CONNECTICUT LIGHT & POWER CO
Form 10-Q
May 08, 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 March 31, 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	06-0303850

	Berlin, Connecticut 06037-1616 Telephone: (860) 665-5000	
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
Ö	

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	Ö		
The Connecticut Light and Power Company			Ö
Public Service Company of New Hampshire			Ö
Western Massachusetts Electric Company			Ö

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

Yes	No

Northeast Utilities	Ö
The Connecticut Light and Power Company	Ö
Public Service Company of New Hampshire	Ö
Western Massachusetts Electric Company	Ö

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 April 30, 2009
Northeast Utilities Common shares, $5.00 par value	175,129,250 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 Company
NGC	Northeast Generation Company
NGS	Northeast Generation Services Company and subsidiaries
NU or the company	Northeast Utilities
NU Enterprises	NU Enterprises, Inc. is the parent company of Select Energy, NGS, SECI and Boulos. For further information, see Note 9, "Segment Information," to the 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 9, "Segment Information," to the 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:

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

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

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NORTHEAST UTILITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 416,828	$ 89,816
Receivables, less provision for uncollectible accounts of $51,054 in 2009 and $43,275 in 2008	695,599	698,755
Unbilled revenues	198,109	218,440
Fuel, materials and supplies	235,717	300,049
Marketable securities - current	76,789	78,452
Derivative assets - current	8,734	31,373
Prepayments and other	115,392	88,679
	1,747,168	1,505,564
Property, Plant and Equipment:		
Electric utility	9,324,237	9,219,351
Gas utility	1,051,271	1,043,687
Other	294,296	290,156
	10,669,804	10,553,194
Less: Accumulated depreciation: $2,652,256 for electric and gas utility and $158,977 for other in 2009; $2,610,479 for electric and gas utility and $159,639 for other in 2008	2,811,233	2,770,118
	7,858,571	7,783,076
Construction work in progress	454,965	424,800
	8,313,536	8,207,876
Deferred Debits and Other Assets:		
Regulatory assets	3,437,996	3,502,606

Goodwill		287,591		287,591
Marketable securities - long-term		29,841		30,757
Derivative assets - long-term		229,265		241,814
Other		228,189		212,272
		4,212,882		4,275,040
Total Assets	$	14,273,586	$	13,988,480

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

NORTHEAST UTILITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2009	December 31, 2008
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes payable to banks	$ 493,988	$ 618,897
Long-term debt - current portion	54,286	54,286
Accounts payable	466,286	678,614
Accrued taxes	51,405	12,527
Accrued interest	74,682	69,818
Derivative liabilities - current	107,147	100,919
Other	133,452	168,401
	1,381,246	1,703,462
Rate Reduction Bonds	624,060	686,511
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,257,974	1,223,461
Accumulated deferred investment tax credits	24,658	25,371
Deferred contractual obligations	185,601	193,016
Regulatory liabilities	555,519	592,540
Derivative liabilities - long-term	897,939	912,426
Accrued pension	743,298	740,930
Accrued postretirement benefits	236,031	240,371
Other	441,808	430,718
	4,342,828	4,358,833
Capitalization:		
Long-Term Debt	4,353,180	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; 195,344,140 shares issued		
and 175,098,530 shares outstanding in 2009 and		
176,212,275 shares issued and 155,834,361 shares		
outstanding in 2008	976,721	881,061
Capital surplus, paid in	1,751,499	1,475,006
Deferred contribution plan - employee stock		
ownership plan	(12,418)	(15,481)
Retained earnings	1,138,969	1,078,594
Accumulated other comprehensive loss	(37,096)	(37,265)
Treasury stock, 19,708,136 shares in 2009 and 2008	(361,603)	(361,603)
Common Shareholders' Equity	3,456,072	3,020,312
Total Capitalization	7,925,452	7,239,674
Commitments and Contingencies (Note 5)		
Total Liabilities and Capitalization	$ 14,273,586	$ 13,988,480

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

NORTHEAST UTILITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Thousands of Dollars, except share information)	Three Months Ended March 31, 2009	2008
Operating Revenues	$ 1,593,483	$ 1,519,967
Operating Expenses:		
Operation -		
Fuel, purchased and net interchange power	838,920	823,317
Other	247,445	285,881
Maintenance	48,836	56,709
Depreciation	76,983	67,754
Amortization of regulatory assets, net	21,691	28,855
Amortization of rate reduction bonds	55,897	53,350
Taxes other than income taxes	86,429	71,829
Total operating expenses	1,376,201	1,387,695
Operating Income	217,282	132,272
Interest Expense:		
Interest on long-term debt	55,684	42,773
Interest on rate reduction bonds	10,625	13,716
Other interest	4,668	6,152
Interest expense, net	70,977	62,641
Other Income, Net	4,182	13,558
Income Before Income Tax Expense	150,487	83,189
Income Tax Expense	51,423	23,406
Net Income	99,064	59,783
Net Income Attributable to Noncontrolling Interests:		
Preferred Dividends of Subsidiary	1,390	1,390
Net Income Attributable to Controlling Interests	$ 97,674	$ 58,393

Basic and Fully Diluted Earnings Per Common Share	$ 0.60	$ 0.38
Dividends Declared Per Common Share	$ 0.24	$ 0.20
Basic Common Shares Outstanding (weighted average)	162,340,475	155,286,111
Fully Diluted Common Shares Outstanding (weighted average)	162,925,167	155,721,610

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

NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Thousands of Dollars)	Three Months Ended March 31, 2009		2008	
Operating Activities:				
Net income	$	99,064	$	59,783
Adjustments to reconcile to net cash flows				
provided by operating activities:				
Bad debt expense		9,507		6,542
Depreciation		76,983		67,754
Deferred income taxes		17,178		29,009
Pension and PBOP expense/(income), net of capitalized portion, and contributions		6,703		(2,401)
Other-than-temporary impairments of marketable securities		3,462		3,186
Regulatory refunds and underrecoveries		(29,939)		(84,348)
Amortization/(deferral) of recoverable energy costs		15,245		(2,772)
Amortization of regulatory assets, net		21,691		28,855
Amortization of rate reduction bonds		55,897		53,350
Deferred contractual obligations		(8,666)		(8,620)
Derivative assets and liabilities		(14,769)		(17,208)
Other		(6,912)		(5,948)
Changes in current assets and liabilities:				
Receivables and unbilled revenues, net		10,483		(32,510)
Investments in securitizable assets		-		33,316
Fuel, materials and supplies		51,171		55,163
Other current assets		(1,541)		(4,646)
Accounts payable		(174,497)		(17,912)
Margin special deposits		(10,582)		7,157
Taxes receivable/accrued		43,270		(28,122)
Other current liabilities		(23,795)		(41,902)
Net cash flows provided by operating activities		139,953		97,726
Investing Activities:				

Investments in property and plant	(208,896)	(288,135)
Proceeds from sales of marketable securities	52,933	67,509
Purchases of marketable securities	(54,557)	(68,564)
Rate reduction bond escrow and other deposits	(1,480)	9,394
Other investing activities	2,853	1,840
Net cash flows used in investing activities	(209,147)	(277,956)
Financing Activities:		
Issuance of common shares	387,350	4,041
Cash dividends on common shares	(37,207)	(31,283)
Cash dividends on preferred stock of subsidiary	(1,390)	(1,390)
(Decrease)/increase in short-term debt	(124,909)	279,000
Issuance of long-term debt	250,000	-
Retirements of rate reduction bonds	(62,451)	(61,136)
Financing fees	(15,205)	-
Other financing activities	18	868
Net cash flows provided by financing activities	396,206	190,100
Net increase in cash and cash equivalents	327,012	9,870
Cash and cash equivalents - beginning of period	89,816	15,104
Cash and cash equivalents - end of period	$ 416,828	$ 24,974

The accompanying notes are an integral part of these 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 and the combined Annual Report of Northeast Utilities (NU 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 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 at March 31, 2009 and December 31, 2008, and the results of operations and cash flows for the three months ended March 31, 2009 and 2008. The results of operations and cash flows for the three months ended March 31, 2009 and 2008 are not necessarily indicative of the results expected for a full year.

The 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 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 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 condensed consolidated financial statements 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 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 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 statements of income and cash flows for NU has been revised to represent 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 condensed consolidated balance sheet as of December 31, 2008 and the statements of income and cash flows for the three months ended March 31, 2008, and to consolidated comprehensive income for the three months ended March 31, 2008 included in Note 6, "Comprehensive Income," to the condensed consolidated financial statements. For the three months ended March 31, 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 April 2009, the FASB issued FASB Staff Position (FSP) FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which is effective as of June 30, 2009 with early adoption permitted. The company will adopt the FSP as of June 30, 2009. The FSP changes the indicators for determining whether an other-than-temporary impairment on a debt security should be recorded in earnings. Under current accounting guidance, one of the primary indicators that an unrealized loss should be recognized in earnings is if the company does not have the intent and ability to hold a debt security until recovery of its cost basis. Under the FSP, the primary indicators that an unrealized loss should be recognized in earnings are whether the company intends to sell the debt security or whether it is more likely than not that the company will be required to sell the debt security prior to recovery of its cost basis. For

debt securities determined to be other-than-temporarily impaired, but which the company does not intend to sell or is not more likely than not going to be required to sell before recovery, credit losses are recognized in earnings, and the remaining unrealized losses are recorded in accumulated other comprehensive income. For other-than-temporarily impaired debt securities that the company intends to sell or is more likely than not going to be required to sell before recovery, all unrealized losses are recorded in earnings. Implementation of the FSP, which may affect the accounting for debt securities held in the company s supplemental benefit trust and WMECO s spent nuclear fuel trust, is not expected to have a material effect on the condensed consolidated financial statements. The company will adopt the FSP by applying its provisions to debt securities held in the supplemental benefit trust as of April 1, 2009 through a cumulative effect adjustment to increase retained earnings and a corresponding adjustment to decrease accumulated other comprehensive income. Beginning in the second quarter of 2009, for debt securities in the supplemental benefit trust that the company does not intend to sell or does not expect it will more likely than not be required to sell, the company will record credit losses in earnings and other unrealized losses in accumulated other comprehensive income. Adoption of the FSP for WMECO s spent nuclear fuel trust will not affect shareholders' equity or results of operations due to the regulatory accounting treatment applicable to that trust.

In April 2009, the FASB issued 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 is effective prospectively for fair value measurements of assets and liabilities as of June 30, 2009 with early adoption permitted. The FSP does not change the measurement objective that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The FSP provides additional guidance on determining whether there has been a significant decrease in the volume and level of activity when compared with normal market activity for an asset or liability and, if so, whether associated transactions or quoted prices are not orderly. In preparing fair value measurements, reporting entities are required to place more weight on transactions that are orderly than on those that are not orderly. NU and its subsidiaries will apply the FSP to their fair value measurements of assets and liabilities as of June 30, 2009. Implementation of the FSP is not expected to have a material effect on the companies condensed consolidated financial statements.

C.

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 Service Company's (Yankee Gas) distribution segment (regulated companies), continue to be cost-of-service, rate regulated. Management believes that the application of SFAS No. 71 to those segments continues to be appropriate. Management also 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 expense on the accompanying condensed consolidated statements of income.

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

	At March 31, 2009		At December 31, 2008	
(Millions of Dollars)	**NU Consolidated**		**NU Consolidated**	
Deferred benefit costs	$	1,127.9	$	1,140.9
Regulatory assets offsetting regulated company derivative liabilities		852.5		844.2
Securitized assets		614.6		677.4
Income taxes, net		353.3		355.4
Unrecovered contractual obligations		164.1		169.1
CL&P undercollections		111.3		75.2
Other regulatory assets		214.3		240.4
Totals	$	3,438.0	$	3,502.6

	At March 31, 2009			At December 31, 2008		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Deferred benefit costs	$ 531.9	$ 140.6	$ 112.3	$ 537.7	$ 142.9	$ 113.5
Regulatory assets offsetting regulated company derivative liabilities	745.5	107.0	-	751.9	92.1	-
Securitized assets	330.4	215.9	68.3	377.8	227.6	72.0
Income taxes, net	304.1	19.1	18.2	306.8	16.1	20.7
Unrecovered contractual obligations	128.9	-	35.1	132.6	-	36.5
CL&P undercollections	111.3	-	-	75.2	-	-
WMECO recoverable nuclear costs	-	-	4.0	-	-	5.0
Other regulatory assets	73.6	65.9	21.6	92.1	71.2	20.7
Totals	$ 2,225.7	$ 548.5	$ 259.5	$ 2,274.1	$ 549.9	$ 268.4

Additionally, the regulated companies had $70.6 million ($62.8 million for PSNH, $6.6 million for CL&P, and $1.2 million for WMECO) and $68.3 million ($62.7 million for PSNH and $5.6 million for CL&P) of regulatory costs at March 31, 2009 and December 31, 2008, respectively, which were included in deferred debits and other assets - other on the accompanying condensed consolidated balance sheets. These amounts represent incurred costs that have not yet been approved for recovery by the applicable regulatory agency. Of these amounts, $62.4 million and $62.7 million at March 31, 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. Management believes these costs are recoverable in future cost-of-service regulated rates.

Included in NU's other regulatory assets are the regulatory assets associated with the implementation of FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143," totaling $43.3 million ($23.8 million for CL&P, $14.1 million for PSNH, and $2.8 million for WMECO) at March 31, 2009 and $42.3 million ($23.1 million for CL&P, $13.9 million for PSNH, and $2.8 million for WMECO) at December 31, 2008. Of these amounts, $12.1 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:

(Millions of Dollars)	At March 31, 2009 NU Consolidated	At December 31, 2008 NU Consolidated
Cost of removal	$ 222.3	$ 226.0
Regulatory liabilities offsetting regulated company derivative assets	107.9	137.8
CL&P overcollections	54.4	69.5
CL&P AFUDC transmission incentive	47.9	47.6
PSNH deferred ES revenue, net	41.1	33.0
Pension and PBOP liabilities - Yankee Gas acquisition	16.9	17.6
Overrecovered gas costs	23.1	16.9
Other regulatory liabilities	41.9	44.1
Totals	$ 555.5	$ 592.5

(Millions of Dollars)	At March 31, 2009 CL&P	PSNH	WMECO	At December 31, 2008 CL&P	PSNH	WMECO
Regulatory liabilities offsetting regulated company derivative assets	$ 105.2	$ 1.8	$ -	$ 131.3	$ 4.6	$ -
Cost of removal	89.2	63.6	18.4	91.2	64.7	19.2
CL&P overcollections	54.4	-	-	69.5	-	-
CL&P AFUDC transmission incentive	47.9	-	-	47.6	-	-
PSNH deferred ES revenue, net	-	41.1	-	-	33.0	-
WMECO transition charge overcollections	-	-	3.6	-	-	5.7
WMECO pension/PBOP tracker	-	-	0.8	-	-	2.0
Other regulatory liabilities	25.4	7.7	3.8	23.9	9.1	2.9
Totals	$ 322.1	$ 114.2	$ 26.6	$ 363.5	$ 111.4	$ 29.8

D.

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 condensed consolidated statements of income.

	For the Three Months Ended			
	March 31, 2009		March 31, 2008	
(Millions of Dollars, except percentages)	**NU Consolidated**		**NU Consolidated**	
Borrowed funds	$	2.1	$	4.7
Equity funds		0.9		8.3
Totals	$	3.0	$	13.0
Average AFUDC rates		5.2%		8.2%

	For the Three Months Ended											
	March 31, 2009						March 31, 2008					
(Millions of Dollars, except percentages)	**CL&P**		**PSNH**		**WMECO**		**CL&P**		**PSNH**		**WMECO**	
Borrowed funds	$	0.9	$	0.9	$	0.1	$	3.4	$	0.9	$	0.2
Equity funds		-		0.9		-		6.6		1.4		0.3
Totals	$	0.9	$	1.8	$	0.1	$	10.0	$	2.3	$	0.5
Average AFUDC rates		3.2%		8.1%		3.8%		8.5%		8.1%		7.9%

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 construction work in progress (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.

E.

Other Income, Net

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

NU Consolidated	**For the Three Months Ended**	
(Millions of Dollars)	**March 31, 2009**	**March 31, 2008**
Other Income:		
Interest income	$ 0.8	$ -
Investment income	1.8	1.9
AFUDC - equity funds	0.9	8.3
Energy Independence Act incentives	3.6	5.5
Conservation and load management incentives	0.1	0.3
Other	0.3	0.2
Total Other Income	7.5	16.2
Other Loss:		
Investment write-downs	(3.2)	(2.6)
Rental expense	(0.1)	-
Total Other Loss	(3.3)	(2.6)
Total Other Income, Net	$ 4.2	$ 13.6

CL&P	**For the Three Months Ended**	
(Millions of Dollars)	**March 31, 2009**	**March 31, 2008**
Other Income:		
Investment income	$ 1.1	$ 1.4
AFUDC - equity funds	-	6.6
Energy Independence Act incentives	3.6	5.5
Conservation and load management incentives	-	0.2
Other	0.2	0.2
Total Other Income	4.9	13.9
Investment write-downs	(2.2)	(1.8)
Total Other Income, Net	$ 2.7	$ 12.1

PSNH	**For the Three Months Ended**			
(Millions of Dollars)	**March 31, 2009**		**March 31, 2008**	
Other Income:				
Interest income	$	0.8	$	-
Investment income		0.2		0.3
AFUDC - equity funds		0.9		1.4
Total Other Income		1.9		1.7
Investment write-downs		(0.5)		(0.4)
Total Other Income, Net	$	1.4	$	1.3

WMECO	**For the Three Months Ended**			
(Millions of Dollars)	**March 31, 2009**		**March 31, 2008**	
Other Income:				
Investment income	$	0.2	$	0.2
AFUDC - equity funds		-		0.3
Conservation and load management incentives		0.1		0.1
Total Other Income		0.3		0.6
Investment write-downs		(0.5)		(0.4)
Total Other (Loss)/Income, Net	$	(0.2)	$	0.2

Investment income includes equity in earnings of regional nuclear generating and transmission companies of $0.5 million and $0.7 million for NU consolidated ($0.1 million in both periods for CL&P and de minimus amounts for PSNH and WMECO) for the three months ended March 31, 2009 and 2008, respectively. Equity in earnings relates to the company's consolidated 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.

F.

Special Deposits and Counterparty Deposits

To the extent NU Enterprises, Inc (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. At March 31, 2009, CL&P had $1 million in cash collateral deposited with counterparties. At March 31, 2009 and 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 were not subject to master netting agreements and totaled $35.7 million and $26.3 million at March 31, 2009 and December 31, 2008, respectively. These amounts are recorded as current assets and are included in prepayments and other on the accompanying condensed consolidated balance sheets. There were no counterparty deposits for Select Energy as of March 31, 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. At March 31, 2009 and December 31, 2008, there were no counterparty deposits for these companies.

G.

Income Taxes

Tax Positions: In March 2009, CL&P and Yankee Gas reached a settlement with state tax authorities that closed certain state income tax years 1997 through 2000. The settlement resulted in CL&P and Yankee Gas making payments of approximately $4 million and $1 million, respectively, and increased pre-tax income by approximately $3 million on an NU consolidated basis (approximately $3 million at CL&P). The settlement did not have a significant impact on NU, CL&P or Yankee Gas's first quarter income tax expense and is not expected to have a significant impact on NU, CL&P or Yankee Gas's 2009 income tax expense or earnings.

H.

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 accounted for on a gross basis with collections in revenues and payments in expenses. For the three months ended March 31, 2009 and 2008, gross receipts taxes, franchise taxes and other excise taxes for NU consolidated of $39 million and $31 million, respectively, ($30.9 million and $23.7 million, respectively, for CL&P) were included in operating revenues and taxes other than income taxes on the accompanying condensed consolidated statements of income. Certain sales taxes are also collected by CL&P 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 condensed consolidated statements of income.

2.

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

On January 1, 2009, NU and its subsidiaries, including CL&P, PSNH and WMECO, adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133," which establishes disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires disclosure, presented below, of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows.

CL&P, PSNH, WMECO and Yankee Gas are exposed to the volatility of the prices of energy and energy related products in procuring 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 purchases and sales, 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 under the normal purchases and sales exception. CL&P has entered into derivatives, including financial transmission rights contracts (FTRs) 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 under the normal purchases and sales exception are accounted for at fair value, and because management believes any costs or benefits from these contracts are recoverable from or refunded to CL&P's customers, any changes in fair value are recorded as regulatory assets and 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 under the normal purchases and sales exception.

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 rates for customers. The derivative contracts not accounted for under the normal purchases and sales exception are accounted for at fair value, and because management believes any costs or benefits from these contracts are recoverable from or refunded to PSNH's customers, any changes in fair value are recorded as regulatory assets and 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 purchases. Yankee Gas also manages price risk through the use of options contracts. The derivative contracts not accounted for under the normal purchases and sales exception 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 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 earnings.

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. The company 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.

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

Derivative contracts that are not designated as hedging instruments or as normal purchases or normal sales 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 earnings. 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 stranded costs or are current regulated operating costs, and management believes that these costs will continue to be recovered from or refunded to customers in cost-of-service, regulated rates.

The gross fair values of derivative assets and liabilities with the same counterparty are offset and reported net as derivative assets or derivative liabilities in the accompanying 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:

	At March 31, 2009					
NU Consolidated *(Millions of Dollars)*	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Asset**	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Liability**
Derivatives not designated as hedging instruments under SFAS No. 133						
NU Enterprises:						
Commodity sales contract and related price and supply risk management:						
Current	$ -	$ -	$ -	$ 6.2	$ (13.1)	$ (6.9)
Long-Term	-	-	-	13.1	(55.4)	(42.3)
Regulated Companies:						
CL&P commodity and capacity contracts						

required by regulation:						
Current	0.1	(2.9)	(2.8) (1)	-	(7.9)	(7.9)
Long-Term	259.4	(48.1)	211.3 (1)	-	(835.3)	(835.3)
CL&P, PSNH and Yankee Gas commodity price and supply risk management:						
Current	7.1	-	7.1	-	(92.3)	(92.3)
Long-Term	2.5	-	2.5	-	(20.4)	(20.4)
Derivatives designated as hedging instruments under SFAS No. 133						
Interest rate risk management:						
Current (2)	4.4	-	4.4	-	-	-
Long-Term	15.5	-	15.5	-	-	-

(1)

Fair value amounts of $(2.9) million current and $105.7 million long-term that are subject to a sharing agreement are recorded in derivative assets.

(2)

Amount does not include interest receivable of $3.7 million as of March 31, 2009 recorded in prepayments and other on the accompanying condensed consolidated balance sheet.

	At March 31, 2009					
CL&P *(Millions of Dollars)*	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Assets**	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Liability**
Derivatives not designated as hedging instruments under SFAS No. 133						
Commodity and capacity contracts required by regulation:						
Current	$ 0.1	$ (2.9)	$ (2.8) (1)	$ -	$ (7.9)	$ (7.9)
Long-Term	259.4	(48.1)	211.3 (1)	-	(835.3)	(835.3)
Commodity price and supply risk management:						
Current	6.9	-	6.9	-	(5.5)	(5.5)
Long-Term	-	-	-	-	-	-

(1)

Fair value amounts of $(2.9) million current and $105.7 million long-term that are subject to a sharing agreement are recorded in derivative assets.

	At March 31, 2009					
PSNH *(Millions of Dollars)*	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Assets**	**Gross Asset**	**Gross Liability**	**Net Amount Recorded as Derivative Liability**
Derivatives not designated as hedging instruments under SFAS No. 133						

Commodity price and supply risk management:												
Current	$	0.2	$	-	$	0.2	$	-	$	(86.7)	$	(86.7)
Long-Term		1.6		-		1.6		-		(20.4)		