

SECURITIES AND EXCHANGE COMMISSION

FORM U-1/A

Application or declaration under the act 1935 [amend]

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FILER

NEW ENGLAND ELECTRIC SYSTEM

CIK: **71297** | IRS No.: **041663060** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **U-1/A** | Act: **35** | File No.: **070-08303** | Film No.: **94528145**
SIC: **4911** Electric services

Business Address
25 RESEARCH DR
WESTBOROUGH MA 01581
5083669011

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

AMENDMENT NO. 3
TO
FORM U-1

APPLICATION/DECLARATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

NEW ENGLAND ELECTRIC SYSTEM

and

NEW ENGLAND ELECTRIC RESOURCES, INC.

(Name of company filing this statement)

25 Research Drive, Westborough, Massachusetts 01582

(Address of principal executive offices)

NEW ENGLAND ELECTRIC SYSTEM

(Name of top registered holding company parent in system)

Michael E. Jesanis
Treasurer
25 Research Drive
Westborough, Massachusetts 01582

Robert King Wulff
Corporation Counsel
25 Research Drive
Westborough, Massachusetts 01582

(Names and addresses of agents for service)

Item 1, as amended and restated by Amendment No. 1, and further amended by Amendment No. 2, is further amended as follows:

The second paragraph as set forth in Amendment No. 2 is deleted and replaced with the following:

QPS intends to develop, manufacture and market UPS and is committed to locating its manufacturing facility for UPS in either Massachusetts or New Hampshire within the retail electric service territory of NEES's retail electric company subsidiaries. In mid 1993, NEES made a research and development grant of \$250,000 to QPS to assist in the development of UPS. In return for this grant and to encourage our continued support, QPS and NEPSCO entered into an Agreement, under which QPS gave NEPSCO the right to receive at no cost \$250,000 of QPS's convertible debentures. (See Exhibit B-1) NEPSCO has assigned this right to NEERI effective January 1, 1994. (See Exhibit B-1A) Before exercising its rights to receive these convertible debentures, it was made clear to QPS that appropriate approvals under the Act were required. If NEERI receives said approvals and exercises its right to receive QPS's convertible debentures, all rights to receive a product grant of two UPS per year for the first four years of commercial production would terminate. (See Section 3 of the Agreement as amended, Exhibits B-1 and B-1A.) NEERI currently intends to exercise its right to receive QPS's convertible debentures promptly upon receipt of said approvals.

The following paragraph is added after the fourth paragraph as set forth in Amendment No. 1:

NEERI believes that its investment in QPS meets the criteria set forth by the Commission for ownership of non-utility functionally related business (see CSW Credit Inc. HCAR No. 25995 and Jersey Central Power & Light HCAR No. 24348) as follows: NEERI's investment will evolve from the overall electric utility business of the NEES system; NEERI's investment in QPS will not be significant in relation to the NEES system's total financial resources; and the successful development, manufacture and marketing of UPS has the potential to benefit electric customers of NEERI's affiliates as well as be a beneficial investment for NEERI. As described above, the UPS should be a valuable tool in meeting the power quality needs of electric consumers including those of NEERI's affiliates.

The paragraph under "Long-Term Plans with QPS" as set forth in Amendment No. 1 is deleted and replaced with the following:

NEERI's interests in holding an equity position in QPS are limited to promoting the development of the UPS and assisting a local company in this development. The UPS will have a limited product life and NEERI recognizes that at an appropriate time in the future it may no longer be consistent with its long term interests to continue its equity position. Unless otherwise

authorized by the Commission, NEERI will divest its entire ownership interest in QPS on or before January 1, 2005, and its representation on the Board of Directors of QPS will cease at the time of divestment.

Item 6, is further amended by supplying the following exhibits:

A-1: Form of Convertible Debenture

A-2: Form of Stock Certificate

F: Opinion of Counsel

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this Amendment No. 3 to Application/Declaration on Form U-1 (Commission's File No. 70-8303) to be signed on their behalf, as indicated by the undersigned officers thereunto duly authorized by such companies.

NEW ENGLAND ELECTRIC SYSTEM

s/Michael E. Jesanis

Michael E. Jesanis, Treasurer

NEW ENGLAND ELECTRIC RESOURCES, INC.

s/John G. Cochrane

John G. Cochrane, Treasurer

Dated: May 13, 1994

The name "New England Electric System" means the trustee or trustees for the time being (as trustee or trustees but not personally) under an agreement and declaration of trust dated January 2, 1926, as amended, which is hereby referred to, and a copy of which as amended has been filed with the Secretary of the Commonwealth. Any agreement, obligation or liability made, entered into or incurred by or on behalf of New England Electric System binds only its trust estate, and no shareholder, director, trustee, officer or agent thereof assumed or shall be held to any liability therefore.

EXHIBIT INDEX

Exhibit No. -----	Description -----	Page -----
A-1	Form of Convertible Debenture	Filed herewith
A-2	Form of Stock Certificate	Filed under cover of Form SE
F	Opinion of Counsel	Filed herewith

DRAFT

CONVERTIBLE DEBENTURE NOTE

U.S. \$250,000.00

Dated: June 1, 1994

FOR VALUE RECEIVED, the undersigned, Quality Power Systems, Inc. (QPS), hereby promises to pay to the order of New England Electric Resources, Inc. (NEERI) the amount of two hundred fifty thousand dollars (\$250,000.00) plus interest on this amount as described below. Such payment is to be made in lawful money of the United States of America in same day funds.

QPS shall pay in full to NEERI said principal amount plus interest accrued but not yet paid on June 1, 2004 unless NEERI has elected to convert this Note into common stock of QPS as described below.

QPS shall pay interest on the outstanding principal amount of this Note plus previously unpaid interest quarterly to NEERI after June 1, 1994, at the Bank of Boston base rate plus 2%. The first interest payment is due on September 1, 1994.

On or before December 31, 1995, NEERI may convert this Note into nine hundred ninety shares of the common stock of QPS having general voting rights. At the time of this conversion, QPS will be relieved of its obligation to pay the principal amount of this note but will continue to be obligated to pay any unpaid interest. Upon payment of any such unpaid interest, this Note will be fully paid and canceled.

This Note shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts.

Quality Power Systems, Inc.

By:

[This Note is a draft that may be changed as a result of further discussions with QPS. A copy of the actual Note will

be filed post-effectively with the Commission.]

25 RESEARCH DRIVE, WESTBOROUGH, MASSACHUSETTS 01582

May 13, 1994

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street
Washington, D.C. 20549

Re: File No. 70-8303

Ladies and Gentlemen:

New England Electric Resources, Inc. (NEERI), is a wholly owned, non-utility subsidiary of New England Electric System (NEES), a Massachusetts voluntary association. NEES is a registered holding company under the Public Utility Holding Company Act of 1935 (the Act).

NEERI requests authority to acquire \$250,000.00 principal amount of convertible debentures of Quality Power Systems, Inc. (QPS), to have the right to convert said convertible debentures into 9.9% of the common stock of QPS, and to lend up to an additional \$100,000 to QPS. NEES requests approval to transfer to NEERI the \$250,000 grant made by it to QPS. NEERI will treat this transfer as an investment in QPS.

No approvals other than the approval of the Commission under the Act are required for the transactions contemplated by the statement on Form U-1, as amended, in the above captioned file.

Subject to the foregoing, it is my opinion that in the event the proposed transactions are consummated in accordance with the statement on Form U-1, as amended:

- (a) All state laws applicable thereto will have been complied with;
- (b) NEERI and NEES will be validly organized and duly existing; the convertible debentures and common stock of QPS acquired by NEERI will be validly issued, full paid, and nonassessable; and NEERI will be entitled to the

rights and privileges appertaining thereto.

- (c) NEERI will legally acquire said convertible debentures and common stock of QPS.

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- (d) Consummation of the proposed transactions will not violate the legal rights of the holders of any securities issued by NEERI, NEES, or any associate company thereof.

I hereby consent to the use of this opinion as part of the statement on Form U-1, as amended, filed by NEES and NEERI in connection with the proposed transactions.

Very truly yours,

s/Kirk L. Ramsauer

Kirk L. Ramsauer
Assistant General Counsel