OFFICE OF STATE TREASURER DENISE L. NAPPIER

NEWS

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CONNECTICUT TRUST SELLS $1.44 BILLION OF RATE REDUCTION BONDS

HARTFORD, CT - The Connecticut State Treasurer's Office and The Connecticut Light and Power Company (CL&P) today completed the sale of nearly $1.44 billion of AAA-rated electric Rate Reduction Bonds. The sale was the first of its kind in Connecticut.

The bonds achieved one of the lowest interest rates of any Rate Reduction Bond (RRB) transaction in the nation to date, both in terms of total rate levels and as compared to current market benchmarks. CL&P customers are expected to save approximately $274 million over the next 10 years because of the issuance of the Rate Reduction Bonds. The bonds were sold in five classes - or tranches. The average interest cost on the bonds, which vary in length from approximately one to 10 years, is 5.95 percent.

"We are extremely pleased with the successful sale of these bonds. The combination of a lower interest rate environment and excellent marketing work by the State Treasurer's Office and the Northeast Utilities Treasury Department resulted in the securing of much lower interest rates on these bonds than we had projected even a year ago," said Michael G. Morris, NU chairman, president and chief executive officer. "Tens of millions of dollars that otherwise would have been paid to investors in the form of interest payments now can be used to save money for CL&P customers by reducing stranded costs."

"The bottom line is clear: utility customers deserve the lowest rates possible, and the success of this landmark bond sale should help keep rates in check," said State Treasurer Denise L. Nappier. "The Treasurer's Office was actively involved, working closely with Northeast Utilities, to ensure that the terms and conditions of the sale provided the greatest possible savings for ratepayers and that every effort was made to market these bonds in a prudent and effective manner. These goals have been achieved, and we are extremely pleased with both the response and the result."

Nearly $1.03 billion of the proceeds will be used by CL&P to buy out or buy down 15 long-term contracts with independent power production plants (IPPs) in the State of Connecticut. Those contracts were signed and approved by state utility regulators in the 1980s when future energy prices were assumed to be much higher than they turned out to be. As a result, CL&P has been paying plant owners well above the current market prices for electricity in New England and billing those costs to CL&P customers. The balance of the proceeds will be used primarily to reduce CL&P's own financing of its stranded costs that are charged to customers.

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The sale of rate reduction bonds was permitted in the electric utility restructuring legislation that was passed by the Connecticut Legislature in April 1998. Under the law, the electric rates paid by customers of the state's investor-owned electric utilities were reduced on January 1, 2000 to levels 10 percent below where they were as of the end of 1996. The legislation also allowed all retail customers to choose their electric suppliers.

Electric utilities were permitted to recover stranded costs--such as above market purchase power obligations--but had to use their best efforts to mitigate those costs. The re-negotiation of purchase power contracts, securitization of stranded costs, and the sale of CL&P's electric generating plants for nearly $2 billion have been CL&P's primary means of mitigating its stranded costs. The legislation allows CL&P to use the proceeds from the sale of Rate Reduction Bonds to restructure IPP contracts or to pay down CL&P debt the interest on which is charged to customers. In November 2000, the DPUC approved the issuance of the bonds sold today.

The bonds are neither the obligations of CL&P nor the State of Connecticut. They were actually sold by the Connecticut RRB Special Purpose Trust CL&P-1, a special purpose entity formed just for this transaction. Because state legislation allows the recovery of interest and principal on bonds through an irrevocable charge on CL&P electric bills, the bonds secured AAA ratings from three credit rating agencies and extremely competitive interest rates. By contrast, CL&P's current credit ratings are BBB+/Baa1.

The five tranches that were issued today were priced as follows:

- $224.9 million Class A1 with a 1.2-year average life: 4.87 percent
- $255.1 million Class A2 with a 3.2-year average life: 5.36 percent
- $292.4 million Class A3 with a 5.2-year average life: 5.73 percent
- $287.9 million Class A4 with a 7.0-year average life: LIBOR +0.31 percent
- $378.2 million Class A5 with a 8.9-year average life: 6.21 percent

Lead underwriters on the offering were Lehman Brothers and Salomon Smith Barney. Co-managers were Bear, Stearns & Co. Inc, Goldman, Sachs & Co., Morgan Stanley, Advest, Inc., M. R. Beal & Company, Belle Haven Investments, L.P., Loop Capital Markets, LLC., Quick & Reilly, Inc. and Ramirez & Co., Inc

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