \$9 billion on October 6, 1999. CEI's total operating revenues for the twelve months ending September 30, 1999, were \$7.2 billion. Schoenblum, pf. at 19 and 20.

20. CECONY's most recent bond ratings are A1 by Moody's, A+ by Standard & Poor's and AA- by Fitch. Schoenblum pf. at 20.

21. Prior to the merger, NU has approximately \$3.8 billion in annual revenues. With the merger, New CEI will have over \$11 billion in annual revenues. Morris pf. at 4.

ii. Affiliate Interests

22. There are no affiliate interests which affect PSNH's Vermont properties. Petition at Appendix A.

F. Personnel

i. Competent Management

23. PSNH plans to continue to have local management that will be attuned to the needs of the communities it serves. Morris pf. at 6 and 7.

24. The key management personnel serving NU's regulated operating companies, including PSNH, are expected to remain in place. Morris pf. at 5.

25. Michael G. Morris, current Chairman, Chief Executive Officer, and President of NU, will continue to be actively involved in the management of NU and its operating utility subsidiaries including PSNH. Morris pf. at 5.

26. Eugene R. McGrath, the current CEI Chairman, President

and Chief Executive Officer will continue as Chairman and Chief Executive Officer of New CEI. Schoenblum pf. at 14 and 21.

27. Mr. Morris will continue to serve as President of NU and will become President of New CEI. Schoenblum pf. at 14.

28. CEI's Board of Directors will be increased to include four members from NU's Board, including Mr. Morris. Schoenblum pf. at 14.
ii. Technical Knowledge, Experience and Ability

29. The combined companies, including PSNH, should benefit from an expanded human resource pool which will allow the combined company to draw on a large and more diverse and talented work force. Schoenblum pf. at 9.

30. NU employees, including employees of PSNH, should benefit from CEI's long-term commitment to the career development of its employees, through, among other things, courses and career development programs offered at CECONY's learning center. Schoenblum pf. at 15.

iii. Good Reputation

31. CEI has a good business reputation, and corporate goals that emphasize reliability, corporate service, the environment and safety which are consistent with NU's goals. Morris pf. at 3.

G. Economic Effect
i. Efficiency

32. During the first ten years of the merger, New CEI anticipates approximately \$1.3 billion in net merger savings from the elimination of duplicate corporate and administrative programs, greater efficiencies in operations and business processes and increased purchasing efficiencies. Schoenblum pf. at 16 and Morris pf. at 10.

33. CEI and NU have assembled merger functional transition teams to develop a plan for joining the two companies together. Schoenblum pf. at 26.

ii. Competition

34. CEI supports the restructuring of the electric utility industry and the introduction of competition. Schoenblum pf. at 30.

35. The merger has the potential to enhance competition as both companies have committed to comprehensive generation divestiture programs. Schoenblum pf. at 30.

36. Both CECONY and O&R have rate agreements with their state regulators to implement restructuring, and the New York Public Service Commission has approved CECONY's "Competitive Opportunities Settlement Agreement" which provides for a transition to a competitive electric market in that state. Schoenblum pf. at 4.

37. PSNH, as a result of a settlement agreement reached with the State of New Hampshire that is presently under review by the New Hampshire Public Utilities Commission, will be expected to provide customers with a choice of electric generation suppliers. Morris pf. at 8.

38. The settlement agreement reached with the State of New Hampshire, to which PSNH is a party, specifically contemplated the possibility of an NU merger, but the settlement agreement and the merger are completely separate and independent and the merger will have no impact on the settlement agreement. Morris pf. at 9.

III. DISCUSSION AND CONCLUSIONS

Under 30 V.S.A. Section 107, "[no] company shall directly or indirectly acquire a controlling interest in any company subject to the jurisdiction of the [Board]... without the approval of the [Board]." "Controlling interest" is defined as "ten percent or more of the outstanding voting securities of a company" or such other interest as the Board determines "to constitute the means to direct or cause the direction of the management or policies of a company." 30 V.S.A. Section 107(e) (1). In order to approve the acquisition of such controlling interest, the Board must first find that it will "promote the public good." 30 V.S.A. Section 107(b).

Under 30 V.S.A. Section 311, the Board can approve a merger of a company subject to its jurisdiction only if the Board finds that the "merger will not result in obstructing or preventing competition." The Board has previously held that this statutory provision applies to a merger involving a parent corporation of a company under the Board's jurisdiction.²

I have reviewed the stipulation and the evidence in support of it. The Joint Petitioners have agreed that the acquisition will promote the public good of the state of Vermont, and will not result in obstructing or preventing competition. Based upon all of the foregoing and the evidence in the record, I reach the same conclusion. Accordingly, I recommend that the Board approve the petition as described above.

Consequently, I find that the acquisition of Northeast Utilities, and its wholly-owned subsidiary, Public Service Company of New Hampshire, to be accomplished through the merger of Consolidated Edison, Inc. and a newly formed public utility holding company and the merger of a subsidiary of Consolidated Edison, Inc. into Northeast Utilities, with Northeast Utilities being the entity surviving the merger will promote the public good of the State of Vermont. 30 V.S.A. Section 107(b). I thus recommend that the Board approve the acquisition and merger.

Dated at Montpelier, Vermont this ____ day of March, 2000.

David Farnsworth, Esq.,
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.

2. The Board approves the request for the acquisition of Northeast Utilities, and its wholly-owned subsidiary, Public Service Company of New Hampshire, to be accomplished through the merger of Consolidated Edison, Inc. and a newly formed public utility holding company and the merger of a subsidiary of Consolidated Edison, Inc. into Northeast Utilities, with Northeast Utilities being the entity surviving the merger, as described in the joint petition and in the pro-filed testimony.

3. This Order does not constitute approval of any particular capital or operating expenditure by Public Service Company of New Hampshire.

DATED at Montpelier, Vermont this _____ day of _____, 2000.

) PUBLIC SERVICE
)
) BOARD
)
) OF VERMONT
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OFFICE OF THE CLERK

Filed:

Attest:
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or mail) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

1 For a discussion of those standards, see Docket No, 6150, Order of 9/13/99 at 47-48 and Order of 11/5/99 at 3-5.

2 Docket No. 5900, Order of 2/26/97, at 20.