CONNECTICUT LIGHT & POWER CO
Form 10-Q
August 07, 2009

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number	**Registrant; State of Incorporation; Address; and Telephone Number**	**I.R.S. Employer Identification No.**
1-5324	**NORTHEAST UTILITIES** (a Massachusetts voluntary association) One Federal Street Building 111-4 Springfield, Massachusetts 01105 Telephone: (413) 785-5871	04-2147929
0-00404	**THE CONNECTICUT LIGHT AND POWER COMPANY** (a Connecticut corporation) 107 Selden Street Berlin, Connecticut 06037-1616 Telephone: (860) 665-5000	06-0303850

1-6392	**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE** (a New Hampshire corporation) Energy Park 780 North Commercial Street Manchester, New Hampshire 03101-1134 Telephone: (603) 669-4000	02-0181050
0-7624	**WESTERN MASSACHUSETTS ELECTRIC COMPANY** (a Massachusetts corporation) One Federal Street Building 111-4 Springfield, Massachusetts 01105 Telephone: (413) 785-5871	04-1961130

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days:

Yes	No
ü	

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes	No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer
Northeast Utilities	ü		
The Connecticut Light and Power Company			ü
Public Service Company of New Hampshire			ü
Western Massachusetts Electric Company			ü

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act):

	Yes	No
Northeast Utilities		ü
The Connecticut Light and Power Company		ü
Public Service Company of New Hampshire		ü

Western Massachusetts Electric Company	ü

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date:

Company - Class of Stock	Outstanding at July 31, 2009
Northeast Utilities Common shares, $5.00 par value	175,281,532 shares
The Connecticut Light and Power Company Common stock, $10.00 par value	6,035,205 shares
Public Service Company of New Hampshire Common stock, $1.00 par value	301 shares
Western Massachusetts Electric Company Common stock, $25.00 par value	434,653 shares

Northeast Utilities holds all of the 6,035,205 shares, 301 shares, and 434,653 shares of the outstanding common stock of The Connecticut Light and Power Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company, respectively.

Public Service Company of New Hampshire and Western Massachusetts Electric Company each meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q, and each is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found in this report.

CURRENT OR FORMER NU COMPANIES, SEGMENTS OR INVESTMENTS:

Boulos	E.S. Boulos Company
CL&P	The Connecticut Light and Power Company
HWP	Holyoke Water Power Company
NAESCO	North Atlantic Energy Service Corporation
NGC	Northeast Generation Company
NGS	Northeast Generation Services Company and subsidiaries
NU, NU Consolidated, or the Company	Northeast Utilities and subsidiaries
NU Enterprises	NU Enterprises, Inc. is the parent company of Select Energy, NGS, SECI and Boulos. For further information, see Note 11, "Segment Information," to the unaudited condensed consolidated financial statements.
NUSCO	Northeast Utilities Service Company
NU parent and other companies	NU parent and other companies is comprised of NU parent, NUSCO, HWP (through December 31, 2008) and other subsidiaries, including The Rocky River Realty Company and The Quinnehtuk Company (both real estate subsidiaries), Mode 1 Communications, Inc. (telecommunications) and the non-energy-related subsidiaries of Yankee (Yankee Energy Services Company, Yankee Energy Financial Services Company, and NorConn Properties, Inc.)
PSNH	Public Service Company of New Hampshire
Regulated companies	NU's regulated companies, comprised of the electric distribution and transmission segments of CL&P, PSNH and WMECO, the generation segment of PSNH, and Yankee Gas, a natural gas local distribution company. For further information, see Note 11, "Segment Information," to the unaudited condensed consolidated financial statements.
SECI	Select Energy Contracting, Inc.
Select Energy	Select Energy, Inc.
SESI	Select Energy Services, Inc.
WMECO	Western Massachusetts Electric Company
Yankee	Yankee Energy System, Inc.
Yankee Gas	Yankee Gas Services Company

REGULATORS:

DOE	U.S. Department of Energy
DPU	Massachusetts Department of Public Utilities
DPUC	Connecticut Department of Public Utility Control
FERC	Federal Energy Regulatory Commission
NHPUC	New Hampshire Public Utilities Commission
SEC	Securities and Exchange Commission

OTHER:

AFUDC	Allowance For Funds Used During Construction
CfD	Contract for Differences
CO_2	Carbon Dioxide
CTA	Competitive Transition Assessment
EPS	Earnings Per Share
ES	Default Energy Service
FASB	Financial Accounting Standards Board
FMCC	Federally Mandated Congestion Charges
FSP	FASB Staff Position
GAAP	Accounting principles generally accepted in the United States of America
GSC	Generation Service Charge
ISO-NE	New England Independent System Operator or ISO New England, Inc.
kWh	Kilowatt-Hours
KV	Kilovolt
LBCB	Lehman Brothers Commercial Bank, Inc.
LOC	Letter of Credit
MW	Megawatts
MWh	Megawatt-Hours
NEEWS	New England East-West Solutions
NU 2008 Form 10-K	The Northeast Utilities and Subsidiaries combined 2008 Annual Report on Form 10-K as filed with the SEC
NYMPA	New York Municipal Power Agency
PBOP	Postretirement Benefits Other Than Pensions
PCRBs	Pollution Control Revenue Bonds
Regulatory ROE	The average cost of capital method for calculating the return on equity related to the distribution and generation business segments excluding the wholesale transmission segment.
RGGI	The Regional Greenhouse Gas Initiative
ROE	Return on Equity
RRB	Rate Reduction Bonds
SBC	System Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plan
SFAS	Statement of Financial Accounting Standards
UI	The United Illuminating Company

ii

NORTHEAST UTILITIES AND SUBSIDIARIES
THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

TABLE OF CONTENTS

NORTHEAST UTILITIES AND SUBSIDIARIES

NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Thousands of Dollars)	June 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 481,148	$ 89,816
Receivables, less provision for uncollectible accounts of $46,382 in 2009 and $43,275 in 2008	557,587	698,755
Unbilled revenues	170,977	218,440
Fuel, materials and supplies	258,731	300,049
Marketable securities - current	61,837	78,452
Derivative assets - current	18,141	31,373
Prepayments and other	77,378	88,679
	1,625,799	1,505,564
Property, Plant and Equipment:		
Electric utility	9,418,469	9,219,351
Gas utility	1,062,801	1,043,687
Other	283,809	290,156
	10,765,079	10,553,194
Less: Accumulated depreciation: $2,668,534 for electric and gas utility and $148,615 for other in 2009; $2,610,479 for electric and gas utility and $159,639 for other in 2008	2,817,149	2,770,118
	7,947,930	7,783,076
Construction work in progress	521,463	424,800
	8,469,393	8,207,876

Deferred Debits and Other Assets:				
Regulatory assets		3,262,467		3,502,606
Goodwill		287,591		287,591
Marketable securities - long-term		51,122		30,757
Derivative assets - long-term		224,917		241,814
Other		206,359		212,272
		4,032,456		4,275,040
Total Assets	$	14,127,648	$	13,988,480

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Thousands of Dollars)	June 30, 2009	December 31, 2008
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes payable to banks	$ 493,989	$ 618,897
Long-term debt - current portion	66,286	54,286
Accounts payable	440,520	678,614
Accrued taxes	15,895	12,527
Accrued interest	80,986	69,818
Derivative liabilities - current	85,243	100,919
Other	136,570	168,401
	1,319,489	1,703,462
Rate Reduction Bonds	566,185	686,511
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,310,756	1,223,461
Accumulated deferred investment tax credits	23,758	25,371
Deferred contractual obligations	179,483	193,016
Regulatory liabilities	546,397	592,540
Derivative liabilities - long-term	838,887	912,426
Accrued pension	738,191	740,930
Accrued postretirement benefits	228,533	240,371
Other	414,662	430,718
	4,280,667	4,358,833
Capitalization:		
Long-Term Debt	4,343,264	4,103,162

Noncontrolling Interest in Consolidated Subsidiary:		
Preferred stock not subject to mandatory redemption	116,200	116,200
Common Shareholders' Equity:		
Common shares, $5 par value - authorized 225,000,000 shares; 195,346,832 shares issued and 175,239,298 shares outstanding in 2009 and 176,212,275 shares issued and 155,834,361 shares outstanding in 2008	976,734	881,061
Capital surplus, paid in	1,754,184	1,475,006
Deferred contribution plan - employee stock ownership plan	(9,222)	(15,481)
Retained earnings	1,180,706	1,078,594
Accumulated other comprehensive loss	(38,956)	(37,265)
Treasury stock, 19,708,136 shares in 2009 and 2008	(361,603)	(361,603)
Common Shareholders' Equity	3,501,843	3,020,312
Total Capitalization	7,961,307	7,239,674
Total Liabilities and Capitalization	$ 14,127,648	$ 13,988,480

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NORTHEAST UTILITIES
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Thousands of Dollars, except share information)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating Revenues	$ 1,224,431	$ 1,325,345	$ 2,817,914	$ 2,845,312
Operating Expenses:				
Operation -				
Fuel, purchased and net interchange power	583,599	661,699	1,422,519	1,485,016
Other	234,821	237,203	482,266	523,084
Maintenance	56,367	70,896	105,203	127,605
Depreciation	77,768	68,321	154,751	136,075
Amortization of regulatory (liabilities)/assets, net	(13,039)	41,945	8,652	70,800
Amortization of rate reduction bonds	51,305	47,884	107,202	101,234
Taxes other than income taxes	54,424	59,278	140,853	131,107
Total operating expenses	1,045,245	1,187,226	2,421,446	2,574,921
Operating Income	179,186	138,119	396,468	270,391
Interest Expense:				
Interest on long-term debt	56,774	46,449	112,458	89,222
Interest on rate reduction bonds	9,607	12,987	20,232	26,703
Other interest (Note 1I)	(1,423)	6,624	3,245	12,776
Interest expense, net	64,958	66,060	135,935	128,701
Other Income, Net	12,409	10,370	16,591	23,928
	126,637	82,429	277,124	165,618

Income Before Income Tax Expense				
Income Tax Expense	42,394	23,192	93,817	46,598
Net Income	84,243	59,237	183,307	119,020
Net Income Attributable to Noncontrolling Interests:				
Preferred dividends of subsidiary	1,389	1,389	2,779	2,779
Net Income Attributable to Controlling Interests	$ 82,854	$ 57,848	$ 180,528	$ 116,241
Basic and Fully Diluted Earnings Per Common Share	$ 0.47	$ 0.37	$ 1.07	$ 0.75
Dividends Declared Per Common Share	$ 0.24	$ 0.20	$ 0.48	$ 0.40
Weighted Average Common Shares Outstanding:				
Basic	175,175,936	155,476,492	168,758,206	155,381,302
Diluted	175,675,388	155,895,348	169,300,277	155,808,481

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NORTHEAST UTILITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(Thousands of Dollars)	2009	2008
Operating Activities:		
Net income	$ 183,307	$ 119,020
Adjustments to reconcile to net cash flows provided by operating activities:		
Bad debt expense	17,986	13,163
Depreciation	154,751	136,075
Deferred income taxes	73,202	52,995
Pension and PBOP expense/(income), net of capitalized portion, and contributions	13,052	(6,855)
Allowance for equity funds used during construction	(3,366)	(15,082)
Regulatory refunds and underrecoveries	679	(128,830)
Amortization/(deferral) of recoverable energy costs	20,053	(6,046)
Amortization of regulatory assets, net	8,652	70,800
Amortization of rate reduction bonds	107,202	101,234
Deferred contractual obligations	(14,784)	(16,973)
Derivative assets and liabilities	(19,243)	(25,216)
Other	15,948	3,505
Changes in current assets and liabilities:		
Receivables and unbilled revenues, net	158,175	35,760
Investments in securitizable assets	-	(25,787)
Fuel, materials and supplies	35,582	(17,946)
Other current assets	10,724	6,426
Accounts payable	(211,445)	(20,648)
Counterparty deposits and margin special deposits	(3,585)	59,110
Taxes receivable/accrued	(8,244)	(31,412)
Other current liabilities	(30,309)	(21,489)
Net cash flows provided by operating activities	508,337	281,804

Investing Activities:			
Investments in property and plant		(420,894)	(625,133)
Proceeds from sales of marketable securities		147,702	128,778
Purchases of marketable securities		(149,482)	(130,105)
Rate reduction bond escrow and other deposits		(411)	9,010
Other investing activities		3,350	2,385
Net cash flows used in investing activities		(419,735)	(615,065)
Financing Activities:			
Issuance of common shares		387,411	4,562
Cash dividends on common shares		(78,921)	(62,574)
Cash dividends on preferred stock of subsidiary		(2,779)	(2,779)
(Decrease)/increase in short-term debt		(124,908)	8,000
Issuance of long-term debt		312,000	660,000
Retirements of long-term debt		(54,286)	(154,286)
Retirements of rate reduction bonds		(120,326)	(115,177)
Financing fees		(15,456)	(6,265)
Other financing activities		(5)	(1,196)
Net cash flows provided by financing activities		302,730	330,285
Net increase/(decrease) in cash and cash equivalents		391,332	(2,976)
Cash and cash equivalents - beginning of period		89,816	15,104
Cash and cash equivalents - end of period	$	481,148	$ 12,128

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NORTHEAST UTILITIES AND SUBSIDIARIES

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

COMBINED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (All Companies)

A.

Presentation

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the entirety of this combined Quarterly Report on Form 10-Q, the first quarter 2009 combined Quarterly Report on Form 10-Q, and the combined Annual Report of Northeast Utilities (NU, NU Consolidated, or the Company), The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH), and Western Massachusetts Electric Company (WMECO), which was filed with the SEC as part of the Northeast Utilities and subsidiaries combined 2008 Annual Report on Form 10-K (NU 2008 Form 10-K). The accompanying unaudited condensed consolidated financial statements contain, in the opinion of management, all adjustments (including normal, recurring adjustments) necessary to present fairly NU's and the above companies' financial position as of June 30, 2009 and December 31, 2008, the results of operations for the three and six months ended June 30, 2009 and 2008, and cash flows for the six months ended June 30, 2009 and 2008. The results of operations for the three months ended June 30, 2009 and 2008, and the results of operations and cash flows for the six months ended June 30, 2009 and 2008, are not necessarily indicative of the results expected for a full year.

The unaudited condensed consolidated financial statements of NU, CL&P, PSNH and WMECO include the accounts of all their respective subsidiaries. Intercompany transactions have been eliminated in consolidation.

The preparation of the unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications of prior period data included in the accompanying unaudited condensed consolidated balance sheets for PSNH and WMECO and the unaudited condensed consolidated statements of cash flows for all companies presented have been made to conform with the current period's presentation.

In accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51," the Preferred stock of CL&P, which is not owned by NU or its consolidated subsidiaries and is not subject to mandatory redemption, has been presented as a noncontrolling interest in CL&P in the accompanying unaudited condensed consolidated financial statements of NU. The Preferred stock of CL&P is considered to be temporary equity and has been classified between liabilities and permanent shareholders' equity on the accompanying unaudited condensed consolidated balance sheets of NU and CL&P due to a provision in CL&P's certificate of incorporation that grants preferred stockholders the right to elect a majority of CL&P's board of directors while certain conditions exist, such as if preferred dividends are in arrears for one year. In accordance with SFAS No. 160, the Net income reported in the accompanying unaudited condensed consolidated statements of income and cash flows represents consolidated net income prior to apportionment to noncontrolling interests, which is represented by dividends on preferred stock of CL&P.

Pursuant to SFAS No. 160, the included presentation and disclosure requirements have been applied retrospectively to the unaudited condensed consolidated balance sheet as of December 31, 2008, the unaudited condensed consolidated statements of income for the three and six months ended June 30, 2008, the unaudited condensed consolidated statement of cash flows for the six months ended June 30, 2008, and to consolidated comprehensive income for the three and six months ended June 30, 2008 included in Note 6, "Comprehensive Income," to the unaudited condensed consolidated financial statements. For the six months ended June 30, 2009 and 2008, there was no change in NU parent's 100 percent ownership interest in common equity of CL&P.

B.

Accounting Standards Issued But Not Yet Adopted

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" (SFAS No. 167). SFAS No. 167 amends FASB Interpretation No. 46(R) (FIN 46(R)), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51," to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE). This analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of or receive benefits from the entity that could potentially be significant to the VIE. SFAS No. 167 amends FIN 46(R) to eliminate the quantitative approach for determining the primary beneficiary of a VIE, which was based on identifying which party absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both. SFAS No. 167 is effective as of January 1, 2010, for interim and annual reporting periods beginning in 2010. Earlier application is prohibited. NU and its subsidiaries do not currently consolidate any VIEs with which the companies are associated, and management does not expect to change the accounting for these VIEs as a result of implementing SFAS No. 167.

C.

Accounting Standards Recently Adopted

On January 1, 2009, NU and its subsidiaries, including CL&P, PSNH and WMECO, adopted SFAS No. 157, "Fair Value Measurements," for nonrecurring fair value measurements of nonfinancial assets and liabilities, including asset retirement obligations (AROs) and goodwill and other impairment analyses. NU adopted SFAS No. 157 for fair value measurements of financial assets and liabilities effective January 1, 2008. Implementation of SFAS No. 157 for nonfinancial assets and liabilities did not affect the accompanying unaudited condensed consolidated financial statements. Application of SFAS No. 157 to Yankee Gas Services Company (Yankee Gas) goodwill, which is tested for impairment as of October 1st of each year, is not expected to have a material effect on the Company's financial position or results of operations because the market participant perspective required to be considered in fair value measurements is incorporated in Yankee Gas' goodwill impairment analysis.

In the second quarter of 2009, NU and its subsidiaries adopted FASB Staff Position (FSP) FAS 115-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which changes the indicators for determining if unrealized losses on debt securities (the excess of amortized cost over fair value) should be recorded in Net income as other-than-temporary impairments. Beginning in the second quarter of 2009, other-than-temporary impairments of debt securities in NU's Trust Under Supplemental Executive Retirement Plan (supplemental benefit trust) are reflected in the Company's unaudited condensed consolidated statement of income if the Company either intends to sell the security or would more likely than not be required to sell the security before recovery to its amortized cost, or if the Company does not expect to recover the amortized cost as a result of a credit loss. For securities that the Company does not intend to sell and it is not more likely than not that it will be required to sell before recovery, only the credit loss component of an impairment is recognized in Net income, and the remainder is recognized in Accumulated other comprehensive income/(loss). NU recorded an after-tax cumulative effect of a change in accounting principle of $0.7

million as an increase to the April 1, 2009 balance of Retained earnings with an offset to Accumulated other comprehensive income/(loss) relating to the reversal of unrealized losses previously recorded in Net income on debt securities held in the supplemental benefit trust for which did not meet the criteria described above. The FSP had no impact on investments in WMECO's spent nuclear fuel trust as unrealized losses including impairments are recorded in Deferred debits and other assets - other on the accompanying unaudited condensed consolidated balance sheet due to the regulatory accounting treatment of this trust. As a result of adopting FSP FAS 115-2, Net income for both the three and six months ended June 30, 2009 is $0.3 million higher than it would otherwise have been with no effect on reported Earnings per share.

In the second quarter of 2009, NU and its subsidiaries, including CL&P, PSNH and WMECO, adopted FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that Are Not Orderly," which provides guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased and requires additional disclosures related to fair value measurements (refer to Note 1D, "Summary of Significant Accounting Policies - Fair Value Measurements," and Note 3, "Fair Value Measurements," to the unaudited condensed consolidated financial statements). Implementation of this guidance did not affect the companies' valuation of their assets or liabilities that are measured at fair value.

SFAS No. 165, "Subsequent Events," incorporates into FASB authoritative literature accounting guidance that originated as auditing standards about events or transactions that occur after the balance sheet date but before financial statements are issued. SFAS No. 165 retains the auditing standard requirements to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date and to disclose but not recognize subsequent events that provide evidence about conditions that arose after the balance sheet date but before the financial statements are issued. The reporting entity is required to disclose the date through which it has evaluated subsequent events. SFAS No. 165 was issued and implemented in the second quarter of 2009. In preparing the accompanying unaudited condensed consolidated financial statements, NU has evaluated events subsequent to June 30, 2009 through the issuance of the financial statements on August 7, 2009 and has not identified any events for disclosure.

D.

Fair Value Measurements

Fair Value Hierarchy: In measuring fair value the Company uses observable market data when available and minimizes the use of unobservable inputs. Unobservable inputs are needed to value certain derivative contracts due to complexities in terms of the contracts. Inputs used in fair value measurements are categorized into three fair value hierarchy levels for disclosure purposes. The entire fair value measurement is categorized based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 - Quoted market prices are not available. Fair value is derived from valuation techniques in which one or more significant inputs or assumptions are unobservable. Where possible, valuation techniques incorporate observable market inputs that can be validated to external sources such as industry exchanges, including prices of energy and energy-related products. Significant unobservable inputs are used in the valuations, including items such as energy and energy-related product prices in future years for which observable prices are not yet available, future contract quantities under full-requirements or supplemental sales contracts, and market volatilities. Items valued using these valuation techniques are classified according to the lowest level for which there is at least one input that is significant to the valuation. Therefore, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Determination of Fair Value: The valuation techniques and inputs used in NU's fair value measurements are as follows:

Derivative instruments: Many of the Company's derivative positions that are recorded at fair value are classified as Level 3 within the fair value hierarchy and are valued using models that incorporate both observable and unobservable inputs. Fair value is modeled using techniques such as discounted cash flow approaches adjusted for assumptions relating to exit price and the Black-Scholes option pricing model, incorporating the terms of the contracts. Significant unobservable inputs used in the valuations include energy and energy-related product prices for future years for long-dated derivative contracts, future contract quantities under full requirements and supplemental sales contracts, and market volatilities. Discounted cash flow valuations incorporate estimates of premiums or discounts that would be required by a market participant to arrive at an exit price, using available historical market transaction information. Valuations of derivative contracts also reflect nonperformance risk, including credit. The derivative contracts classified as Level 3 include NU Enterprises, Inc. (NU Enterprises) remaining wholesale marketing contract and its related supply contracts, CL&P's contracts for differences (CfDs), CL&P's contracts with certain independent power producers (IPPs), PSNH and Yankee Gas physical options and CL&P and PSNH financial transmission rights (FTRs).

Other derivative contracts recorded at fair value are classified as Level 2 within the fair value hierarchy. An active market for the same or similar contracts exists for these contracts, which include PSNH forward contracts to purchase energy and interest rate swap agreements. For these contracts, valuations are based on quoted prices in the market and include some modeling using market-based assumptions.

For further information on derivative contracts, see Note 2, "Derivative Instruments," to the unaudited condensed consolidated financial statements.

<u>Marketable securities:</u> NU and WMECO hold in trust marketable securities, which include equity securities, mutual funds and cash equivalents, and fixed maturity securities.

Equity securities, mutual funds and cash equivalents are classified as Level 1 in the fair value hierarchy. These investments are traded in active markets and quoted prices for identical investments are available and used in NU's fair value measurements.

Fixed maturity securities classified as Level 2 within the fair value hierarchy include U.S. Treasury securities, corporate bonds, collateralized mortgage obligations, U.S. pass-through bonds, asset-backed securities, commercial mortgage-backed securities, and commercial paper. The fair value of these instruments is estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The pricing models utilize observable inputs such as recent trades for the same or similar instruments, yield curves, discount margins and bond structures.

For further information see Note 3, "Fair Value Measurements," and Note 10, "Marketable Securities," to the unaudited condensed consolidated financial statements.

There were no changes to the valuation methodologies for derivative instruments or marketable securities for the three or six months ended June 30, 2009.

E.

Regulatory Accounting

The accounting policies of the regulated companies, as defined below, conform to accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

The transmission and distribution segments of CL&P, PSNH (including its generation business) and WMECO, along with Yankee Gas' distribution segment (collectively, regulated companies), continue to be rate-regulated on a cost-of-service basis. Management believes it is probable that NU's regulated companies will recover their respective investments in long-lived assets, including regulatory assets. All material net regulatory assets are earning an equity return, except for securitized regulatory assets, the majority of deferred benefit costs and regulatory assets offsetting regulated company derivative liabilities, which are not supported by equity. Amortization and deferrals of regulatory assets/(liabilities) are included on a net basis in Amortization of regulatory (liabilities)/assets, net on the accompanying unaudited condensed consolidated statements of income.

Regulatory Assets: The components of regulatory assets are as follows:

	As of June 30, 2009	As of December 31, 2008
(Millions of Dollars)	**NU Consolidated**	**NU Consolidated**
Deferred benefit costs	$ 1,104.2	$ 1,140.9
Regulatory assets offsetting derivative liabilities	784.1	844.2
Securitized assets	557.2	677.4
Income taxes, net	359.9	355.4
Unrecovered contractual obligations	159.2	169.1
CL&P undercollections	72.8	75.2
Other regulatory assets	225.1	240.4
Totals	$ 3,262.5	$ 3,502.6

	As of June 30, 2009			As of December 31, 2008		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Deferred benefit costs	$ 521.2	$ 136.2	$ 110.5	$ 537.7	$ 142.9	$ 113.5
Regulatory assets offsetting derivative liabilities	702.1	81.9	-	751.9	92.1	-
Securitized assets	288.0	204.4	64.7	377.8	227.6	72.0
Income taxes, net	308.3	20.7	17.2	306.8	16.1	20.7
Unrecovered contractual obligations	125.2	-	34.0	132.6	-	36.5
CL&P undercollections	72.8	-	-	75.2	-	-
WMECO recoverable nuclear costs	-	-	2.9	-	-	5.0
Other regulatory assets	83.2	69.2	20.1	92.1	71.2	20.7
Totals	$ 2,100.8	$ 512.4	$ 249.4	$ 2,274.1	$ 549.9	$ 268.4

Additionally, the regulated companies had $56.9 million ($47.9 million for PSNH, $8.2 million for CL&P, and $0.8 million for WMECO) and $68.3 million ($62.7 million for PSNH and $5.6 million for CL&P) of regulatory costs as of June 30, 2009 and December 31, 2008, respectively, which were included in Deferred debits and other assets - other on the accompanying unaudited condensed consolidated balance sheets. These amounts represent incurred costs that have not yet been approved for recovery by the applicable regulatory agency. Management believes these costs are recoverable in future cost-of-service regulated rates. Of these amounts, $47.9 million and $62.7 million as of June 30, 2009 and December 31, 2008, respectively, related to costs incurred at PSNH for the December 2008 storm restorations that met the New Hampshire Public Utilities Commission (NHPUC) specified criteria for deferral to a major storm cost reserve. The decrease in PSNH deferred storm costs is primarily a result of insurance proceeds received during the second quarter of 2009, which were used to reduce the storm costs deferral.

Included in NU's other regulatory assets are the regulatory assets associated with the implementation of FIN 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143," totaling $44.2 million ($24.4 million for CL&P, $14.2 million for PSNH, and $2.9 million for WMECO) as of June 30, 2009 and $42.3 million ($23.1 million for CL&P, $13.9 million for PSNH, and $2.8 million for WMECO) as of December 31, 2008. Of these amounts, $12.3 million and $12 million, respectively, related to PSNH have been approved for future recovery. Management believes that recovery of the remaining FIN 47 regulatory assets is probable.

Regulatory Liabilities: The components of regulatory liabilities are as follows:

	As of June 30, 2009	As of December 31, 2008
(Millions of Dollars)	**NU Consolidated**	**NU Consolidated**
Cost of removal	$ 218.7	$ 226.0
Regulatory liabilities offsetting derivative assets	128.4	137.8
CL&P overcollections	46.0	69.5
CL&P AFUDC transmission incentive	48.5	47.6
PSNH ES deferral	30.7	33.0
Pension and PBOP liabilities - Yankee Gas acquisition	16.3	17.6
Overrecovered gas costs	16.6	16.9
Other regulatory liabilities	41.2	44.1
Totals	$ 546.4	$ 592.5

	As of June 30, 2009			As of December 31, 2008		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Cost of removal	$ 87.9	$ 62.6	$ 17.4	$ 91.2	$ 64.7	$ 19.2
Regulatory liabilities offsetting derivative assets	126.9	1.5	-	131.3	4.6	-
CL&P overcollections	46.0	-	-	69.5	-	-
CL&P AFUDC transmission incentive	48.5	-	-	47.6	-	-
PSNH ES deferral	-	30.7	-	-	33.0	-
WMECO provision for rate refunds	-	-	1.3	-	-	1.3
WMECO transition charge overcollections	-	-	-	-	-	5.7
WMECO pension/PBOP tracker	-	-	1.2	-	-	2.0
Other regulatory liabilities	25.2	10.0	3.0	23.9	9.1	1.6
Totals	$ 334.5	$ 104.8	$ 22.9	$ 363.5	$ 111.4	$ 29.8

F.

Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) is included in the cost of the regulated companies' utility plant and represents the cost of borrowed and equity funds used to finance construction. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of Other interest expense, and the AFUDC related to equity funds is recorded as Other income, net on the accompanying unaudited condensed consolidated statements of income.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
(Millions of Dollars, except percentages)	NU Consolidated	NU Consolidated	NU Consolidated	NU Consolidated
Borrowed funds	$ 1.4	$ 4.4	$ 3.5	$ 9.1
Equity funds	2.5	6.8	3.4	15.1
Totals	$ 3.9	$ 11.2	$ 6.9	$ 24.2
Average AFUDC rates	6.6%	7.9%	5.9%	8.1%

	For the Three Months Ended					
	June 30, 2009			June 30, 2008		
(Millions of Dollars, except percentages)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Borrowed funds	$ 0.6	$ 0.7	$ -	$ 3.3	$ 0.8	$ 0.2
Equity funds	1.7	0.8	-	5.8	0.9	0.2
Totals	$ 2.3	$ 1.5	$ -	$ 9.1	$ 1.7	$ 0.4
Average AFUDC rates	8.2%	6.1%	1.1%*	8.4%	6.9%	6.0%

*The AFUDC rate applies to WMECO's portion of construction work in progress (CWIP) that is currently recovered in rate base, as further described below.

	For the Six Months Ended					
	June 30, 2009			June 30, 2008		
(Millions of Dollars, except percentages)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Borrowed funds	$ 1.5	$ 1.6	$ 0.1	$ 6.7	$ 1.6	$ 0.4
Equity funds	1.6	1.7	-	12.4	2.2	0.4
Totals	$ 3.1	$ 3.3	$ 0.1	$ 19.1	$ 3.8	$ 0.8
Average AFUDC rates	5.7%	7.0%	2.5%	8.4%	7.5%	7.0%

The regulated companies' average AFUDC rate is based on a Federal Energy Regulatory Commission (FERC) prescribed formula that produces an average rate using the cost of a company's short-term financings as well as a company's capitalization (preferred stock, long-term debt and common equity). The average rate is applied to average eligible CWIP amounts to calculate AFUDC. AFUDC is recorded on 100 percent of CL&P's and WMECO's CWIP for their New England East-West Solutions (NEEWS) projects, all of which is being reserved as a regulatory liability to reflect current rate base recovery for 100 percent of the CWIP as a result of FERC-approved transmission incentives.

G.

Other Income, Net

The pre-tax components of other income/(loss) items are as follows:

NU Consolidated	**For the Three Months Ended**		**For the Six Months Ended**	
(Million of Dollars)	**June 30, 2009**	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Other Income:				
Interest income	$ 2.0	$ -	$ 4.0	$ -
Investment income	6.6	2.0	4.1	3.9
AFUDC - equity funds	2.5	6.8	3.4	15.1
Energy Independence Act incentives	0.7	3.4	4.3	8.9
Conservation and load management incentives	0.4	-	0.5	-
Other	0.2	0.2	0.5	0.4

Total Other Income	12.4	12.4	16.8	28.3
Other Loss:				
Investment write-downs	-	(1.2)	-	(3.8)
Conservation and load management costs	-	(0.8)	-	(0.4)
Rental expense	-	-	(0.2)	(0.2)
Total Other Loss	-	(2.0)	(0.2)	(4.4)
Total Other Income, Net	$ 12.4	$ 10.4	$ 16.6	$ 23.9

CL&P	**For the Three Months Ended**		**For the Six Months Ended**	
(Millions of Dollars)	**June 30, 2009**	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Other Income:				
Interest income	$ 1.1	$ -	$ 1.9	$ -
Investment income	4.2	1.9	2.2	3.3
AFUDC - equity funds	1.7	5.8	1.6	12.4
Energy Independence Act incentives	0.7	3.4	4.3	8.9
Conservation and load management incentives	0.3	-	0.3	-
Other	0.2	0.2	0.6	0.3
Total Other Income	8.2	11.3	10.9	24.9
Other Loss:				
Investment write-downs	-	(0.8)	-	(2.6)
Conservation and load management costs	-	(0.9)	-	(0.6)
Total Other Loss	-	(1.7)	-	(3.2)
Total Other Income, Net	$ 8.2	$ 9.6	$ 10.9	$ 21.7

PSNH	**For the Three Months Ended**		**For the Six Months Ended**	
(Millions of Dollars)	**June 30, 2009**	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Other Income:				
Interest income	$ 0.9	$ -	$ 1.8	$ -
Investment income	1.0	0.6	0.6	0.9
AFUDC - equity funds	0.8	0.9	1.7	2.2
Other	0.1	-	0.1	0.1
Total Other Income	2.8	1.5	4.2	3.2
Investment write-downs	-	(0.2)	-	(0.6)
Total Other Income, Net	$ 2.8	$ 1.3	$ 4.2	$ 2.6

WMECO	**For the Three Months Ended**		**For the Six Months Ended**	
(Millions of Dollars)	**June 30, 2009**	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Other Income:				
Interest income	$ 0.1	$ -	$ 0.2	$ -
Investment income	0.9	0.4	0.5	0.6
AFUDC - equity funds	-	0.2	-	0.4
Conservation and load management incentives	0.1	0.1	0.2	0.2
Other	-	-	0.1	-
Total Other Income	1.1	0.7	1.0	1.2
Other Loss:				
Investment write-downs	-	(0.2)	-	(0.5)
Rental expense	-	-	(0.1)	-
Total other loss	-	(0.2)	(0.1)	(0.5)
Total Other Income, Net	$ 1.1	$ 0.5	$ 0.9	$ 0.7

Consolidated investment income for the three and six months ended June 30, 2009 includes realized gains of $5.6 million ($3.4 million for CL&P, $0.8 million for PSNH, and $0.8 million for WMECO) from the sale of equity securities in NU's supplemental benefit trust in June 2009. Investment income also includes equity in earnings of regional nuclear generating and transmission companies of $0.5 million and $0.3 million for NU ($0.1 million in both periods for CL&P and de minimis amounts for PSNH and WMECO) for the three months ended June 30, 2009 and 2008, respectively, and $1 million in both periods for NU ($0.2 million in both periods for CL&P, $0.1 million in both periods for WMECO and a de minimis amount for PSNH) for the six months ended June 30, 2009 and 2008, respectively. Equity in earnings relates to the Company's investments, including CL&P, PSNH and WMECO's investments, in Connecticut Yankee Atomic Power Company (CYAPC), Maine Yankee Atomic Power Company, and

Yankee Atomic Electric Company and NU's investments in two regional transmission companies.

H.

Special Deposits and Counterparty Deposits

To the extent NU Enterprises, a wholly owned subsidiary of NU, through its wholly owned subsidiary Select Energy, Inc. (Select Energy), requires collateral from counterparties, or the counterparties require collateral from Select Energy, cash is held on deposit by Select Energy or with unaffiliated counterparties and brokerage firms as a part of the total collateral required based on Select Energy's position in transactions with the counterparty. Select Energy's right to use cash collateral is determined by the terms of the related agreements. Key factors affecting the unrestricted status of a portion of this cash collateral include the financial standing of Select Energy and of NU as its credit supporter.

NU and its subsidiaries record special deposits and counterparty deposits in accordance with FSP FIN 39-1, "Amendment of FASB Interpretation No. 39," which requires NU to net collateral amounts posted under a master netting agreement if the related derivatives are recorded in a net position. As of June 30, 2009, CL&P had $1 million of collateral posted under master netting agreements and netted against the fair value of the derivatives. As of December 31, 2008, NU and its subsidiaries, including CL&P, PSNH and WMECO, had no special deposits or counterparty collateral posted under master netting agreements netted against the fair value of derivatives.

Special deposits paid by Select Energy to unaffiliated counterparties and brokerage firms not subject to master netting agreements totaled $28.3 million and $26.3 million as of June 30, 2009 and December 31, 2008, respectively. These amounts are recorded as Current assets and are included in Prepayments and other on the accompanying unaudited condensed consolidated balance sheets. There were no counterparty deposits for Select Energy as of June 30, 2009 and December 31, 2008.

NU consolidated, CL&P, PSNH and WMECO have established credit policies regarding counterparties to minimize overall credit risk. These policies require an evaluation of potential counterparties, financial condition, collateral requirements and the use of standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. These evaluations result in established credit limits prior to entering into a contract. As of June 30, 2009 and December 31, 2008, there were no counterparty deposits for these companies.

I.

Income Taxes

Tax Positions: In June 2009, the Internal Revenue Service (IRS) completed its audit of NU federal tax years 2005 through 2007, bringing closure to, and effective settlement of, issues concerning the timing of certain deductions through 2007. The audit closure reduced pre-tax interest expense by $5.4 million ($3.1 million for CL&P, $1.6 million for PSNH, and $0.5 million for WMECO), while the income tax expense impact resulted in a $1 million tax benefit. Management estimates that resolution of this audit decreases NU's unrecognized tax benefits by approximately $32 million ($16 million for CL&P, $12 million for PSNH, and $3 million for WMECO).

NU is currently working to resolve all open tax years. It is reasonably possible that one or more of these open tax years could be resolved within the next twelve months. Management estimates that potential resolutions could result in a zero to $34 million decrease in unrecognized tax benefits on an NU consolidated basis (zero to $15 million at CL&P).

J.

Other Taxes

Certain excise taxes levied by state or local governments are collected by CL&P and Yankee Gas from their respective customers. These excise taxes are shown on a gross basis with collections in revenues and payments in expenses. For the three and six months ended June 30, 2009, NU gross receipts taxes, franchise taxes and other excise taxes of $30.8 million and $69.8 million, respectively, ($27.7 million and $58.6 million, respectively, for CL&P) were included in Operating revenues and Taxes other than income taxes on the accompanying unaudited condensed consolidated statements of income. For the three and six months ended June 30, 2008, these amounts totaled $27.4 million and $58.4 million, respectively ($23.3 million and $47 million, respectively, for CL&P). Certain sales taxes are also collected by CL&P, WMECO, and Yankee Gas from their respective customers as agents for state and local governments and are recorded on a net basis with no impact on the accompanying unaudited condensed consolidated statements of income.

2.

DERIVATIVE INSTRUMENTS (NU, NU Enterprises, CL&P, PSNH, Yankee Gas)

Derivative contracts that meet the definition of and are designated as "normal purchases or normal sales" (normal) are recognized in Operating revenues or Operating expenses, as applicable, as electricity or natural gas is delivered.

Derivative contracts that are not designated as hedging instruments or as normal are recorded at fair value as current or long-term derivative assets or liabilities. Changes in fair values of NU Enterprises' derivatives are included in Net income. For the regulated companies, including CL&P, PSNH and Yankee Gas, regulatory assets or liabilities are recorded for the changes in fair values of derivatives, as these contracts are part of current regulated operating costs, or have an allowed recovery mechanism, and management believes that these costs will continue to be recovered from or refunded to customers in cost-of-service, regulated rates.

CL&P, PSNH, WMECO and Yankee Gas are exposed to the volatility of the prices of energy and energy related products in procuring energy supply for their customers. The costs associated with supplying energy to customers are recoverable through customer rates. The Company manages the risks associated with the price volatility of energy and energy related products through the use of derivative contracts, many of which are accounted for as normal, and the use of non-derivative contracts.

CL&P mitigates the risks associated with the price volatility of energy and energy-related products through the use of standard or last resort service contracts, which fix the price of electricity purchased for customers for periods of time ranging from three months to three years and are accounted for as normal. CL&P has entered into derivatives, including FTR contracts and bilateral basis swaps, to manage the risk of congestion costs associated with its standard offer and last resort service contracts. As required by regulation, CL&P has also entered into derivative and non-derivative contracts for the purchase of energy and energy-related products and contracts related to capacity. While the risks managed by these contracts are regional congestion costs and capacity price risks that are not specific to CL&P, Connecticut's electric distribution companies, including CL&P, are required to enter into these contracts. The derivative contracts not accounted for as normal are accounted for at fair value. Management believes any costs or benefits from these contracts are recoverable from, or refunded to, CL&P's customers, therefore any changes in fair value are recorded as Regulatory assets and Regulatory liabilities.

WMECO mitigates the risks associated with the volatility of the prices of energy and energy-related products in procuring energy supply for its customers through the use of default service contracts, which fix the price of electricity purchased for customers for periods of time ranging from three months to three years and are accounted for as normal.

PSNH mitigates the risks associated with the volatility of energy prices in procuring energy supply for its customers through its generation facilities and the use of derivative contracts, including energy forward contracts, options and FTRs. PSNH enters into these contracts in order to stabilize electricity prices for customers. The derivative contracts not accounted for as normal are accounted for at fair value. Management believes any costs or benefits from these contracts are recoverable from, or refunded to, PSNH's customers, therefore any changes in fair value are recorded as Regulatory assets and Regulatory liabilities.

Yankee Gas mitigates the risks associated with supply availability and volatility of natural gas prices through the use of storage facilities and long-term agreements to purchase gas supply for customers that include non-derivative contracts and contracts that are accounted for as normal. Yankee Gas also manages price risk through the use of options contracts. The derivative contracts not accounted for as normal are accounted for at fair value, and because management believes any costs or benefits from these contracts are recoverable from or refundable to Yankee Gas' customers, any changes in fair value are recorded as Regulatory assets and Regulatory liabilities.

NU Enterprises, through Select Energy, has one remaining fixed price forward sales contract that was entered into as part of its wholesale energy marketing business. NU Enterprises mitigates the price risk associated with this contract through the use of forward purchase contracts. NU Enterprises' derivative contracts are accounted for at fair value, and changes in their fair values are recorded in Operating expenses.

The Company is also exposed to interest rate risk associated with its long-term debt. From time to time, the Company enters into forward starting interest rate swaps, accounted for as cash flow hedges, to mitigate the risk of changes in interest rates when it expects to issue long-term debt. NU parent has also entered into an interest rate swap on fixed rate long-term debt in order to manage the balance of fixed and floating rate debt. The interest rate swap mitigating the interest rate risk associated with the fixed rate long-term debt is accounted for as a fair value hedge.

The gross fair values of derivative assets and liabilities with the same counterparty are offset and reported net as current or long-term Derivative assets or Derivative liabilities in the accompanying unaudited condensed consolidated balance sheets. The following tables present the gross fair values of contracts and the net amounts recorded as current or long-term Derivative assets or liabilities, by primary underlying risk exposures or purpose:

	As of June 30, 2009						
(Millions of Dollars)	Gross Asset	Gross Liability	Net Amount Recorded as Derivative	Gross Asset	Gross Liability	Cash Collateral Posted	Net Amount Recorded as Derivative

			Asset					Liability
Derivatives not designated as hedging instruments								
NU Enterprises:								
Commodity sales contract and related price and supply risk management:								
Current	$ -	$ -	$ -		$ 3.1	$ (9.9)	$ -	$ (6.8)
Long-Term	-	-	-		2.7	(40.6)	-	(37.9)
Regulated Companies:								
CL&P commodity and capacity contracts required by regulation:								
Current	10.6	(4.0)	6.6	(1)	-	(7.4)	-	(7.4)
Long-Term	262.1	(45.5)	216.6	(1)	-	(787.0)	-	(787.0)
Commodity price and supply risk management:								
CL&P:								
Current	4.6	-	4.6		-	(3.9)	1.0	(2.9)
PSNH:								
Current (2)	0.4	-	0.4		-	(67.7)	-	(67.7)
Long-Term (2)	1.1	-	1.1		-	(14.3)	-	(14.3)
Yankee Gas:								
Current	-	-	-		-	(0.4)	-	(0.4)
Long-Term	-	-	-		-	0.3	-	0.3
Derivatives designated as hedging instruments								
Interest rate risk management:								
Current (3)	6.5	-	6.5		-	-	-	-
Long-Term	7.2	-	7.2		-	-	-	-

(1)

Fair value amounts of $(4.0) million current and $100.2 million long-term that relate to a sharing agreement are recorded in Derivative assets.

(2)

On PSNH's accompanying unaudited condensed consolidated balance sheet, the current portion of the net derivative asset is shown in Prepayments and other and the long-term portion is shown in Deferred debits and other assets - other.

(3)

Amount does not include interest receivable of $2.4 million as of June 30, 2009 recorded in Prepayments and other on the accompanying unaudited condensed consolidated balance sheet.

For further information on the fair value of derivative contracts, see Note 3, "Fair Value Measurements," to the unaudited condensed consolidated financial statements.

The following provides additional information about the derivatives included in the tables above, including volumes and cash flow information.

<u>Derivatives not designated as hedging instruments</u>

NU Enterprises' energy sales contract and related price risk management: As of June 30, 2009, NU Enterprises had approximately 0.4 million megawatt-hours (MWh) of supply contract volumes remaining in its wholesale sales contract portfolio that expires in 2013 and that includes a contract to sell electricity to the New York Municipal Power Agency (NYMPA) (an agency that is comprised of municipalities), net of sourcing contracts to purchase electricity with delivery dates through 2013.

CL&P energy and capacity contracts required by regulation: CL&P has contracts with two IPPs to purchase electricity monthly in amounts aggregating approximately 1.5 million MWh per year through March 2015 under one of these contracts and 0.1 million MWh per year through December 2020 under the second contract. CL&P also has two capacity-related CfDs to increase energy supply in Connecticut relating to two generating projects to be built or modified. The total capacity of these CfDs and two additional CfDs of The United Illuminating Company (UI) is expected to be approximately 787 megawatts (MW). CL&P has an agreement with UI, which is also accounted for as a derivative, under which it will share the costs and benefits of the four CfDs, with 80 percent allocated to CL&P and 20 percent to UI. The four CfDs obligate the utilities to pay/receive monthly the difference between a set capacity price and the forward capacity market price that the projects receive in the New England Independent System Operator (ISO-NE) capacity markets for periods of up to 15 years beginning in 2009.

CL&P, PSNH and Yankee Gas energy and natural gas price risk management: As of June 30, 2009, CL&P had 1.2 million MWh

and 0.9 million MWh remaining under FTRs and bilateral basis swaps, respectively, that expire by December 31, 2009 and require monthly payments or receipts.

PSNH has electricity procurement contracts with delivery dates through 2011 to purchase an aggregate amount of 2.4 million MWh of power that is used to serve customer load and manage price risk of its electricity delivery service obligations. These contracts are settled monthly. PSNH also has two energy call options that it received in exchange for assigning its transmission rights in a direct current transmission line. The options give PSNH the right to purchase 0.9 million MWh of electricity through December 2010. In addition, PSNH has entered into FTRs to manage the risk of congestion costs associated with its electricity delivery service. As of June 30, 2009, there were 0.8 million MWh remaining under FTRs that expire in 2009 and require monthly payments or receipts. The purpose of the PSNH derivative contracts is to provide stable rates for customers by mitigating price uncertainties associated with the New England electricity spot market.

Yankee Gas has two peaking supply option contracts to purchase up to 17 thousand MMBtu of natural gas on up to 20 days per season to manage natural gas supply price risk related to winter load obligations. One contract for 3 thousand MMBtu expires on October 31, 2009, and the other contract for 14 thousand MMBtu expires on April 1, 2012. Demand fees on these contracts are settled annually or seasonally and are included in Yankee Gas' Purchased Gas Adjustment for recovery.

The following table presents the realized and unrealized gains/(losses) associated with derivative contracts not designated as hedging instruments for the three and six months ended June 30, 2009:

Derivatives Not Designated as Hedging Instruments	Location of Gain or Loss Recognized on Derivative	Amount of Gain/(Loss) Recognized on Derivative Instrument Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
		(Millions of Dollars)	
NU Enterprises:			
Energy sales contract and energy price risk management	Fuel, purchased and net interchange power	$ 2.4	$ 7.8
Regulated Companies:			
CL&P energy and capacity contracts required by regulation	Regulatory assets/liabilities	61.2	50.2
Commodity price and supply risk management:			
CL&P	Regulatory assets/liabilities	(1.1)	(7.0)
PSNH	Regulatory assets/liabilities	(8.3)	(50.8)
Yankee Gas	Regulatory assets/liabilities	(1.2)	(2.1)

For the regulated companies, monthly settlement amounts are recorded as receivables or payables and as Operating revenues or Fuel, purchased and net interchange power. Regulatory assets/liabilities are established through Amortization of regulatory assets/liabilities, net, with no impact to Net income.

Derivatives designated as hedging instruments

Interest Rate Risk Management: To manage the interest rate risk characteristics of the Company's fixed rate long-term debt, NU has a fixed to floating interest rate swap on its $263 million, 7.25 percent fixed rate senior notes maturing on April 1, 2012. This interest rate swap qualified and was designated as a fair value hedge and requires semi-annual payments/receipts. The changes in fair value of the swap and the interest component of the hedged long-term debt instrument are recorded in interest expense. There was no ineffectiveness recorded for the three and six months ended June 30, 2009. The cumulative changes in fair values of the swap and the Long-term debt are recorded as a Derivative asset/liability and an adjustment to Long-term debt. Interest receivable is recorded as a reduction of Interest expense and is included in Prepayments and other.

For the three and six months ended June 30, 2009, the realized and unrealized gains/(losses) related to changes in fair value of the swap and Long-term debt as well as Interest expense, recorded in Net income, were as follows:

	Swap		Hedged Debt	
(Millions of Dollars) Income Statement Classification	**Three Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**	**Three Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**
Change in fair value	$ (3.8)	$ (3.3)	$ 3.8	$ 3.3
Interest recorded in Net income	-	-	2.4	3.8

There were no cash flow hedges outstanding as of, or during the three and six month periods ended, June 30, 2009 and no ineffectiveness was recorded during those periods. From time to time, NU and its subsidiaries, including CL&P, PSNH and WMECO, enter into forward starting interest rate swap agreements on proposed debt issuances that qualify and are designated as cash flow hedges. Cash flow hedges are recorded at fair value, and the changes in the fair value of the effective portion of those contracts are recognized in Accumulated other comprehensive income/(loss). Cash flow hedges impact Net income when hedge ineffectiveness is measured and recorded or when the forecasted transaction being hedged is improbable of occurring. When a cash flow hedge is terminated, the settlement amount is recorded in Accumulated other comprehensive income/(loss) and is amortized into Net income over the term of the underlying debt instrument.

For the three and six months ended June 30, 2009, pre-tax gains/(losses) amortized from Accumulated other comprehensive income/(loss) into Interest expense were as follows:

(Millions of Dollars)	**Three Months Ended June 30, 2009**	**Six Months Ended June 30, 2009**
CL&P	$ (0.2)	$ (0.4)
PSNH	-	(0.1)
WMECO	-	0.1
Other	0.1	0.2
NU Consolidated	$ (0.1)	$ (0.2)

For further information, see Note 6, "Comprehensive Income," to the unaudited condensed consolidated financial statements.

Credit Risk

Certain derivative contracts that are accounted for at fair value, including PSNH's electricity procurement contracts, CL&P's bilateral agreements and NU Enterprises' electricity sourcing contracts, contain credit risk contingent features. These features require these companies, or in NU Enterprises' case, NU, to maintain investment grade credit ratings from the major rating agencies and to post cash or standby letters of credit (LOCs) as collateral for contracts in a net liability position over specified credit limits. NU provides standby LOCs under its revolving credit agreement for its subsidiaries to post with counterparties. The following summarizes the fair value of derivative contracts that are in a liability position and subject to credit risk contingent features and the fair value of cash collateral and standby LOCs posted with counterparties as of June 30, 2009:

(Millions of Dollars)	**Fair Value Subject to Credit Risk Contingent Features**		**Cash Collateral Posted**		**Standby LOCs Posted**	
CL&P	$	(1.0)	$	1.0	$	-
PSNH		(81.8)		-		71.0
NU Enterprises		(36.1)		28.3		-
NU Consolidated	$	(118.9)	$	29.3	$	71.0

Additional collateral is required to be posted by NU Enterprises, CL&P or PSNH, respectively, if NU parent's, CL&P's or PSNH's respective credit ratings are downgraded below investment grade. As of June 30, 2009, no additional cash collateral would be required to be posted if credit ratings were downgraded below investment grade. However, if PSNH's or NU parent's senior unsecured debt were downgraded to below investment grade, additional standby LOCs in the amount of $23 million and $15.2 million would be required to be posted on derivative contracts for PSNH and Select Energy, respectively.

For further information, see Note 1H, "Summary of Significant Accounting Policies - Special Deposits and Counterparty Deposits," to the unaudited condensed consolidated financial statements.

3.

FAIR VALUE MEASUREMENTS (All Companies)

The following tables present the amounts of assets and liabilities recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

	As of June 30, 2009						
(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**WMECO**	**NU Enterprises**	**Yankee Gas**	**NU Parent**
Derivative Assets:							
Level 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Level 2	13.7	-	-	-	-	-	13.7
Level 3	229.3	227.8	1.5	-	-	-	-
Total	$ 243.0	$ 227.8	$ 1.5	$ -	$ -	$ -	$ 13.7
Derivative Liabilities:							
Level 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Level 2	(81.8)	-	(81.8)	-	-	-	-
Level 3	(843.3)	(798.3)	(0.2)	-	(44.7)	(0.1)	-
Cash collateral posted	1.0	1.0	-	-	-	-	-
Total	$ (924.1)	$ (797.3)	$ (82.0)	$ -	$ (44.7)	$ (0.1)	$ -
Marketable Securities:							
Level 1:							
Mutual funds	$ 27.2	$ -	$ -	$ -	$ -	$ -	$ 27.2
Money market and other	5.9	-	-	1.1	-	-	4.8
Total Level 1	33.1	-	-	1.1	-	-	32.0
Level 2:							
U.S. government issued debt securities (agency and treasury)	31.9	-	-	17.0	-	-	14.9
Corporate debt securities	27.4	-	-	21.6	-	-	5.8
Asset backed securities	4.8	-	-	1.2	-	-	3.6
Municipal bonds	11.0	-	-	11.0	-	-	-
Other	4.8	-	-	4.4	-	-	0.4
Total Level 2	79.9	-	-	55.2	-	-	24.7

Total	$	113.0	$	-	$	-	$	56.3	$	-	$	-	$	56.7

17

As of December 31, 2008

(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**WMECO**	**NU Enterprises**	**Yankee Gas**	**NU Parent**
Derivative Assets:							
Level 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Level 2	20.8	-	-	-	-	-	20.8
Level 3	252.4	245.8	4.7	-	-	1.9	-
Total	$ 273.2	$ 245.8	$ 4.7	$ -	$ -	$ 1.9	$ 20.8
Derivative Liabilities:							
Level 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Level 2	(91.7)	-	(91.7)	-	-	-	-
Level 3	(921.6)	(856.9)	(0.6)	-	(63.9)	(0.2)	-
Total	$ (1,013.3)	$ (856.9)	$ (92.3)	$ -	$ (63.9)	$ (0.2)	$ -
Marketable Securities:							
Level 1	$ 42.1	$ -	$ -	$ 10.3	$ -	$ -	$ 31.8
Level 2	67.1	-	-	45.4	-	-	21.7
Level 3	-	-	-	-	-	-	-
Total	$ 109.2	$ -	$ -	$ 55.7	$ -	$ -	$ 53.5

Not included in the tables above are $458.6 million and $81.6 million of cash equivalents held by NU parent as of June 30, 2009 and December 31, 2008, respectively, which are included in cash and cash equivalents on the accompanying unaudited condensed consolidated balance sheets and are classified as Level 1 in the fair value hierarchy.

The following tables present changes for the three and six months ended June 30, 2009 and 2008 in the Level 3 category of assets and liabilities measured at fair value on a recurring basis. This category includes derivative assets and liabilities, which are presented on a net basis. The Company classifies assets and liabilities in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 assets and liabilities typically also rely on a number of inputs that are observable either directly or indirectly. Thus, the gains and losses presented below include changes in fair value that are attributable to both observable and unobservable inputs. There were no transfers into or out of Level 3 assets and liabilities for the three and six months ended June 30, 2009 and 2008.

	For the Three Months Ended June 30, 2009				
(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**NU Enterprises**	**Yankee Gas**
Derivatives, Net:					
Fair value as of March 31, 2009	$ (680.3)	$ (633.3)	$ 1.4	$ (49.2)	$ 0.8
Net realized/unrealized gains/(losses) included in:					
Net income (1)	2.4	-	-	2.4	-
Regulatory assets/liabilities	58.8	60.1	(0.1)	-	(1.2)
Purchases, issuances and settlements	5.1	2.7	-	2.1	0.3
Fair value as of June 30, 2009	$ (614.0)	$ (570.5)	$ 1.3	$ (44.7)	$ (0.1)
Quarterly change in unrealized gains included in Net income relating to items held as of June 30, 2009	$ 2.2	$ -	$ -	$ 2.2	$ -

	For the Three Months Ended June 30, 2008				
(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**NU Enterprises**	**Yankee Gas**
Derivatives, Net:					
Fair value as of March 31, 2008	$ (488.5)	$ (430.3)	$ 22.8	$ (81.1)	$ 0.1
Net realized/unrealized gains included in:					
Net income (1)	1.2	-	-	1.2	-
Regulatory assets/liabilities	228.7	209.1	18.1	-	1.5
Purchases, issuances and settlements	(18.4)	(23.7)	-	5.3	-
Fair value as of June 30, 2008	$ (277.0)	$ (244.9)	$ 40.9	$ (74.6)	$ 1.6
Quarterly change in unrealized losses included in Net income relating to items held as of June 30, 2008	$ (2.3)	$ -	$ -	$ (2.3)	$ -

18

	For the Six Months Ended June 30, 2009				
(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**NU Enterprises**	**Yankee Gas**
Derivatives, Net:					
Fair value as of January 1, 2009	$ (669.2)	$ (611.1)	$ 4.1	$ (63.9)	$ 1.7
Net realized/unrealized gains/(losses) included in:					
Net income (1)	7.8	-	-	7.8	-
Regulatory assets/liabilities	38.3	43.2	(2.8)	-	(2.1)
Purchases, issuances and settlements	9.1	(2.6)	-	11.4	0.3
Fair value as of June 30, 2009	$ (614.0)	$ (570.5)	$ 1.3	$ (44.7)	$ (0.1)
Period change in unrealized gains included in Net income relating to items held as of June 30, 2009	$ 7.4	$ -	$ -	$ 7.4	$ -

	For the Six Months Ended June 30, 2008				
(Millions of Dollars)	**Total NU**	**CL&P**	**PSNH**	**NU Enterprises**	**Yankee Gas**
Derivatives, Net:					
Fair value as of January 1, 2008 (2)	$ (511.1)	$ (426.9)	$ 15.7	$ (100.1)	$ 0.2
Net realized/unrealized gains included in:					
Net income (1)	4.8	-	-	4.8	-
Regulatory assets/liabilities	245.5	218.9	25.2	-	1.4
Purchases, issuances and settlements	(16.2)	(36.9)	-	20.7	-
Fair value as of June 30, 2008	$ (277.0)	$ (244.9)	$ 40.9	$ (74.6)	$ 1.6
Period change in unrealized losses included in Net income relating to items held as of June 30, 2008	$ (1.5)	$ -	$ -	$ (1.5)	$ -

(1)

Realized and unrealized gains and losses on derivatives included in Net income relate to the remaining Select Energy wholesale marketing contracts and are reported in Fuel, purchased and net interchange power on the accompanying unaudited condensed consolidated statements of income.

(2)

Amounts as of January 1, 2008 reflect fair values after initial adoption of SFAS No. 157. As a result of implementing SFAS No. 157, the Company recorded an increase to derivative liabilities and a pre-tax charge of $6.1 million as of January 1, 2008 related to NU Enterprises' remaining derivative contracts. The Company also recorded changes in fair value of CL&P's CfD and IPP contracts, resulting in increases to CL&P's Derivative liabilities of approximately $590 million, with an offset to Regulatory assets and a decrease to CL&P's Derivative assets of approximately $30 million with an offset to Regulatory liabilities.

4.

PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (All Companies)

Northeast Utilities Service Company (NUSCO), a subsidiary of NU, sponsors a single uniform noncontributory defined benefit retirement plan (Pension Plan), which is subject to the provisions of the Employee Retirement Income Security Act (ERISA). The Pension Plan covers non-bargaining unit employees (and bargaining unit employees, as negotiated) of NU and its subsidiaries hired before 2006 (or as negotiated, for bargaining unit employees). On behalf of its retirees, NUSCO also sponsors plans that provide certain retiree health care benefits, primarily medical and dental, and life insurance benefits through a post-retirement benefits other than pension plan (PBOP Plan). In addition, NU maintains a Supplemental Executive Retirement Plan (SERP), which provides benefits to eligible participants who are officers of NU or its subsidiaries. This plan primarily provides benefits that would have been provided to these employees under the Pension Plan if certain Internal Revenue Code limitations were not imposed.

The components of net periodic expense/(income) for the Pension Plan, PBOP Plan and SERP for the three and six months ended June 30, 2009 and 2008 are as follows:

	For the Three Months Ended June 30,											
NU Consolidated	**Pension Benefits**				**PBOP Benefits**				**SERP Benefits**			
(Millions of Dollars)	**2009**		**2008**		**2009**		**2008**		**2009**		**2008**	
Service cost	$	11.3	$	11.1	$	1.8	$	1.8	$	0.2	$	0.2
Interest cost		38.3		35.9		7.2		7.0		0.6		0.5
Expected return on plan assets		(47.3)		(50.0)		(5.3)		(5.3)		-		-
Net transition obligation cost		6.8		-		2.4		2.9		-		-
Prior service cost/(credit)		2.4		2.5		-		(0.1)		-		-
Actuarial loss		(1.6)		1.1		3.2		2.7		0.1		0.1
Total - net periodic expense	$	9.9	$	0.6	$	9.3	$	9.0	$	0.9	$	0.8
CL&P - net periodic (income)/expense	$	(1.4)	$	(5.3)	$	3.8	$	3.9	$	0.1	$	0.1
PSNH - net periodic expense	$	5.8	$	4.5	$	1.7	$	1.8	$	0.1	$	0.1
WMECO - net periodic (income)/expense	$	(0.7)	$	(1.5)	$	0.7	$	0.7		*		*

	For the Six Months Ended June 30,											
NU Consolidated	**Pension Benefits**				**PBOP Benefits**				**SERP Benefits**			
(Millions of Dollars)	**2009**		**2008**		**2009**		**2008**		**2009**		**2008**	
Service cost	$	22.5	$	21.8	$	3.6	$	3.6	$	0.4	$	0.3
Interest cost		76.8		72.1		14.5		14.1		1.1		1.0
Expected return on plan assets		(94.7)		(100.1)		(10.4)		(10.5)		-		-
Net transition obligation cost		6.9		0.1		5.2		5.8		-		-
Prior service cost/(credit)		4.9		4.9		-		(0.2)		0.1		0.1
Actuarial loss		3.5		2.5		5.7		5.3		0.2		0.1
Total - net periodic expense	$	19.9	$	1.3	$	18.6	$	18.1	$	1.8	$	1.5
CL&P - net periodic (income)/expense	$	(2.8)	$	(10.7)	$	7.8	$	7.9	$	0.2	$	0.2
PSNH - net periodic expense	$	11.6	$	9.0	$	3.5	$	3.5	$	0.1	$	0.1
WMECO - net periodic (income)/expense	$	(1.4)	$	(3.0)	$	1.4	$	1.4		*		*

*A de minimis amount of SERP expense was recorded for WMECO.

Not included in the Pension Plan, PBOP Plan and SERP amounts above for CL&P, PSNH and WMECO are related intercompany allocations as follows:

	For the Three Months Ended June 30,					
	CL&P		PSNH		WMECO	
(Millions of Dollars)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Pension Benefits	$ 3.0	$ 1.9	$ 0.7	$ 0.4	$ 0.4	$ 0.4
PBOP Benefits	2.0	1.7	0.5	0.4	0.3	0.3
SERP Benefits	0.5	0.4	0.1	0.1	0.1	*

	For the Six Months Ended June 30,					
	CL&P		PSNH		WMECO	
(Millions of Dollars)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Pension Benefits	$ 6.7	$ 4.0	$ 1.5	$ 0.8	$ 1.0	$ 0.7
PBOP Benefits	3.7	3.4	0.9	0.7	0.6	0.5
SERP Benefits	0.9	0.8	0.2	0.2	0.1	*

*A de minimis amount of SERP expense was recorded for WMECO.

A portion of the pension amounts is capitalized related to current employees who are working on capital projects. Amounts capitalized for NU Consolidated, CL&P, PSNH and WMECO were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Millions of Dollars)	**2009**	**2008**	**2009**	**2008**
NU Consolidated	$ 1.5	$ 1.3	$ 3.1	$ 2.7
CL&P	(0.1)	(2.2)	(0.1)	(4.4)
PSNH	1.5	1.2	2.9	2.3
WMECO	(0.2)	(0.5)	(0.3)	(1.1)

The amounts for the three and six months ended June 30, 2009 and 2008 for CL&P and WMECO offset capital costs, as pension income was recorded.

5.

COMMITMENTS AND CONTINGENCIES

A.

Regulatory Developments and Rate Matters (CL&P, PSNH, WMECO)

Connecticut:

C2 Prudency Audit: Pursuant to the decision in CL&P's 2007 rate case, the Connecticut Department of Public Utility Control (DPUC) has hired a consulting firm to perform a prudency audit of certain costs incurred in the implementation of a new customer service system (C2) at CL&P. The audit began on December 1, 2008 and is near completion. The DPUC intends to open a docket to review the findings of the audit after completion. Management continues to believe that its C2 expenses were prudent and will be recovered in rates. Management does not expect the outcome of the DPUC's review of this audit to have a material adverse impact on CL&P's earnings, financial position or cash flows.

B.

Environmental Matters (HWP)

Holyoke Water Power Company (HWP) is a subsidiary of NU that remains in the process of evaluating additional potential remediation requirements at a river site in Massachusetts containing tar deposits associated with a manufactured gas plant (MGP) site, which it sold to Holyoke Gas and Electric (HG&E), a municipal electric utility, in 1902. HWP is at least partially responsible for this site, and has already conducted substantial investigative and remediation activities. HWP first established a reserve for this site in 1994. In the second quarter of 2009, a pre-tax charge of $1.1 million was recorded to reflect the estimated cost of additional tar delineation and site characterization studies that are considered to be probable and estimable as of June 30, 2009. The cumulative expense recorded to this reserve through June 30, 2009 was approximately $17 million, of which $14.5 million had been spent, leaving approximately $2.5 million in the reserve as of June 30, 2009.

The Massachusetts Department of Environmental Protection (MA DEP) issued a letter on April 3, 2008 to HWP and HG&E, which share responsibility for the site, providing conditional authorization for additional investigatory and risk characterization activities and providing detailed comments on HWP's 2007 reports and proposals for further investigations. MA DEP also indicated that further removal of tar in certain areas was necessary prior to commencing many of the additional studies and evaluation. This letter represents guidance from the MA DEP, rather than mandates. HWP has developed and implemented site characterization studies to further delineate tar deposits in conformity with MA DEP's guidance letter, including estimated costs and schedules. These matters are subject to ongoing discussions with MA DEP and HG&E and may change from time to time.

At this time, management believes that the $2.5 million remaining in the reserve is at the low end of a range of probable and estimable costs of approximately $2.5 million to $3.2 million and will be sufficient for HWP to conduct the additional tar delineation and site characterization studies, evaluate its approach to this matter and conduct certain soft tar remediation. The additional studies are expected to occur throughout 2009.

There are many outcomes that could affect management's estimates and require an increase to the reserve, or range of costs, and a reserve increase would be reflected as a charge to pre-tax Net income. However, management cannot reasonably estimate the range of additional investigation and remediation costs because they will depend on, among other things, the level and extent of the remaining tar that may be required to be remediated, the extent of HWP's responsibility and the related scope and timing, all of which are difficult to estimate because of a number of uncertainties at this time. Further developments may require a material increase to this reserve.

HWP's share of the remediation costs related to this site is not recoverable from customers.

C.

Guarantees and Indemnifications (All Companies)

NU parent provides credit assurances on behalf of its subsidiaries, including CL&P, PSNH and WMECO, in the form of guarantees and LOCs in the normal course of business. NU has also provided guarantees and various indemnifications on behalf of external parties as a result of the sales of Select Energy Services, Inc. (SESI), NU Enterprises' retail marketing business and its competitive generation business. As of June 30, 2009, the aggregate fair value amount recorded for these guarantees and indemnifications totaled $0.3 million and is included in Current liabilities - Other on the accompanying unaudited condensed consolidated balance sheets. The following table summarizes NU and its subsidiaries' maximum exposure as of June 30, 2009, in accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and expiration dates:

Company	Description	Maximum Exposure (in millions)	Expiration Date(s)
On behalf of external parties:			
Ameresco Select, Inc.	General indemnifications in connection with the sale of SESI including completeness and accuracy of information provided, compliance with laws, and various claims	Not Specified (1)	None
	Specific indemnifications in connection with the sale of SESI for estimated costs to complete or modify specific projects (2)	Not Specified (1)	Through project completion
	Indemnifications to lenders for payment of shortfalls in the event of early termination of government contracts (3)	$1.0	2017-2018
	Surety bonds covering certain projects	$0.4	Through project completion
Hess Corporation	General indemnifications in connection with the sale of the retail marketing business including compliance with laws, completeness and accuracy of information provided and various claims	Not Specified (1)	None

Energy Capital Partners	General indemnifications in connection with the sale of Northeast Generation Company (NGC) and the generating assets of Mt. Tom including compliance with tax and environmental laws, and various claims	Not Specified (1)	November 2009
On behalf of subsidiaries:			
CL&P	Surety bonds	$2.6	September 2009 -April 2010 (4)
PSNH	Surety bonds	$3.9	July 2009 - May 2010 (4)
	Letters of credit	$85.0	2009-2010
WMECO	Surety bonds	$4.5	May-June 2010 (4)
HWP	Surety bonds	$1.0	May 2010 (4)
NAESCO (North Atlantic Energy Service Corporation)	Surety bonds	$1.6	May 2010 (4)
Rocky River Realty Company	Lease payments for real estate	$10.9	2024
NUSCO	Lease payments for fleet of vehicles	$6.7	None
	Surety bonds	$0.7	May 2010 (4)
	Lease payments for real estate	$2.1	2019
E.S. Boulos Company (Boulos)	Surety bonds covering ongoing projects	$26.6	Through project completion
Northeast Generation Services Company (NGS)	Performance guarantee and insurance bonds	$20.4 (5)	2020 (5)

22

Select Energy	Performance guarantees for wholesale contracts	$17.2 (6)	2013
	Letters of credit	$2.0	January 2010
Other - CYAPC	Surety bonds	$0.3	April 2010 (4)

(1)

There is no specified maximum exposure included in the related sale agreements.

(2)

The fair value for amounts recorded for these indemnifications was $0.2 million as of June 30, 2009.

(3)

The fair value for amounts recorded for these indemnifications was $0.1 million as of June 30, 2009.

(4)

Surety bond expiration dates reflect bond termination dates (which may be renewed or extended) for specified term bonds and/or bill-to dates for bonds with no fixed term.

(5)

Included in the maximum exposure is $19.2 million related to a performance guarantee of NGS obligations for which there is no specified maximum exposure in the agreement. The maximum exposure is calculated as of June 30, 2009 based on limits of NGS's liability contained in the underlying service contract and assumes that NGS will perform under that contract through its expiration in 2020. The remaining $1.2 million of maximum exposure relates to insurance bonds with no expiration date that are billed annually on their anniversary date.

(6)

Maximum exposure is as of June 30, 2009; however, exposures vary with underlying commodity prices and for certain contracts are essentially unlimited.

CL&P, PSNH and WMECO have no guarantees of the performance of third parties.

Many of the underlying contracts that NU guarantees, as well as certain surety bonds, contain credit ratings triggers that would require NU to post collateral in the event that NU's credit ratings are downgraded below investment grade.

6.

COMPREHENSIVE INCOME (NU, CL&P, PSNH, WMECO)

Total comprehensive income, which includes all comprehensive income/(loss) items, net of tax and by category, for the three and six months ended June 30, 2009 and 2008 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(Millions of Dollars)	NU Consolidated	NU Consolidated	NU Consolidated	NU Consolidated
Net income	$ 84.2	$ 59.2	$ 183.3	$ 119.0
Comprehensive income/(loss) items:				
Qualified cash flow hedging instruments	-	12.9	0.1	(5.8)
Change in unrealized (losses)/gains on other securities (1)	(1.0)	(0.1)	(1.1)	(0.8)
Pension, SERP and PBOP benefits	(0.9)	0.9	(0.7)	2.1
Net change in comprehensive income/(loss) items	(1.9)	13.7	(1.7)	(4.5)
Total comprehensive income	82.3	72.9	181.6	114.5
Comprehensive income attributable to noncontrolling interests	(1.4)	(1.4)	(2.8)	(2.8)
Comprehensive income attributable to controlling interests	$ 80.9	$ 71.5	$ 178.8	$ 111.7

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Net income	$ 58.4	$ 16.6	$ 5.8	$ 46.3	$ 13.7	$ 3.3
Comprehensive income/(loss) items:						
Qualified cash flow hedging instruments	0.1	-	-	4.9	1.7	-
Change in unrealized (losses)/gains on other securities (1)	-	(0.1)	(0.1)	-	-	(0.2)
Pension, SERP and PBOP benefits	-	-	-	-	-	-
Net change in comprehensive income/(loss) items	0.1	(0.1)	(0.1)	4.9	1.7	(0.2)
Total comprehensive income	$ 58.5	$ 16.5	$ 5.7	$ 51.2	$ 15.4	$ 3.1

	Six Months Ended June 30, 2009			Six Months Ended June 30, 2008		
	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Net income	$ 111.5	$ 34.1	$ 12.0	$ 92.3	$ 30.4	$ 9.6
Comprehensive income/(loss) items:						
Qualified cash flow hedging instruments	0.2	-	-	(3.6)	(1.5)	-
Change in unrealized (losses)/gains on other securities [1]	-	-	(0.2)	-	-	(0.1)
Pension, SERP and PBOP benefits	-	-	-	-	-	-
Net change in comprehensive income/(loss) items	0.2	-	(0.2)	(3.6)	(1.5)	(0.1)
Total comprehensive income	$ 111.7	$ 34.1	$ 11.8	$ 88.7	$ 28.9	$ 9.5

(1)

Represents changes in unrealized losses on securities held in the supplemental benefit trust. For further information, see Note 10, "Marketable Securities," to the unaudited condensed consolidated financial statements.

Fair value adjustments included in Accumulated other comprehensive income/(loss) for qualified cash flow hedging instruments are as follows:

NU Consolidated (Millions of Dollars, Net of Tax)	**For the Six Months Ended June 30, 2009**	**For the Twelve Months Ended December 31, 2008**
Balance at beginning of period	$ (4.6)	$ 2.3
Hedged transactions recognized into Net income	0.1	0.4
Change in fair value of interest rate swap agreements	-	(7.0)
Cash flow transactions entered into for period	-	(0.3)
Net change associated with hedging transactions	0.1	(6.9)
Total fair value adjustments included in Accumulated other comprehensive loss	$ (4.5)	$ (4.6)

(Millions of Dollars, Net of Tax)	Six Months Ended June 30, 2009 CL&P	PSNH	WMECO	Twelve Months Ended December 31, 2008 CL&P	PSNH	WMECO
Balance at beginning of period	$ (3.6)	$ (0.8)	$ 0.1	$ (0.3)	$ 0.6	$ 0.2
Hedged transactions recognized into Net income	0.2	-	-	0.4	0.2	(0.1)
Change in fair value of interest rate swap agreements	-	-	-	(3.7)	(1.4)	-
Cash flow transactions entered into for period	-	-	-	-	(0.2)	-
Net change associated with hedging transactions	0.2	-	-	(3.3)	(1.4)	(0.1)
Total fair value adjustments included in Accumulated other comprehensive (loss)/income	$ (3.4)	$ (0.8)	$ 0.1	$ (3.6)	$ (0.8)	$ 0.1

Hedged transactions recognized into Net income in the tables above represent amounts that were reclassified from Accumulated other comprehensive income/(loss) into Net income in connection with the consummation of interest rate swap agreements and the amortization of existing interest rate hedges.

There were no forward starting interest rate swaps entered into for the three and six months ended June 30, 2009. For NU consolidated, it is estimated that a charge of $0.2 million will be reclassified from Accumulated other comprehensive income/(loss) as a decrease to Net income over the next 12 months as a result of amortization of the interest rate swap agreements, which have been settled. Included in this amount are estimated charges of $0.4 million and $0.1 million for CL&P and PSNH, respectively, and a benefit of $0.1 million for WMECO. As of June 30, 2009, it is estimated that a pre-tax amount of $0.7 million included in the Accumulated other comprehensive loss balance will be reclassified as a decrease to Net income over the next 12 months related to Pension Plan, SERP and PBOP Plan benefits adjustments for NU consolidated.

7.

EARNINGS PER SHARE (NU)

Earnings per share (EPS) is computed based upon the monthly weighted average number of common shares outstanding, excluding unallocated Employee Stock Ownership Plan (ESOP) shares, during each period. Diluted EPS is computed on the basis of the monthly weighted average number of common shares outstanding plus the potential dilutive effect if certain securities are converted into common stock. The computation of diluted EPS excludes the effect of the potential exercise of share awards when the average market price of the common shares is lower than the exercise price of the related awards during the period. These outstanding share awards are not included in the computation of diluted EPS because the effect would have been antidilutive. For both the three- and six-month periods ended June 30, 2009, there were 54,036 share awards excluded from the computation as these awards were antidilutive. There were no antidilutive share awards outstanding for the three- and six-month periods ended June 30, 2008. The weighted average common shares outstanding as of June 30, 2009 include the impact of the issuance of approximately 19 million common shares on March 20, 2009.

The following table sets forth the components of basic and fully diluted EPS:

(Millions of Dollars, Except for Share Information)	For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
Net income attributable to controlling interests	$ 82.9	$ 57.8	$ 180.5	$ 116.2
Basic common shares outstanding (average)	175,175,936	155,476,492	168,758,206	155,381,302
Dilutive effect	499,452	418,856	542,071	427,179
Fully diluted common shares outstanding (average)	175,675,388	155,895,348	169,300,277	155,808,481
Basic and Fully Diluted EPS	$ 0.47	$ 0.37	$ 1.07	$ 0.75

Restricted share units (RSUs) are included in basic common shares outstanding when RSUs have vested and common shares are issued. The dilutive effect of outstanding RSUs for which common shares have not been issued is calculated using the treasury stock method. Assumed proceeds of RSUs under the treasury stock method consist of the remaining compensation cost to be recognized and a theoretical tax benefit. The theoretical tax benefit is calculated as the tax impact of the intrinsic value of the RSUs (the difference between the market value of RSUs using the average market price during the period and the grant date market value).

The dilutive effect of stock options is also calculated using the treasury stock method. Assumed proceeds for stock options consist of remaining compensation cost to be recognized, cash proceeds that would be received upon exercise, and a theoretical tax benefit. The theoretical tax benefit is calculated as the tax impact of the intrinsic value of the stock options (the difference between the market value of the average stock options outstanding for the period using the average market price and the grant price).

Allocated ESOP shares are included in basic common shares outstanding in the above table.

8.

LONG-TERM DEBT (CL&P, Yankee Gas)

On February 13, 2009, CL&P issued $250 million of Series A first mortgage bonds with a coupon rate of 5.5 percent and a maturity date of February 1, 2019. The proceeds from this issuance were used to repay short-term debt and to fund CL&P's ongoing capital investment programs. The indenture under which the bonds were issued requires CL&P to comply with certain covenants as are customarily included in such indenture. CL&P is in compliance with these covenants as of June 30, 2009.

On April 2, 2009, CL&P completed the remarketing and reissuance of $62 million of pollution control revenue bonds (PCRBs) it had elected to acquire in October 2008. The PCRBs, which mature on May 1, 2031, carry a coupon of 5.25 percent during the current fixed-rate period and are subject to a mandatory tender for purchase on April 1, 2010, after which CL&P can remarket the bonds.

On April 1, 2009, through borrowings from the NU Money Pool, Yankee Gas retired $50 million of first mortgage bonds carrying a coupon of 6.2 percent that were issued in January 1999.

9.

FAIR VALUE OF FINANCIAL INSTRUMENTS (All Companies)

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Preferred Stock, Long-Term Debt and Rate Reduction Bonds: The fair value of CL&P's preferred stock is based upon pricing models that incorporate interest rates and other market factors, valuations or trades of similar securities and cash flow projections. The fair value of fixed-rate long-term debt securities and rate reduction bonds is based upon pricing models that incorporate quoted market prices for those issues or similar issues adjusted for market conditions, credit ratings of the respective companies and treasury benchmark yields. Adjustable rate securities are assumed to have a fair value equal to their carrying value. Carrying amounts and estimated fair values are as follows:

	As of June 30, 2009	
	NU Consolidated	
(Millions of Dollars)	**Carrying Amount**	**Fair Value**
Preferred stock not subject to mandatory redemption	$ 116.2	$ 83.0
Long-term debt -		
First mortgage bonds	2,507.7	2,535.9
Other long-term debt	1,893.4	1,870.3
Rate reduction bonds	566.2	613.0

25

	As of June 30, 2009					
	CL&P		PSNH		WMECO	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock not subject to mandatory redemption	$ 116.2	$ 83.0	$ -	$ -	$ -	$ -
Long-term debt -						
First mortgage bonds	1,919.9	1,942.5	280.0	282.7	-	-
Other long-term debt	667.2	666.5	407.3	395.8	305.9	295.8
Rate reduction bonds	288.3	314.2	212.0	228.2	65.9	70.7

Consolidated other long-term debt includes $300.4 million of fees and interest due for spent nuclear fuel disposal costs as of June 30, 2009. CL&P and WMECO's portions of this obligation is $243.3 million and $57.1 million, respectively.

Derivative Instruments: NU and its subsidiaries hold various derivative instruments that are carried at fair value. For further information, see Note 2, "Derivative Instruments," to the unaudited condensed consolidated financial statements.

Other Financial Instruments: Investments in marketable securities are carried at fair value on the accompanying unaudited condensed consolidated balance sheets. For further information, see Note 3, "Fair Value Measurements," and Note 10, "Marketable Securities," to the unaudited condensed consolidated financial statements.

NU Parent holds a long-term government receivable related to SESI. The carrying value of the receivable was $8.8 million as of June 30, 2009 and is included in Deferred debits and other assets-Other on the accompanying unaudited condensed consolidated balance sheets. The fair value of this receivable was $10.8 million as of June 30, 2009 and was determined based on discounted cash flows.

The carrying value of other financial instruments included in current assets and current liabilities, including cash and cash equivalents and special deposits, approximates their fair value due to the short-term nature of these instruments.

10.

MARKETABLE SECURITIES (NU, WMECO)

The Company elected the fair value option for exchange traded mutual funds purchased in the second quarter in the supplemental benefit trust in order to reflect in Net income the economic effect of changes in fair value of all newly purchased equity securities. These equity securities, classified as Level 1 in the fair value hierarchy, totaled $27.2 million as of June 30, 2009. Gains on these securities of $0.5 million were recorded in Other income, net on the accompanying unaudited condensed consolidated statements of income for the three and six months ended June 30, 2009. All other marketable securities are accounted for as available-for-sale.

Available-for-Sale Securities: The following is a summary by security type of NU's available-for-sale securities held in the supplemental benefit trust and WMECO's spent nuclear fuel trust. These securities are recorded at fair value and included in current and long-term marketable securities on the accompanying unaudited condensed consolidated balance sheet.

	As of June 30, 2009			
(Millions of Dollars)	**Amortized Cost**	**Pre-Tax Gross Unrealized Gains [(1)]**	**Pre-Tax Gross Unrealized Losses [(1)]**	**Fair Value**
Supplemental benefit trust				
U.S. government issued debt securities (Agency and Treasury)	$ 14.6	$ 0.4	$ (0.1)	$ 14.9
Corporate debt securities	5.8	0.2	(0.2)	5.8
Asset backed debt securities	3.8	-	(0.2)	3.6
Other	5.0	0.2	-	5.2
Total supplemental benefit trust	$ 29.2	$ 0.8	$ (0.5)	$ 29.5

WMECO spent nuclear fuel trust								
U.S. government issued debt securities (Agency and Treasury)	$	17.0	$	-	$	-	$	17.0
Corporate debt securities		21.8		-		(0.2)		21.6
Asset backed debt securities		1.5		-		(0.3)		1.2
Municipal bonds		11.0		-		-		11.0
Other		5.5		-		-		5.5
Total WMECO spent nuclear fuel trust	$	56.8	$	-	$	(0.5)	$	56.3
Total NU Consolidated	$	86.0	$	0.8	$	(1.0)	$	85.8

(1)

Unrealized gains and losses on debt securities for the supplemental benefit trust and WMECO spent nuclear fuel trust are recorded in Accumulated other comprehensive income/(loss) and Deferred debits and other assets - Other, respectively. For information related to the change in unrealized gains and losses for the supplemental benefit trust included in Accumulated other comprehensive income/(loss), see Note 6, "Comprehensive Income," to the unaudited condensed consolidated financial statements.

Unrealized Losses and Other-than-Temporary Impairment: Gross unrealized losses and fair values of debt securities that have been in a continuous unrealized loss position for less than 12 months and 12 months or greater are as follows:

	As of June 30, 2009					
	Less than 12 Months		**12 Months or Greater**		**Total**	
(Millions of Dollars)	**Fair Value**	**Pre-Tax Gross Unrealized Losses**	**Fair Value**	**Pre-Tax Gross Unrealized Losses**	**Fair Value**	**Pre-Tax Gross Unrealized Losses**
Supplemental benefit trust						
U.S. government issued debt securities (Agency and Treasury)	$ 4.5	$ (0.1)	$ -	$ -	$ 4.5	$ (0.1)

Corporate debt securities	-	-	1.8	(0.2)	1.8	(0.2)
Asset backed debt securities	-	-	2.0	(0.2)	2.0	(0.2)
Total supplemental benefit trust	$ 4.5	$ (0.1)	$ 3.8	$ (0.4)	$ 8.3	$ (0.5)
WMECO spent nuclear fuel trust						
Corporate debt securities	$ 13.8	$ (0.2)	$ -	$ -	$ 13.8	$ (0.2)
Asset backed debt securities	0.5	(0.3)	-	-	0.5	(0.3)
Total WMECO spent nuclear fuel trust	$ 14.3	$ (0.5)	$ -	$ -	$ 14.3	$ (0.5)
Total NU Consolidated	$ 18.8	$ (0.6)	$ 3.8	$ (0.4)	$ 22.6	$ (1.0)

As of June 30, 2009, there are no debt securities that the Company intends to sell or that management believes the Company will more likely than not be required to sell before recovery of amortized cost, there were no credit losses in the supplemental benefit trust, and credit losses of approximately $0.7 million were recorded in Deferred debits and other assets - Other in the WMECO spent nuclear fuel trust. Factors considered in determining whether a credit loss exists include the duration and severity of the impairment, adverse conditions specifically affecting the issuer, and the payment history, ratings and rating changes of the security. For asset backed securities, underlying collateral and expected future cash flows are also evaluated. The Company's corporate and asset-backed securities are rated above investment grade.

Contractual Maturities: As of June 30, 2009, the contractual maturities of available-for-sale debt securities are as follows:

	NU Consolidated		**WMECO**	
(Millions of Dollars)	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Less than one year	$ 34.6	$ 34.6	$ 29.7	$ 29.6
One to five years	20.6	20.7	15.0	15.0
Six to ten years	6.6	6.7	1.2	1.2
Greater than ten years	24.2	23.8	10.9	10.5
	$ 86.0	$ 85.8	$ 56.8	$ 56.3

Total debt securities

Sales of Securities: For the three and six months ended June 30, 2009, realized gains and losses recognized on the sale of available-for-sale securities are as follows:

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
(Millions of Dollars)	**Realized Gains**	**Realized Losses**	**Net Realized Gains/(Losses)**	**Realized Gains**	**Realized Losses**	**Net Realized Gains/(Losses)**
NU Consolidated	$ 5.7	$ (0.4)	$ 5.3	$ 6.3	$ (1.4)	$ 4.9
WMECO	-	(0.1)	(0.1)	-	(0.1)	(0.1)

Realized gains and losses on available-for-sale-securities are recorded in Other income, net for the supplemental benefit trust and in Deferred debits and other assets - Other for the WMECO spent nuclear fuel trust. NU utilizes the specific identification basis method for the supplemental benefit trust securities and the average cost basis method for the WMECO spent nuclear fuel trust to compute the realized gains and losses on the sale of available-for-sale securities. Proceeds from the sale of these securities, including proceeds from short-term investments, totaled $94.8 million and $147.7 million for the three and six months ended June 30, 2009, respectively, including $42.6 million and $78.3 million, respectively, for WMECO.

11.

SEGMENT INFORMATION (All Companies)

Presentation: NU is organized between the regulated companies and NU Enterprises businesses based on a combination of factors, including the characteristics of each business' products and services, the sources of operating revenues and expenses and the regulatory environment in which each business operates. Cash flows for total investments in plant included in the segment information below are cash capital expenditures that do not include amounts incurred but not paid, cost of removal, AFUDC related to equity funds, and the capitalized portions of pension and PBOP expense or income.

The regulated companies segments, including the electric distribution and transmission segments, as well as the gas distribution segment (Yankee Gas), represented approximately 99 percent of NU's total consolidated revenues for the three- and six-month periods ended June 30, 2009 and 2008. CL&P's, PSNH's and WMECO's complete unaudited condensed consolidated financial statements are included in this combined Quarterly Report on Form 10-Q. PSNH's distribution segment includes generation activities. Also included in this combined Quarterly Report on Form 10-Q is detailed information regarding CL&P's, PSNH's, and WMECO's transmission segments.

NU Enterprises is comprised of the following: 1) Select Energy (wholesale contracts), 2) NGS, 3) Boulos, 4) NGS Mechanical, and 5) NU Enterprises parent.

Other in the segment tables primarily consists of 1) the results of NU parent, which includes other income related to the equity in earnings of NU parent's subsidiaries and interest income from the NU Money Pool, which are both eliminated in consolidation, and interest income and expense related to the cash and debt of NU parent, respectively, 2) the revenues and expenses of NU's service companies, most of which are eliminated in consolidation, and 3) the results of other subsidiaries, which are comprised of Rocky River Realty Company and The Quinnehtuk Company (real estate subsidiaries), Mode 1 Communications, Inc., the results of the non-energy-related subsidiaries of Yankee Energy System, Inc. (Yankee Energy Services Company, Yankee Energy Financial Services Company and NorConn Properties, Inc.) and the remaining operations of HWP that were not exited as part of the sale of the competitive generation business and the sale of its transmission business to WMECO in December 2008.

NU's segment information for the three and six months ended June 30, 2009 and 2008 is as follows (certain amounts presented in the financial statements may differ from amounts presented in the segment schedules due to rounding):

	For the Three Months Ended June 30, 2009						
	Regulated Companies						
	Distribution (1)						
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Other	Eliminations	Total
Operating revenues	$ 1,007.2	$ 70.2	$ 135.8	$ 21.0	$ 93.0	$ (102.8)	$ 1,224.4
Depreciation and amortization	(88.4)	(6.7)	(17.9)	(0.1)	(3.1)	0.2	(116.0)
Other operating expenses	(837.5)	(57.9)	(36.8)	(11.8)	(92.1)	106.9	(929.2)
Operating income/(loss)	81.3	5.6	81.1	9.1	(2.2)	4.3	179.2
Interest expense, net of AFUDC	(36.2)	(5.0)	(16.5)	(0.6)	(8.2)	1.5	(65.0)
Interest income	1.5	-	0.6	-	1.9	(2.0)	2.0
Other income, net	6.7	0.1	3.2	-	91.8	(91.3)	10.5
Income tax (expense)/benefit	(14.9)	(0.1)	(26.0)	(3.0)	1.9	(0.3)	(42.4)

Net income	38.4	0.6	42.4	5.5	85.2	(87.8)	84.3
Net income attributable to noncontrolling interests	(0.8)	-	(0.6)	-	-	-	(1.4)
Net income attributable to controlling interests	$ 37.6	$ 0.6	$ 41.8	$ 5.5	$ 85.2	$ (87.8)	$ 82.9

28

	For the Six Months Ended June 30, 2009						
	Regulated Companies						
	Distribution (1)						
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Other	Eliminations	Total
Operating revenues	$ 2,253.2	$ 272.0	$ 269.9	$ 41.7	$ 200.2	$ (219.1)	$ 2,817.9
Depreciation and amortization	(215.6)	(13.4)	(35.2)	(0.3)	(6.5)	0.4	(270.6)
Other operating expenses	(1,866.7)	(215.6)	(76.3)	(21.6)	(190.4)	219.8	(2,150.8)
Operating income	170.9	43.0	158.4	19.8	3.3	1.1	396.5
Interest expense, net of AFUDC	(74.0)	(11.3)	(34.2)	(1.8)	(18.1)	3.5	(135.9)
Interest income	3.2	-	0.7	0.1	4.3	(4.3)	4.0
Other income	9.6	0.1	2.5	-	209.1	(208.8)	12.5
Income tax (expense)/benefit	(30.5)	(12.0)	(49.0)	(6.8)	5.4	(0.9)	(93.8)
Net income	79.2	19.8	78.4	11.3	204.0	(209.4)	183.3
Net income attributable to noncontrolling interests	(1.6)	-	(1.2)	-	-	-	(2.8)
Net income attributable to controlling interests	$ 77.6	$ 19.8	$ 77.2	$ 11.3	$ 204.0	$ (209.4)	$ 180.5
Total assets	$ 8,923.3	$ 1,334.7	$ 3,055.9	$ 91.2	$ 6,124.4	$ (5,401.9)	$ 14,127.6
Cash flows for total investments in plant (2)	$ 259.8	$ 25.4	$ 121.0	$ -	$ 14.7	$ -	$ 420.9

For the Three Months Ended June 30, 2008

Regulated Companies

	Distribution (1)						
(Millions of Dollars)	**Electric**	**Gas**	**Transmission**	**NU Enterprises**	**Other**	**Eliminations**	**Total**
Operating revenues	$ 1,098.7	$ 113.0	$ 101.4	$ 30.0	$ 100.2	$ (118.0)	$ 1,325.3
Depreciation and amortization	(136.9)	(6.6)	(11.6)	(0.1)	(3.1)	0.2	(158.1)
Other operating expenses	(889.0)	(103.3)	(33.4)	(25.1)	(95.4)	117.1	(1,029.1)
Operating income	72.8	3.1	56.4	4.8	1.7	(0.7)	138.1
Interest expense, net of AFUDC	(41.6)	(4.9)	(11.8)	(1.3)	(9.1)	2.6	(66.1)
Interest income	1.0	-	1.6	0.2	2.3	(3.6)	1.5
Other income, net	1.6	-	7.2	-	36.4	(36.3)	8.9
Income tax (expense)/benefit	(6.3)	0.8	(17.7)	(1.5)	1.9	(0.4)	(23.2)
Net income/(loss)	27.5	(1.0)	35.7	2.2	33.2	(38.4)	59.2
Net income/(loss) attributable to noncontrolling interests	(0.9)	-	(0.5)	-	-	-	(1.4)
Net income/(loss) attributable to controlling interests	$ 26.6	$ (1.0)	$ 35.2	$ 2.2	$ 33.2	$ (38.4)	$ 57.8

For the Six Months Ended June 30, 2008

	Regulated Companies						
	Distribution (1)						
(Millions of Dollars)	**Electric**	**Gas**	**Transmission**	**NU Enterprises**	**Other**	**Eliminations**	**Total**
Operating revenues	$ 2,296.8	$ 312.6	$ 196.3	$ 63.9	$ 200.1	$ (224.4)	$ 2,845.3
Depreciation and amortization	(265.8)	(13.0)	(22.3)	(0.3)	(7.1)	0.4	(308.1)
Other operating expenses	(1,870.7)	(261.6)	(65.1)	(54.3)	(236.1)	221.0	(2,266.8)
Operating income/(loss)	160.3	38.0	108.9	9.3	(43.1)	(3.0)	270.4
Interest expense, net of AFUDC	(83.2)	(10.1)	(22.2)	(3.0)	(15.0)	4.8	(128.7)
Interest income	1.9	-	2.0	0.6	4.0	(5.8)	2.7
Other income, net	8.4	0.1	12.6	-	110.4	(110.3)	21.2
Income tax (expense)/benefit	(23.8)	(10.4)	(32.6)	(2.8)	24.0	(1.0)	(46.6)

Net income	63.6	17.6	68.7	4.1	80.3	(115.3)	119.0
Net income attributable to noncontrolling interests	(1.8)	-	(1.0)	-	-	-	(2.8)
Net income attributable to controlling interests	$ 61.8	$ 17.6	$ 67.7	$ 4.1	$ 80.3	$ (115.3)	$ 116.2
Cash flows for total investments in plant (2)	$ 205.5	$ 23.4	$ 383.6	$ -	$ 12.6	$ -	$ 625.1

(1)

Includes PSNH's generation activities.

(2)

Cash flows for total investments in plant included in the segment information above are cash capital expenditures that do not include amounts incurred but not paid, cost of removal, AFUDC related to equity funds, and the capitalized portions of pension and PBOP expense or income.

The information related to the distribution and transmission segments for CL&P, PSNH and WMECO for the three and six months ended June 30, 2009 and 2008 is as follows:

	CL&P - For the Three Months Ended June 30, 2009		
(Millions of Dollars)	**Distribution**	**Transmission**	**Total**
Operating revenues	$ 673.4	$ 111.5	$ 784.9
Depreciation and amortization	(72.1)	(14.8)	(86.9)
Other operating expenses	(552.3)	(27.6)	(579.9)
Operating income	49.0	69.1	118.1
Interest expense, net of AFUDC	(23.1)	(14.6)	(37.7)
Interest income	0.6	0.5	1.1
Other income, net	4.4	2.6	7.0
Income tax expense	(8.2)	(21.9)	(30.1)
Net income	$ 22.7	$ 35.7	$ 58.4

	CL&P - For the Six Months Ended June 30, 2009		
(Millions of Dollars)	**Distribution**	**Transmission**	**Total**
Operating revenues	$ 1,517.3	$ 222.1	$ 1,739.4
Depreciation and amortization	(157.6)	(29.3)	(186.9)
Other operating expenses	(1,261.9)	(57.1)	(1,319.0)
Operating income	97.8	135.7	233.5
Interest expense, net of AFUDC	(45.6)	(29.8)	(75.4)
Interest income	1.3	0.6	1.9
Other income, net	7.3	1.6	8.9
Income tax expense	(15.6)	(41.8)	(57.4)
Net income	$ 45.2	$ 66.3	$ 111.5
Total assets	$ 5,854.6	$ 2,470.1	$ 8,324.7
Cash flows for total investments in plant (2)	$ 149.0	$ 77.9	$ 226.9

	CL&P - For the Three Months Ended June 30, 2008		
(Millions of Dollars)	**Distribution**	**Transmission**	**Total**
Operating revenues	$ 741.7	$ 80.2	$ 821.9
Depreciation and amortization	(120.8)	(9.2)	(130.0)
Other operating expenses	(579.4)	(22.9)	(602.3)

Operating income		41.5		48.1		89.6
Interest expense, net of AFUDC		(26.3)		(10.1)		(36.4)
Interest income		0.7		1.0		1.7
Other income, net		1.5		6.4		7.9
Income tax expense		(1.7)		(14.9)		(16.6)
Net income	$	15.7	$	30.5	$	46.2

	CL&P - For the Six Months Ended June 30, 2008					
(Millions of Dollars)	**Distribution**		**Transmission**		**Total**	
Operating revenues	$	1,553.8	$	153.6	$	1,707.4
Depreciation and amortization		(208.8)		(17.6)		(226.4)
Other operating expenses		(1,255.0)		(46.6)		(1,301.6)
Operating income		90.0		89.4		179.4
Interest expense, net of AFUDC		(52.6)		(18.8)		(71.4)
Interest income		1.3		1.4		2.7
Other income, net		7.9		11.2		19.1
Income tax expense		(11.1)		(26.4)		(37.5)
Net income	$	35.5	$	56.8	$	92.3
Cash flows for total investments in plant (2)	$	119.4	$	322.6	$	442.0

	PSNH - For the Three Months Ended June 30, 2009		
(Millions of Dollars)	Distribution (1)	Transmission	Total
Operating revenues	$ 246.2	$ 16.7	$ 262.9
Depreciation and amortization	(11.9)	(2.3)	(14.2)
Other operating expenses	(211.3)	(6.2)	(217.5)
Operating income	23.0	8.2	31.2
Interest expense, net of AFUDC	(9.2)	(1.3)	(10.5)
Interest income	0.8	0.1	0.9
Other income, net	1.4	0.5	1.9
Income tax expense	(4.1)	(2.8)	(6.9)
Net income	$ 11.9	$ 4.7	$ 16.6

	PSNH - For the Six Months Ended June 30, 2009		
(Millions of Dollars)	Distribution (1)	Transmission	Total
Operating revenues	$ 537.5	$ 33.1	$ 570.6
Depreciation and amortization	(44.5)	(4.5)	(49.0)
Other operating expenses	(441.4)	(12.9)	(454.3)
Operating income	51.6	15.7	67.3
Interest expense, net of AFUDC	(20.2)	(2.9)	(23.1)
Interest income	1.7	0.1	1.8
Other income, net	1.8	0.7	2.5
Income tax expense	(9.4)	(5.0)	(14.4)
Net income	$ 25.5	$ 8.6	$ 34.1
Total assets	$ 2,206.5	$ 406.8	$ 2,613.3
Cash flows for total investments in plant (2)	$ 89.2	$ 23.2	$ 112.4

	PSNH - For the Three Months Ended June 30, 2008		
(Millions of Dollars)	Distribution (1)	Transmission	Total
Operating revenues	$ 259.2	$ 14.8	$ 274.0
Depreciation and amortization	(4.5)	(1.8)	(6.3)
Other operating expenses	(230.7)	(7.0)	(237.7)
Operating income	24.0	6.0	30.0
Interest expense, net of AFUDC	(10.9)	(1.2)	(12.1)
Interest income	0.2	0.4	0.6

Other income, net	0.2	0.5	0.7
Income tax expense	(3.4)	(2.1)	(5.5)
Net income	$ 10.1	$ 3.6	$ 13.7

	PSNH - For the Six Months Ended June 30, 2008		
(Millions of Dollars)	**Distribution (1)**	**Transmission**	**Total**
Operating revenues	$ 535.9	$ 29.9	$ 565.8
Depreciation and amortization	(34.7)	(3.4)	(38.1)
Other operating expenses	(450.5)	(12.3)	(462.8)
Operating income	50.7	14.2	