CONNECTICUT LIGHT & POWER CO
Form 10-Q
August 06, 2010

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, 2010
	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	02-0181050

	Manchester, New Hampshire 03101-1134 Telephone: (603) 669-4000	
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
ü	

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 as of July 30, 2010
Northeast Utilities	
Common shares, $5.00 par value	176,150,636 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 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	HWP Company, formerly the Holyoke Water Power Company
NGS	Northeast Generation Services Company and subsidiaries
NGS Mechanical	NGS Mechanical, Inc.
NPT	Northern Pass Transmission LLC
NUTV	NU Transmission Ventures, Inc.
NU or the Company	Northeast Utilities and subsidiaries
NU Enterprises	NU Enterprises, Inc., the parent company of Select Energy, NGS, NGS Mechanical, SECI and Boulos
NUSCO	Northeast Utilities Service Company
NU parent and other companies	NU parent and other companies is comprised of NU parent, NUSCO and other subsidiaries, including HWP, RRR (a real estate subsidiary), and the non-energy-related subsidiaries of Yankee (Yankee Energy Services Company, and Yankee Energy Financial Services Company)
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 activities of PSNH, Yankee Gas, a natural gas local distribution company, and NPT
RRR	The Rocky River Realty Company
SECI	Select Energy Contracting, Inc.
Select Energy	Select Energy, Inc.
SESI	Select Energy Services, Inc., a former subsidiary of NU Enterprises
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:

2009 Form 10-K	The Northeast Utilities and subsidiaries combined 2009 Annual Report on Form 10-K as filed with the SEC
2010 Healthcare Act	Patient Protection and Affordable Care Act
AFUDC	Allowance For Funds Used During Construction
AMI	Advanced metering infrastructure
ARO	Asset Retirement Obligation
C&LM	Conservation and Load Management
CfD	Contract for Differences
CSC	Connecticut Siting Council
CTA	Competitive Transition Assessment
CWIP	Construction work in progress
EFSB	Massachusetts Energy Facilities Siting Board
EPS	Earnings Per Share
ES	Default Energy Service
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
Fitch	Fitch Ratings
First Quarter 2010 Form 10-Q	The Northeast Utilities and subsidiaries combined first quarter 2010 Quarterly Report on Form 10-Q
FMCC	Federally Mandated Congestion Charge
FTR	Financial Transmission Rights

GAAP	Accounting principles generally accepted in the United States of America
GSC	Generation Service Charge
GSRP	Greater Springfield Reliability Project
GWh	Gigawatt Hours
HG&E	Holyoke Gas and Electric, a municipal department of the town of Holyoke
HQ	Hydro-Québec, a corporation wholly-owned by the Québec government, including its divisions that produce, transmit and distribute electricity in Québec, Canada
HVDC	High voltage direct current
IPP	Independent Power Producers
ISO-NE	ISO New England, Inc., the New England Independent System Operator
KV	Kilovolt
KWh	Kilowatt-Hours
LBCB	Lehman Brothers Commercial Bank, Inc.
LNG	Liquefied natural gas
LOC	Letter of Credit
LRS	Last resort service
MA DEP	Massachusetts Department of Environmental Protection
MGP	Manufactured Gas Plant
MMBtu	One million British thermal units
Money Pool	Northeast Utilities Money Pool
Moody's	Moody's Investors Services, Inc.
MW	Megawatt
MWh	Megawatt-Hours
NEEWS	New England East-West Solution
Northern Pass	The high voltage direct current transmission line project from Canada to New Hampshire
NU supplemental benefit trust	The NU Trust Under Supplemental Executive Retirement Plan
NYMEX	New York Mercantile Exchange
PBOP	Postretirement Benefits Other Than Pension
PBOP Plan	Postretirement Benefits Other Than Pension Plan that provides certain retiree health care benefits, primarily medical and dental, and life insurance benefits
PCRBs	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PGA	Purchased Gas Adjustment
PPA	Pension Protection Act
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
ROE	Return on Equity
RFP	Request for Proposal
RRB	Rate Reduction Bond or Rate Reduction Certificate

RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plan
SS	Standard service
TCAM	Transmission Cost Adjustment Mechanism
TSA	Transmission Services Agreement
UI	The United Illuminating Company
VIE	Variable interest entity
Yankee Companies	Connecticut Yankee Atomic Power Company, Yankee Atomic Electric Company and Maine Yankee Atomic Power 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)		June 30, 2010		December 31, 2009
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	88,775	$	26,952
Receivables, Net		495,640		512,770
Unbilled Revenues		178,838		229,326
Fuel, Materials and Supplies		226,200		277,085
Marketable Securities		72,684		66,236
Derivative Assets		28,887		31,785
Prepayments and Other Current Assets		121,835		123,700
Total Current Assets		1,212,859		1,267,854
Property, Plant and Equipment, Net		9,142,320		8,839,965
Deferred Debits and Other Assets:				
Regulatory Assets		3,183,982		3,244,931
Goodwill		287,591		287,591
Marketable Securities		47,995		54,905
Derivative Assets		160,380		189,751
Other Long-Term Assets		194,596		172,682
Total Deferred Debits and Other Assets		3,874,544		3,949,860
Total Assets	$	14,229,723	$	14,057,679

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, 2010		December 31, 2009
LIABILITIES AND CAPITALIZATION				
Current Liabilities:				
Notes Payable to Banks	$	157,313	$	100,313
Long-Term Debt - Current Portion		66,286		66,286
Accounts Payable		390,046		457,582
Accrued Taxes		55,071		50,246
Accrued Interest		87,784		83,763
Derivative Liabilities		41,176		37,617
Other Current Liabilities		167,948		183,605
Total Current Liabilities		965,624		979,412
Rate Reduction Bonds		313,835		442,436
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes		1,456,537		1,380,143
Accumulated Deferred Investment Tax Credits		20,666		22,145
Regulatory Liabilities		444,957		485,706
Derivative Liabilities		1,009,849		955,646
Accrued Pension		799,762		781,431
Other Long-Term Liabilities		806,393		823,723
Total Deferred Credits and Other Liabilities		4,538,164		4,448,794
Capitalization:				
Long-Term Debt		4,635,851		4,492,935
Noncontrolling Interest in Consolidated Subsidiary:				
Preferred Stock Not Subject to Mandatory Redemption		116,200		116,200
Equity:				
Common Shareholders' Equity:				
Common Shares		978,429		977,276
Capital Surplus, Paid In		1,767,904		1,762,097

Deferred Contribution Plan		-		(2,944)
Retained Earnings		1,313,848		1,246,543
Accumulated Other Comprehensive Loss		(41,805)		(43,467)
Treasury Stock		(359,392)		(361,603)
Common Shareholders' Equity		3,658,984		3,577,902
Noncontrolling Interest		1,065		-
Total Equity		3,660,049		3,577,902
Total Capitalization		8,412,100		8,187,037
Total Liabilities and Capitalization	$	14,229,723	$	14,057,679

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

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

(Thousands of Dollars, Except Share Information)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues	$ 1,111,426	$ 1,224,431	$ 2,450,845	$ 2,817,914
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	442,230	583,599	1,045,578	1,422,519
Other Operating Expenses	206,664	234,821	454,937	482,266
Maintenance	66,817	56,367	112,454	105,203
Depreciation	79,075	77,768	157,731	154,751
Amortization of Regulatory Assets/(Liabilities), Net	8,893	(13,039)	566	8,652
Amortization of Rate Reduction Bonds	54,997	51,305	114,567	107,202
Taxes Other Than Income Taxes	74,406	54,424	160,005	140,853
Total Operating Expenses	933,082	1,045,245	2,045,838	2,421,446
Operating Income	178,344	179,186	405,007	396,468
Interest Expense:				
Interest on Long-Term Debt	58,522	56,774	115,791	112,458
Interest on Rate Reduction Bonds	5,633	9,607	12,324	20,232
Other Interest (Note 1I)	3,042	(1,423)	6,343	3,245
Interest Expense	67,197	64,958	134,458	135,935
Other Income, Net	1,552	12,409	9,608	16,591
Income Before Income Tax Expense	112,699	126,637	280,157	277,124
Income Tax Expense	39,351	42,394	119,209	93,817
Net Income	73,348	84,243	160,948	183,307
Net Income Attributable to Noncontrolling Interests	1,402	1,389	2,792	2,779
Net Income Attributable to Controlling Interests	$ 71,946	$ 82,854	$ 158,156	$ 180,528

Basic and Fully Diluted Earnings Per Common Share	$	0.41	$	0.47	$	0.90	$	1.07
Dividends Declared Per Common Share	$	0.26	$	0.24	$	0.51	$	0.48
Weighted Average Common Shares Outstanding:								
Basic		176,571,189		175,175,936		176,460,476		168,758,206
Fully Diluted		176,736,532		175,675,388		176,637,003		169,300,277

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)

(Thousands of Dollars)	Six Months Ended June 30, 2010	2009
Operating Activities:		
Net Income	$ 160,948	$ 183,307
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	17,176	17,986
Depreciation	157,731	154,751
Deferred Income Taxes	37,850	73,202
Pension and PBOP Expense, Net of PBOP Contributions	25,529	13,052
Regulatory Overrecoveries, Net	21,569	20,732
Amortization of Regulatory Assets/(Liabilities), Net	566	8,652
Amortization of Rate Reduction Bonds	114,567	107,202
Allowance for Equity Funds Used During Construction	(6,934)	(3,366)
Derivative Assets and Liabilities	(5,640)	(19,243)
Other	(22,773)	1,164
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	34,703	158,175
Fuel, Materials and Supplies	52,024	35,582
Taxes Receivable/(Accrued)	(3,856)	(8,244)
Other Current Assets	14,682	7,139
Accounts Payable	(53,480)	(211,445)
Other Current Liabilities	(10,883)	(30,309)
Net Cash Flows Provided by Operating Activities	533,779	508,337
Investing Activities:		
Investments in Property and Plant	(442,404)	(420,894)
Proceeds from Sales of Marketable Securities	95,452	147,702
Purchases of Marketable Securities	(96,546)	(149,482)
Other Investing Activities	(4,369)	2,939
Net Cash Flows Used in Investing Activities	(447,867)	(419,735)
Financing Activities:		
Issuance of Common Shares	-	387,411
Cash Dividends on Common Shares	(90,194)	(78,921)
Cash Dividends on Preferred Stock	(2,779)	(2,779)

Increase/(Decrease) in Short-Term Debt		57,000		(124,908)
Issuance of Long-Term Debt		145,000		312,000
Retirements of Long-Term Debt		(4,286)		(54,286)
Retirements of Rate Reduction Bonds		(128,600)		(120,326)
Financing Fees		(1,482)		(15,456)
Other Financing Activities		1,252		(5)
Net Cash Flows (Used in)/Provided by Financing Activities		(24,089)		302,730
Net Increase in Cash and Cash Equivalents		61,823		391,332
Cash and Cash Equivalents - Beginning of Period		26,952		89,816
Cash and Cash Equivalents - End of Period	$	88,775	$	481,148

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

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THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2010		December 31, 2009
ASSETS				
Current Assets:				
Cash	$	8,999	$	45
Receivables, Net		321,297		327,969
Accounts Receivable from Affiliated Companies		2,255		2,362
Notes Receivable from Affiliated Companies		-		97,775
Unbilled Revenues		112,210		140,632
Materials and Supplies		60,855		65,623
Derivative Assets		19,757		24,593
Prepayments and Other Current Assets		13,432		18,385
Total Current Assets		538,805		677,384
Property, Plant and Equipment, Net		5,433,896		5,340,561
Deferred Debits and Other Assets:				
Regulatory Assets		2,020,901		2,068,778
Derivative Assets		150,179		183,231
Other Long-Term Assets		83,900		94,610
Total Deferred Debits and Other Assets		2,254,980		2,346,619
Total Assets	$	8,227,681	$	8,364,564

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

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 30, 2010	December 31, 2009
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	$ 15,625	$ -
Long-Term Debt - Current Portion	62,000	62,000
Accounts Payable	188,843	242,853
Accounts Payable to Affiliated Companies	46,723	48,795
Accrued Taxes	48,032	36,860
Accrued Interest	50,854	49,867
Derivative Liabilities	14,037	9,770
Other Current Liabilities	101,301	100,846
Total Current Liabilities	527,415	550,991
Rate Reduction Bonds	99,320	195,587
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	940,535	901,527
Accumulated Deferred Investment Tax Credits	15,228	16,355
Regulatory Liabilities	285,590	316,160
Derivative Liabilities	972,480	913,349
Accrued Pension	46,764	51,319
Other Long-Term Liabilities	385,963	409,532
Total Deferred Credits and Other Liabilities	2,646,560	2,608,242
Capitalization:		
Long-Term Debt	2,520,711	2,520,361
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200
Common Stockholder's Equity:		
Common Stock	60,352	60,352
Capital Surplus, Paid In	1,602,116	1,601,792
Retained Earnings	657,937	714,210
Accumulated Other Comprehensive Loss	(2,930)	(3,171)
Common Stockholder's Equity	2,317,475	2,373,183

Total Capitalization		4,954,386		5,009,744
Total Liabilities and Capitalization	$	8,227,681	$	8,364,564

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

THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Thousands of Dollars)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues	$ 707,917	$ 784,937	$ 1,502,897	$ 1,739,440
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	290,553	383,153	653,374	897,539
Other Operating Expenses	120,293	131,174	255,106	270,585
Maintenance	32,821	27,783	54,660	54,898
Depreciation	47,944	47,048	95,469	93,481
Amortization of Regulatory Assets, Net	20,640	3,633	22,311	16,640
Amortization of Rate Reduction Bonds	38,924	36,192	82,207	76,749
Taxes Other Than Income Taxes	50,585	37,899	108,114	96,088
Total Operating Expenses	601,760	666,882	1,271,241	1,505,980
Operating Income	106,157	118,055	231,656	233,460
Interest Expense:				
Interest on Long-Term Debt	33,630	34,286	67,262	65,972
Interest on Rate Reduction Bonds	2,243	5,088	5,275	10,887
Other Interest (Note 1I)	1,334	(1,627)	3,197	(1,418)
Interest Expense	37,207	37,747	75,734	75,441
Other Income, Net	745	8,170	5,678	10,878
Income Before Income Tax Expense	69,695	88,478	161,600	168,897
Income Tax Expense	25,610	30,076	69,102	57,360
Net Income	$ 44,085	$ 58,402	$ 92,498	$ 111,537

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

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THE CONNECTICUT LIGHT AND POWER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(Thousands of Dollars)	2010	2009
Operating Activities:		
Net Income	$ 92,498	$ 111,537
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	5,494	4,927
Depreciation	95,469	93,481
Deferred Income Taxes	11,624	43,664
Regulatory Overrecoveries, Net	30,459	11,152
Amortization of Regulatory Assets/(Liabilities), Net	22,311	16,640
Amortization of Rate Reduction Bonds	82,207	76,749
Allowance for Equity Funds Used During Construction	(2,475)	(1,615)
Other	(23,367)	(15,420)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	15,679	90,947
Materials and Supplies	4,767	(4,232)
Taxes Receivable/(Accrued)	12,694	15,133
Other Current Assets	9,102	6,147
Accounts Payable	(38,735)	(106,597)
Other Current Liabilities	13,239	(5,497)
Net Cash Flows Provided by Operating Activities	330,966	337,016
Investing Activities:		
Investments in Property and Plant	(191,667)	(226,892)
Decrease/(Increase) in NU Money Pool Lending	97,775	(162,488)
Other Investing Activities	1,463	(282)
Net Cash Flows Used in Investing Activities	(92,429)	(389,662)
Financing Activities:		
Cash Dividends on Common Stock	(145,992)	(56,925)
Cash Dividends on Preferred Stock	(2,779)	(2,779)
Decrease in Short-Term Debt	-	(74,000)
Issuance of Long-Term Debt	-	312,000
Increase/(Decrease) in NU Money Pool Borrowings	15,625	(102,725)

Retirements of Rate Reduction Bonds		(96,267)		(89,875)
Capital Contributions from NU Parent		-		77,000
Other Financing Activities		(170)		(2,861)
Net Cash Flows (Used in)/Provided by Financing Activities		(229,583)		59,835
Net Increase in Cash		8,954		7,189
Cash - Beginning of Period		45		-
Cash - End of Period	$	8,999	$	7,189

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

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONDENSED CONSOLIDATED
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2010		December 31, 2009
ASSETS				
Current Assets:				
Cash	$	11,285	$	1,974
Receivables, Net		83,914		89,337
Unbilled Revenues		46,703		49,358
Taxes Receivable		20,544		22,600
Fuel, Materials and Supplies		97,872		127,447
Prepayments and Other Current Assets		20,879		36,673
Total Current Assets		281,197		327,389
Property, Plant and Equipment, Net		1,937,877		1,814,714
Deferred Debits and Other Assets:				
Regulatory Assets		483,982		494,077
Other Long-Term Assets		88,701		61,011
Total Deferred Debits and Other Assets		572,683		555,088
Total Assets	$	2,791,757	$	2,697,191

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2010		December 31, 2009
LIABILITIES AND CAPITALIZATION				
Current Liabilities:				
Notes Payable to Affiliated Companies	$	7,800	$	26,700
Accounts Payable		100,109		109,521
Accounts Payable to Affiliated Companies		21,311		20,083
Accrued Interest		10,296		10,255
Derivative Liabilities		18,020		18,785
Other Current Liabilities		20,807		27,983
Total Current Liabilities		178,343		213,327
Rate Reduction Bonds		163,546		188,113
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes		292,789		275,669
Regulatory Liabilities		67,708		69,872
Derivative Liabilities		5,907		7,635
Accrued Pension		281,518		272,905
Other Long-Term Liabilities		110,409		105,970
Total Deferred Credits and Other Liabilities		758,331		732,051
Capitalization:				
Long-Term Debt		836,310		836,255
Common Stockholder's Equity:				
Common Stock		-		-
Capital Surplus, Paid In		535,739		420,169
Retained Earnings		320,123		307,988
Accumulated Other Comprehensive Loss		(635)		(712)
Common Stockholder's Equity		855,227		727,445
Total Capitalization		1,691,537		1,563,700
Total Liabilities and Capitalization	$	2,791,757	$	2,697,191

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
INCOME
(Unaudited)

(Thousands of Dollars)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues	$ 238,322	$ 262,931	$ 496,890	$ 570,584
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	83,253	128,494	187,024	274,719
Other Operating Expenses	56,073	58,476	119,199	121,204
Maintenance	25,625	20,852	41,627	36,374
Depreciation	16,020	15,390	31,988	30,561
Amortization of Regulatory Liabilities, Net	(11,627)	(12,760)	(17,322)	(4,813)
Amortization of Rate Reduction Bonds	12,246	11,528	24,637	23,214
Taxes Other Than Income Taxes	13,348	9,769	26,426	22,013
Total Operating Expenses	194,938	231,749	413,579	503,272
Operating Income	43,384	31,182	83,311	67,312
Interest Expense:				
Interest on Long-Term Debt	9,268	8,266	18,780	16,370
Interest on Rate Reduction Bonds	2,516	3,406	5,237	7,064
Other Interest (Note 1I)	185	(1,129)	364	(337)
Interest Expense	11,969	10,543	24,381	23,097
Other (Loss)/Income, Net	(197)	2,805	2,215	4,230
Income Before Income Tax Expense	31,218	23,444	61,145	48,445
Income Tax Expense	9,602	6,874	23,719	14,380
Net Income	$ 21,616	$ 16,570	$ 37,426	$ 34,065

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

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(Thousands of Dollars)	2010	2009
Operating Activities:		
Net Income	$ 37,426	$ 34,065
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	4,282	3,210
Depreciation	31,988	30,561
Deferred Income Taxes	15,486	6,305
Pension and PBOP Expense, Net of PBOP Contributions	9,606	8,206
Regulatory (Underrecoveries)/Overrecoveries, Net	(5,459)	3,889
Amortization of Regulatory Assets/(Liabilities), Net	(17,322)	(4,813)
Amortization of Rate Reduction Bonds	24,637	23,214
Allowance for Equity Funds Used During Construction	(4,207)	(1,661)
Insurance Proceeds	10,000	10,066
Other	(16,850)	4,493
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	3,338	5,876
Fuel, Materials and Supplies	30,714	4,427
Taxes Receivable/(Accrued)	2,057	(6,119)
Other Current Assets	2,599	1,284
Accounts Payable	(12,305)	(72,536)
Other Current Liabilities	(7,157)	(4,835)
Net Cash Flows Provided by Operating Activities	108,833	45,632
Investing Activities:		
Investments in Property and Plant	(141,709)	(112,356)
Proceeds from Sales of Marketable Securities	1,564	4,133
Purchases of Marketable Securities	(1,620)	(4,161)
Decrease in NU Money Pool Lending	-	44,800
Other Investing Activities	(4,311)	833
Net Cash Flows Used in Investing Activities	(146,076)	(66,751)
Financing Activities:		
Cash Dividends on Common Stock	(25,292)	(20,422)
Decrease in NU Money Pool Borrowings	(18,900)	-
Retirements of Rate Reduction Bonds	(24,568)	(23,168)

Capital Contributions from NU Parent		115,428		67,000
Other Financing Activities		(114)		(386)
Net Cash Flows Provided by Financing Activities		46,554		23,024
Net Increase in Cash		9,311		1,905
Cash - Beginning of Period		1,974		195
Cash - End of Period	$	11,285	$	2,100

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

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WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY

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WESTERN MASSACHUSETTS ELECTRIC
COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE
SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2010		December 31, 2009
ASSETS				
Current Assets:				
Cash	$	1	$	1
Receivables, Net		37,700		38,415
Notes Receivable from Affiliated Companies		22,000		-
Unbilled Revenues		15,283		16,090
Taxes Receivable		4,272		4,192
Materials and Supplies		9,080		8,314
Marketable Securities		35,747		28,261
Prepayments and Other Current Assets		1,939		1,965
Total Current Assets		126,022		97,238
Property, Plant and Equipment, Net		746,623		705,760
Deferred Debits and Other Assets:				
Regulatory Assets		234,784		240,804
Marketable Securities		21,092		28,500
Other Long-Term Assets		35,893		29,498
Total Deferred Debits and Other Assets		291,769		298,802
Total Assets	$	1,164,414	$	1,101,800

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

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2010		December 31, 2009
LIABILITIES AND CAPITALIZATION				
Current Liabilities:				
Notes Payable to Affiliated Companies	$	-	$	136,100
Accounts Payable		39,854		36,680
Accounts Payable to Affiliated Companies		8,335		7,924
Accrued Interest		6,732		5,274
Other Current Liabilities		7,118		8,873
Total Current Liabilities		62,039		194,851
Rate Reduction Bonds		50,970		58,735
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes		217,723		211,391
Regulatory Liabilities		20,439		21,683
Other Long-Term Liabilities		60,143		62,858
Total Deferred Credits and Other Liabilities		298,305		295,932
Capitalization:				
Long-Term Debt		400,206		305,475
Common Stockholder's Equity:				
Common Stock		10,866		10,866
Capital Surplus, Paid In		248,054		145,400
Retained Earnings		94,016		90,549
Accumulated Other Comprehensive Loss		(42)		(8)
Common Stockholder's Equity		352,894		246,807
Total Capitalization		753,100		552,282
Total Liabilities and Capitalization	$	1,164,414	$	1,101,800

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

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Thousands of Dollars)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenues	$ 92,473	$ 95,120	$ 192,680	$213,201
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	36,720	46,298	80,352	109,533
Other Operating Expenses	23,067	22,817	46,293	45,481
Maintenance	5,367	5,135	9,909	8,241
Depreciation	5,868	5,621	11,821	11,149
Amortization of Regulatory Liabilities, Net	(721)	(4,009)	(2,290)	(3,339)
Amortization of Rate Reduction Bonds	3,827	3,586	7,722	7,240
Taxes Other Than Income Taxes	4,080	2,517	8,163	6,414
Total Operating Expenses	78,208	81,965	161,970	184,719
Operating Income	14,265	13,155	30,710	28,482
Interest Expense:				
Interest on Long-Term Debt	4,726	3,554	8,607	6,997
Interest on Rate Reduction Bonds	874	1,112	1,811	2,280
Other Interest (Note 1I)	57	(233)	183	394
Interest Expense	5,657	4,433	10,601	9,671
Other Income, Net	161	1,089	765	935
Income Before Income Tax Expense	8,769	9,811	20,874	19,746
Income Tax Expense	3,520	4,004	9,966	7,793
Net Income	$ 5,249	$ 5,807	$ 10,908	$ 11,953

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

WESTERN MASSACHUSETTS ELECTRIC COMPANY AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(Thousands of Dollars)	2010	2009
Operating Activities:		
Net Income	$ 10,908	$ 11,953
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	3,304	3,862
Depreciation	11,821	11,149
Deferred Income Taxes	5,061	12,249
Regulatory (Underrecoveries)/Overrecoveries, Net	(8,181)	4,139
Amortization of Regulatory Assets/(Liabilities), Net	(2,290)	(3,339)
Amortization of Rate Reduction Bonds	7,722	7,240
Other	(3,136)	(4,821)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(1,762)	6,057
Materials and Supplies	(767)	39
Taxes Receivable/(Accrued)	(80)	(4,412)
Other Current Assets	495	(587)
Accounts Payable	605	(24,426)
Other Current Liabilities	(102)	(2,618)
Net Cash Flows Provided by Operating Activities	23,598	16,485
Investing Activities:		
Investments in Property and Plant	(46,354)	(41,478)
Proceeds from Sales of Marketable Securities	69,196	78,334
Purchases of Marketable Securities	(69,350)	(79,635)
Increase in NU Money Pool Lending	(22,000)	-
Other Investing Activities	(170)	548
Net Cash Flows Used in Investing Activities	(68,678)	(42,231)
Financing Activities:		
Cash Dividends on Common Stock	(7,441)	(11,101)
Increase in Short-Term Debt	-	45,227
Issuance of Long-Term Debt	95,000	-
Decrease in NU Money Pool Borrowings	(136,100)	100
Retirements of Rate Reduction Bonds	(7,765)	(7,282)
Capital Contributions from NU Parent	102,600	-
Other Financing Activities	(1,214)	(37)
Net Cash Flows Provided by Financing Activities	45,080	26,907

Net Increase in Cash		-		1,161
Cash - Beginning of Period		1		-
Cash - End of Period	$	1	$	1,161

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

A.

Presentation

Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the 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 2010 combined Quarterly Report on Form 10-Q, and the combined 2009 Annual Report on Form 10-K of Northeast Utilities (NU or the Company), CL&P, PSNH, and WMECO, which was filed with the SEC (NU 2009 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 positions as of June 30, 2010 and December 31, 2009, the results of operations for the three and six months ended June 30, 2010 and 2009, and cash flows for the six months ended June 30, 2010 and 2009. The results of operations for the three months ended June 30, 2010 and 2009, and the results of operations and cash flows for the six months ended June 30, 2010 and 2009, are not necessarily indicative of the results expected for a full year.

Refer to the Glossary of Terms included in this combined Quarterly Report on Form 10-Q for abbreviations and acronyms used throughout the combined notes to the unaudited condensed consolidated financial statements.

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.

In accordance with accounting guidance on the consolidation of VIEs, the Company evaluates its variable interests to determine if it has a controlling financial interest in a VIE that would require consolidation. The Company s variable interests outside of the consolidated group consist of contracts with developers of power plants that are required by regulation and provide for regulatory recovery of contract costs and benefits through customer rates. The Company would consolidate a VIE if it had both the power to direct the activities of a VIE that most significantly impact the entity s economic performance and the obligation to absorb losses of, or receive benefits from, the entity that could potentially be significant to the VIE.

For each variable interest in a power plant, NU evaluates the activities of that particular power plant that most significantly impact the VIE s economic performance to determine whether it has control over those activities. NU s assessment of control includes an analysis of who operates and maintains the power plant including dispatch rights and who controls the activities of the power plant after the expiration of its power purchase agreement with NU. NU also evaluates its exposure to potentially significant losses and benefits of the VIE. As of June 30, 2010, NU held variable interests in VIEs through agreements with certain entities that are single power plant owners of renewable energy, peaking generation and other independent power producers. NU does not control the activities that are economically significant to these VIEs or provide financial or other support to these VIEs. NU does not have financial exposure because the costs and benefits of all of these arrangements are fully recoverable from, or refundable to, NU s customers. As of June 30, 2010, NU was not identified as the primary beneficiary of, and therefore does not consolidate, any power plant VIEs. The Company does not have any variable interest in a VIE that is material to the accompanying unaudited condensed consolidated financial statements.

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of 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 were made in the accompanying unaudited condensed consolidated balance sheets for CL&P, PSNH, and WMECO and the statements of cash flows for NU, CL&P, PSNH and WMECO. These reclassifications were made to conform to the current period's presentation.

NU evaluates events and transactions that occur after the balance sheet date but before financial statements are issued and recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of the balance sheet date and discloses but does not recognize in the financial statements subsequent events that provide evidence about the conditions that arose after the balance sheet date but before the financial statements are issued. See Note 1C, "Summary of Significant Accounting Policies Regulatory Accounting," for further information.

B.

Fair Value Measurements

NU, including CL&P, PSNH, and WMECO, applies fair value measurement guidance to all derivative contracts recorded at fair value and to the marketable securities held in the NU supplemental benefit trust and WMECO's spent nuclear fuel trust. Fair value measurement guidance is also applied to investment valuations used to calculate the funded status of NU's Pension and PBOP plans and non-recurring fair value measurements of NU's non-financial assets and liabilities, such as AROs and Yankee Gas' goodwill.

Fair Value Hierarchy: In measuring fair value, NU 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 the 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. NU evaluates the classification of assets and liabilities measured at fair value on a quarterly basis, and NU s policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. 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 described in Note 2, "Derivative Instruments," and Note 9, "Marketable Securities," to the unaudited condensed consolidated financial statements. There were no changes to the valuation methodologies for derivative instruments or marketable securities as of June 30, 2010 and December 31, 2009.

C.

Regulatory Accounting

The Regulated companies continue to be rate-regulated on a cost-of-service basis, therefore, the accounting policies of the Regulated companies conform to GAAP applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process.

Management believes it is probable that the Regulated companies will recover their respective investments in long-lived assets, including regulatory assets. All material net regulatory assets are earning a return, except for the majority of deferred benefit cost assets, regulatory assets offsetting derivative liabilities, securitized regulatory assets and income tax regulatory assets, all of which are not in rate base. Amortization and deferrals of regulatory assets/(liabilities) are primarily included on a net basis in Amortization of Regulatory Assets/(Liabilities), Net on the accompanying unaudited condensed consolidated statements of income.

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

	As of June 30, 2010	As of December 31, 2009
(Millions of Dollars)	**NU**	**NU**
Deferred Benefit Costs	$ 1,099.9	$ 1,132.1
Regulatory Assets Offsetting Derivative Liabilities	899.3	855.6
Securitized Assets	304.4	432.9
Income Taxes, Net	374.1	363.2
Unrecovered Contractual Obligations	138.8	149.5
Regulatory Tracker Deferrals	128.7	104.1
Storm Cost Deferral	63.9	60.0
Asset Retirement Obligations	44.5	42.9
Losses on Reacquired Debt	22.9	24.0
Regulatory Assets Offsetting Environmental Liabilities	36.1	24.6
Other Regulatory Assets	71.4	56.0
Totals	$ 3,184.0	$ 3,244.9

	As of June 30, 2010			As of December 31, 2009		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Deferred Benefit Costs	$ 486.7	$ 146.2	$ 100.7	$ 502.4	$ 154.2	$ 104.9
Regulatory Assets Offsetting Derivative Liabilities	874.5	23.9	-	828.6	26.4	-
Securitized Assets	99.2	155.5	49.7	195.4	180.1	57.4
Income Taxes, Net	308.7	26.6	17.1	304.1	21.9	16.9
Unrecovered Contractual Obligations	109.7	-	29.1	118.0	-	31.5
Regulatory Tracker Deferrals	67.7	37.7	19.8	70.3	19.0	11.3
Storm Cost Deferral	5.5	43.8	14.6	-	50.8	9.2
Asset Retirement Obligations	25.0	14.3	2.9	23.8	14.0	2.8
Losses on Reacquired Debt	12.1	8.8	0.4	12.7	9.2	0.4
Regulatory Assets Offsetting Environmental Liabilities	-	8.5	-	-	1.3	-
Other Regulatory Assets	31.8	18.7	0.5	13.5	17.2	6.4
Totals	$ 2,020.9	$ 484.0	$ 234.8	$ 2,068.8	$ 494.1	$ 240.8

Additionally, the Regulated companies had $45.6 million ($0.4 million for CL&P, $25.7 million for PSNH, and $11.6 million for WMECO) and $27.1 million ($9.9 million for CL&P and $9.1 million for WMECO) of regulatory costs as of June 30, 2010 and December 31, 2009, respectively, which were included in Other Long-Term Assets 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 probable of recovery in future cost-of-service regulated rates.

Of the total June 30, 2010 amount, $8.1 million ($5.3 million for PSNH and $2.8 million for WMECO) relates to the probable recovery in future rates of previously recognized tax benefits lost as a result of a provision in the 2010 Healthcare Act that eliminated the tax deductibility of actuarially equivalent Medicare Part D benefits for retirees. On June 30, 2010, the DPUC issued a decision that rejected CL&P's request for the establishment of a regulatory asset that was recorded in Other Long-Term Assets in the first quarter of 2010 for the recovery of future tax benefits lost as a result of the 2010 Healthcare Act. On July 14, 2010, CL&P filed with the DPUC a request to reconsider its ruling on this issue. On July 28, 2010, the DPUC granted CL&P s request for reconsideration of its decision and the DPUC allowed the creation of a regulatory asset by CL&P, subject to review in its next rate case. As a result, NU has concluded that these costs are probable of recovery and has recorded regulatory assets of $16.3 million ($13.7 million for CL&P and $2.6 million for Yankee Gas) as of June 30, 2010, which are reflected in Other Regulatory Assets in the table above.

The $25.7 million at PSNH also includes $20.4 million of costs incurred for the February 2010 winter storm restorations that met the NHPUC specified criteria for deferral to a major storm cost reserve.

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

	As of June 30, 2010	As of December 31, 2009
(Millions of Dollars)	NU	NU
Cost of Removal	$ 205.0	$ 209.2
Regulatory Liabilities Offsetting Derivative Assets	55.8	109.4
Regulatory Tracker Deferrals	76.5	62.5
AFUDC Transmission Incentive (Note 1F)	55.0	51.1
Pension and PBOP Liabilities - Yankee Gas Acquisition	13.8	15.0
Overrecovered Natural Gas Costs	5.4	7.1
Other Regulatory Liabilities	33.5	31.4
Totals	$ 445.0	$ 485.7

	As of June 30, 2010			As of December 31, 2009		
(Millions of Dollars)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Cost of Removal	$ 81.3	$ 58.9	$ 15.2	$ 82.2	$ 60.5	$ 16.6
Regulatory Liabilities Offsetting Derivative Assets	55.8	-	-	109.0	0.4	-
Regulatory Tracker Deferrals	70.7	5.4	0.4	56.0	4.4	2.1
AFUDC Transmission Incentive (Note 1F)	53.1	-	1.9	50.4	-	0.7
WMECO Provision For Rate Refunds	-	-	2.0	-	-	2.0
Other Regulatory Liabilities	24.7	3.4	0.9	18.6	4.6	0.3
Totals	$ 285.6	$ 67.7	$ 20.4	$ 316.2	$ 69.9	$ 21.7

D.

Property, Plant and Equipment and Accumulated Depreciation

The following tables summarize the NU, CL&P, PSNH, and WMECO investments in utility plant as of June 30, 2010 and December 31, 2009:

	As of June 30, 2010	As of December 31, 2009
(Millions of Dollars)	NU	NU
Distribution - Electric	$ 6,035.7	$ 5,893.9
Distribution - Natural Gas	1,088.8	1,071.1
Transmission	3,270.7	3,219.2
Generation	678.0	660.1
Electric and Natural Gas Utility	11,073.2	10,844.3
Other [1]	279.2	265.6
Total Property, Plant and Equipment, Gross	11,352.4	11,109.9
Less: Accumulated Depreciation		
Electric and Natural Gas Utility	(2,798.6)	(2,721.3)
Other	(126.4)	(120.3)
Total Accumulated Depreciation	(2,925.0)	(2,841.6)
Property, Plant and Equipment, Net	8,427.4	8,268.3
Construction Work In Progress	714.9	571.7
Total Property, Plant and Equipment, Net	$ 9,142.3	$ 8,840.0

(1)

These assets are primarily owned by RRR ($144.4 million and $143.8 million) and NUSCO ($122 million and $109 million) as of June 30, 2010 and December 31, 2009, respectively.

	As of June 30, 2010			As of December 31, 2009		
(Millions of Dollars)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Distribution	$ 4,069.1	$ 1,334.1	$ 663.9	$ 3,960.1	$ 1,309.2	$ 654.9
Transmission	2,603.0	460.3	207.4	2,573.2	450.2	195.7
Generation	-	678.0	-	-	660.1	-
Total Property, Plant and Equipment, Gross	6,672.1	2,472.4	871.3	6,533.3	2,419.5	850.6
Less: Accumulated Depreciation	(1,474.7)	(820.9)	(224.9)	(1,426.6)	(805.5)	(218.2)
Property, Plant and Equipment, Net	5,197.4	1,651.5	646.4	5,106.7	1,614.0	632.4
Construction Work in Progress	236.5	286.4	100.2	233.9	200.7	73.4

Total Property, Plant and Equipment, Net	$	5,433.9	$	1,937.9	$	746.6	$	5,340.6	$	1,814.7	$	705.8

E.

Provision for Uncollectible Accounts

NU, including CL&P, PSNH and WMECO, maintains a provision for uncollectible accounts to record receivables at an estimated net realizable value. This provision is determined based upon a variety of factors, including applying an estimated uncollectible account percentage to each receivable aging category, based upon historical collection and write-off experience and management s assessment of collectibility from individual customers. Management reviews at least quarterly the collectibility of the receivables, and if circumstances change, collectibility estimates are adjusted accordingly. Receivable balances are written-off against the provision for uncollectible accounts when these balances are deemed to be uncollectible and the accounts are terminated.

The provision for uncollectible accounts as of June 30, 2010 and December 31, 2009, which are included in Receivables, Net on the accompanying unaudited condensed consolidated balance sheets, were as follows:

(Millions of Dollars)		**As of June 30, 2010**		**As of December 31, 2009**
NU	$	57.2	$	55.3
CL&P		28.3		26.1
PSNH		5.9		5.1
WMECO		7.7		7.2

F.

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, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
(Millions of Dollars, except percentages)	**NU**	**NU**	**NU**	**NU**
AFUDC:				
Borrowed Funds	$ 2.3	$ 1.4	$ 4.2	$ 3.5
Equity Funds	3.8	2.5	6.9	3.4
Totals	$ 6.1	$ 3.9	$ 11.1	$ 6.9
Average AFUDC Rates	7.0%	6.6%	6.8%	5.9%

	For the Three Months Ended					
	June 30, 2010			**June 30, 2009**		
(Millions of Dollars, except percentages)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
AFUDC:						
Borrowed Funds	$ 0.7	$ 1.5	$ 0.1	$ 0.6	$ 0.7	$ -
Equity Funds	1.2	2.4	0.2	1.7	0.8	-
Totals	$ 1.9	$ 3.9	$ 0.3	$ 2.3	$ 1.5	$ -
Average AFUDC Rates	8.0%	6.7%	6.7%	8.2%	6.1%	1.1%*

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

	For the Six Months Ended					
	June 30, 2010			**June 30, 2009**		
(Millions of Dollars, except percentages)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
AFUDC:						
Borrowed Funds	$ 1.4	$ 2.6	$ 0.1	$ 1.5	$ 1.6	$ 0.1
Equity Funds	2.5	4.2	0.2	1.6	1.7	-
Totals	$ 3.9	$ 6.8	$ 0.3	$ 3.1	$ 3.3	$ 0.1
Average AFUDC Rates	8.0%	6.5%	4.1%	5.7%	7.0%	2.5%

The Regulated companies' average AFUDC rate is based on a 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 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:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
(Million of Dollars)	**NU**	**NU**	**NU**	**NU**
Other Income:				
Investment Income	$ -	$ 6.1	$ -	$ 3.1
Interest Income	1.3	2.0	2.1	4.0
AFUDC - Equity Funds	3.8	2.5	6.9	3.4
Energy Independence Act Incentives	0.9	0.7	2.3	4.3
Other	2.2	1.1	2.9	2.0
Total Other Income	8.2	12.4	14.2	16.8
Other Loss:				
Investment Losses	(4.0)	-	(2.0)	-
Other	(2.6)	-	(2.6)	(0.2)
Total Other Loss	(6.6)	-	(4.6)	(0.2)
Total Other Income, Net	$ 1.6	$ 12.4	$ 9.6	$ 16.6

	For the Three Months Ended						For the Six Months Ended					
	June 30, 2010			June 30, 2009			June 30, 2010			June 30, 2009		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Other Income:												
Investment Income	$ -	$ -	$ -	$ 4.1	$ 1.0	$ 0.9	$ -	$ -	$ -	$ 2.1	$ 0.5	$ 0.4
Interest Income	1.4	0.5	0.2	1.1	0.8	0.1	2.0	0.7	0.4	1.9	1.8	0.2
AFUDC - Equity Funds	1.2	2.4	0.2	1.7	0.8	-	2.5	4.2	0.2	1.6	1.7	-
Energy Independence Act Incentives	0.9	-	-	0.7	-	-	2.3	-	-	4.3	-	-
Other	-	0.1	0.4	0.6	0.2	0.1	0.3	0.1	0.5	1.0	0.2	0.4
Total Other Income	3.5	3.0	0.8	8.2	2.8	1.1	7.1	5.0	1.1	10.9	4.2	1.0
Other Loss:												
Investment Loss	(2.7)	(0.7)	(0.6)	-	-	-	(1.4)	(0.3)	(0.3)	-	-	(0.1)
Other	(0.1)	(2.5)	-	-	-	-	-	(2.5)	-	-	-	-
Total Other Loss	(2.8)	(3.2)	(0.6)	-	-	-	(1.4)	(2.8)	(0.3)	-	-	(0.1)
Total Other Income/(Loss), Net	$ 0.7	$ (0.2)	$ 0.2	$ 8.2	$ 2.8	$ 1.1	$ 5.7	$ 2.2	$ 0.8	$ 10.9	$ 4.2	$ 0.9

Other Income - Other includes equity in earnings, which relates to the Company's investments, including investments of CL&P, PSNH and WMECO, in the Yankee Companies and NU's investment in two regional transmission companies. Equity in earnings was de minimis for NU, CL&P, PSNH and WMECO for both the three months ended June 30, 2010 and 2009, and a de minimis amount and $1 million for NU (de minimis amounts for CL&P and PSNH in both periods, and a de minimis amount and $0.1 million for WMECO) for the six months ended June 30, 2010 and 2009, respectively. Income tax expense associated with the equity in earnings was de minimis for NU, CL&P, PSNH and WMECO for the three and six months ended June 30, 2010 and 2009.

Dividends received from the Yankee Companies and the regional transmission companies investments were recorded as a reduction to NU's, including CL&P, PSNH and WMECO, investment. Dividends received were $0.5 million (zero for CL&P, PSNH and WMECO) for both the three months ended June 30, 2010 and June 30, 2009, respectively. Dividends received were $0.6 million and $3.3 million (zero and $1.5 million for CL&P, zero and $0.2 million for PSNH and zero and $0.4 million for WMECO) for the six months ended June 30, 2010 and June 30, 2009, respectively.

Included in Other Loss - Other for NU and PSNH for the three and six months ended June 30, 2010 is a $2.5 million write-off of carrying charges related to storm costs incurred during the December 2008 ice storm. This write-off was part of the multi-year rate case settlement agreement that was effective July 1, 2010.

H.

Special Deposits and Counterparty Deposits

NU, including CL&P, PSNH, and WMECO, records special deposits and counterparty deposits posted under master netting agreements as an offset to a derivative asset or liability if the related derivatives are recorded in a net position. As of June 30, 2010, Select Energy had $3.7 million of collateral posted under master netting agreements and netted against the fair value of the derivatives. As of December 31, 2009, CL&P and Select Energy had $0.5 million and $2.1 million, respectively, of collateral posted under master netting agreements and netted against the fair value of the derivatives.

Special deposits paid by Select Energy to unaffiliated counterparties and brokerage firms not subject to master netting agreements totaled $27.2 million and $28.1 million as of June 30, 2010 and December 31, 2009, respectively. These amounts are included in Prepayments and Other Current Assets on the accompanying unaudited condensed consolidated balance sheets. There were no counterparty deposits for Select Energy as of June 30, 2010 and December 31, 2009.

NU, 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, 2010 and December 31, 2009, there were no counterparty deposits for these companies.

I.

Income Taxes

On March 23, 2010, President Obama signed into law the 2010 Healthcare Act. The 2010 Healthcare Act was amended by a Reconciliation Bill signed into law on March 30, 2010. The 2010 Healthcare Act includes a provision that eliminated the tax deductibility of certain PBOP contributions equal to the amount of the federal subsidy received by companies like NU, which sponsor retiree health care benefit plans with a prescription drug benefit that is actuarially equivalent to Medicare Part D. NU recorded approximately $18 million in charges to Income Tax Expense on the accompanying unaudited condensed consolidated statement of income for the three months ended March 31, 2010 as a result of the 2010 Healthcare Act. This represented the loss of previously recognized accumulated deferred income tax assets. Since the electric and natural gas distribution companies are cost-of-service and rate regulated, some of these costs are able to be deferred and recovered through future rates. As a result, NU recognized approximately $15 million in after-tax deferrals ($24.4 million pre-tax) in Other Long-Term Assets on the accompanying unaudited condensed consolidated balance sheet as of March 31, 2010 with an offset to Amortization of Regulatory (Liabilities)/Assets, Net on the accompanying unaudited condensed consolidated statement of income, which reflects the anticipated recovery in future rates of these previously recognized lost tax benefits. Therefore, the write-down of existing tax assets resulting from this law change reduced 2010 earnings on a net basis by approximately $3 million. In addition, as a result of the elimination of the tax deduction in 2010, NU was not able to recognize approximately $2 million of net current period benefits.

Tax Positions: In June 2009, the Internal Revenue Service 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.

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. Gross receipts taxes, franchise taxes and other excise taxes were included in Operating Revenues and Taxes Other Than Income Taxes on the accompanying unaudited condensed consolidated statements of income as follows:

(Millions of Dollars)	**For the Three Months Ended June 30, 2010**	**For the Three Months Ended June 30, 2009**	**For the Six Months Ended June 30, 2010**	**For the Six Months Ended June 30, 2009**
NU	$ 33.1	$ 30.8	$ 72.0	$ 69.8
CL&P	30.2	27.7	62.2	58.6

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.

K.

Common Shares

The following table sets forth the NU common shares and the shares of CL&P, PSNH and WMECO common stock authorized and issued and the respective par values as of June 30, 2010 and December 31, 2009:

		Shares		
		Authorized	**Issued**	
	Per Share Par Value	**As of June 30, 2010 and December 31, 2009**	**As of June 30, 2010**	**As of December 31, 2009**
NU	$ 5	225,000,000	195,685,837	195,455,214

CL&P	$	10	24,500,000	6,035,205	6,035,205
PSNH	$	1	100,000,000	301	301
WMECO	$	25	1,072,471	434,653	434,653

As of June 30, 2010 and December 31, 2009, 19,587,635 and 19,708,136 NU common shares were held as treasury shares, respectively.

L.

Restricted Cash

As of December 31, 2009, PSNH had $10 million of restricted cash held with a trustee related to insurance proceeds received on bondable property, which was included in Prepayments and Other Current Assets on the accompanying unaudited condensed consolidated balance sheet. These funds were released from the trustee during the second quarter of 2010 and there was no restricted cash held as of June 30, 2010.

M.

Supplemental Cash Flow Information

Non-cash investing activities include capital expenditures incurred but not paid as follows:

(Millions of Dollars)		**As of June 30, 2010**		**As of December 31, 2009**
NU	$	109.9	$	125.5
CL&P		27.8		48.2
PSNH		50.2		46.5
WMECO		12.9		10.3

The majority of the short-term borrowings of NU, including CL&P, PSNH, and WMECO, have original maturities of three months or less. Accordingly, borrowings and repayments are shown net on the statement of cash flows. In December 2008, NU parent borrowed $127 million under its revolving credit agreement that had original maturities in excess of 90 days. These amounts were repaid in March 2009 and are included in the net activity for the six-month period ended June 30, 2009 in the unaudited condensed consolidated statement of cash flows. For the six month period ended June 30, 2010, NU, CL&P, PSNH, and WMECO had no such borrowings.

2.

DERIVATIVE INSTRUMENTS

The costs and benefits of derivative contracts that meet the definition of and are designated as "normal purchases or normal sales" (normal) are recognized in Operating Expenses or Operating Revenues on the accompanying unaudited condensed consolidated statements of income, as applicable, as electricity or natural gas is delivered.

Derivative contracts that are not recorded as normal under the applicable accounting guidance, 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, 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. See below for discussion of "Derivatives not designated as hedges."

The Regulated companies 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 (for WMECO all derivative contracts are accounted for as normal) and the use of nonderivative 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 SS and LRS contracts. As required by regulation, CL&P has also entered into derivative and nonderivative 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. Management believes any costs or benefits from these contracts are recoverable from or will be refunded to CL&P's customers, and, therefore any changes in fair value are recorded as Regulatory Assets and Regulatory Liabilities on the accompanying unaudited condensed consolidated balance sheets.

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. Management believes any costs or benefits from these contracts are recoverable from or will be refunded to PSNH's customers, and, therefore any changes in fair value are recorded as Regulatory Assets and Regulatory Liabilities on the accompanying unaudited condensed consolidated balance sheets.

NU 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 natural gas supply for customers that include nonderivative contracts and contracts that are accounted for as normal. Yankee Gas enters into contracts to meet required demand levels throughout the heating season and manages supply risk through the use of options contracts. Management believes any costs or benefits from these contracts are recoverable from or will be refundable to Yankee Gas' customers, and, therefore, any changes in fair value are recorded as Regulatory Assets and Regulatory Liabilities on the accompanying unaudited condensed consolidated balance sheets.

NU Enterprises, through Select Energy, has one remaining fixed price forward sales contract to serve electrical load that is part of its wholesale energy marketing portfolio. NU Enterprises mitigates the price risk associated with this contract through the use of forward purchase and sales contracts. NU Enterprises' derivative contracts are accounted for at fair value, and changes in their fair values are recorded in Operating Expenses on the accompanying unaudited condensed consolidated statements of income.

NU is also exposed to interest rate risk associated with its long-term debt. From time to time, various subsidiaries of the Company enter into forward starting interest rate swaps, accounted for as cash flow hedges, to mitigate the risk of changes in interest rates when they expect 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. This interest rate swap mitigates the interest rate risk associated with the fixed rate long-term debt and 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 as net Derivative Assets or Derivative Liabilities, with appropriate current and long-term portions, 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, 2010					
	Derivatives Not Designated as Hedges					
(Millions of Dollars)	Commodity and Capacity Contracts Required by Regulation	Commodity Sales Contract and Related Price and Supply Risk Management	Other Commodity Price and Supply Risk Management	Hedging Instruments-Interest Rate Risk Management	Collateral and Netting	Net Amount Recorded as Derivative Asset/(Liability)
Current Derivative Assets:						
Level 2:						
NU Parent	$ -	$ -	$ -	$ 7.3	$ -	$ 7.3
Level 3:						
NU Enterprises	-	1.8	-	-	-	1.8
CL&P	17.6	-	2.2	-	-	19.8
Total Current Derivative Assets	$ 17.6	$ 1.8	$ 2.2	$ 7.3	$ -	$ 28.9
Long-Term Derivative Assets:						
Level 2:						
NU Parent	$ -	$ -	$ -	$ 8.0	$ -	$ 8.0
Level 3:						
NU Enterprises	-	2.2	-	-	-	2.2
CL&P [(1)]	228.2	-	-	-	(78.0)	150.2
Total Long-Term Derivative Assets	$ 228.2	$ 2.2	$ -	$ 8.0	$ (78.0)	$ 160.4
Current Derivative Liabilities:						
Level 2:						
PSNH	$ -	$ -	$ (18.0)	$ -	$ -	$ (18.0)
Level 3:						
NU Enterprises [(2)]	-	(12.4)	-	-	3.7	(8.7)
CL&P	(13.7)	-	(0.3)	-	-	(14.0)
Yankee Gas	-	-	(0.5)	-	-	(0.5)
Total Current Derivative Liabilities	$ (13.7)	$ (12.4)	$ (18.8)	$ -	$ 3.7	$ (41.2)
Long-Term Derivative Liabilities:						
Level 2:						

PSNH	$	-	$	-	$	(5.9)	$	-	$	-	$	(5.9)
Level 3:												
NU Enterprises [1]		-		(31.4)		-		-		0.3		(31.1)
CL&P		(972.5)		-		-		-		-		(972.5)
Yankee Gas		-		-		(0.3)		-		-		(0.3)
Total Long-Term Derivative Liabilities	$	(972.5)	$	(31.4)	$	(6.2)	$	-	$	0.3	$	(1,009.8)

	As of December 31, 2009					
	Derivatives Not Designated as Hedges					
(Millions of Dollars)	Commodity and Capacity Contracts Required by Regulation	Commodity Sales Contract and Related Price and Supply Risk Management	Other Commodity Price and Supply Risk Management	Hedging Instruments-Interest Rate Risk Management	Collateral and Netting	Net Amount Recorded as Derivative Asset/(Liability)
Current Derivative Assets:						
Level 2:						
NU Parent	$ -	$ -	$ -	$ 6.7	$ -	$ 6.7
Level 3:						
CL&P	20.1	-	4.5	-	-	24.6
PSNH [3]	-	-	0.4	-	-	0.4
Yankee Gas	-	-	0.1	-	-	0.1
Total Current Derivative Assets	$ 20.1	$ -	$ 5.0	$ 6.7	$ -	$ 31.8
Long-Term Derivative Assets:						
Level 2:						
NU Parent	$ -	$ -	$ -	$ 6.5	$ -	$ 6.5
Level 3:						
CL&P [1]	259.0	-	-	-	(75.8)	183.2
Total Long-Term Derivative Assets	$ 259.0	$ -	$ -	$ 6.5	$ (75.8)	$ 189.7
Current Derivative Liabilities:						
Level 2:						
PSNH	$ -	$ -	$ (18.8)	$ -	$ -	$ (18.8)
Level 3:						
NU Enterprises [2]	-	(13.0)	-	-	4.3	(8.7)
CL&P [4]	(10.3)	-	-	-	0.5	(9.8)
Yankee Gas	-	-	(0.4)	-	-	(0.4)
Total Current Derivative Liabilities	$ (10.3)	$ (13.0)	$ (19.2)	$ -	$ 4.8	$ (37.7)
Long-Term Derivative Liabilities:						
Level 2:						

PSNH	$	-	$	-	$	(7.6)	$	-	$	-	$	(7.6)
Level 3:												
NU Enterprises [1]		-		(41.1)		-		-		6.7		(34.4)
CL&P		(913.3)		-		-		-		-		(913.3)
Yankee Gas		-		-		(0.3)		-		-		(0.3)
Total Long-Term Derivative Liabilities	$	(913.3)	$	(41.1)	$	(7.9)	$	-	$	6.7	$	(955.6)

(1)

Amounts in Collateral and Netting represent derivative contracts that are netted against the fair value of the gross derivative asset/liability.

(2)

Collateral and Netting amounts as of June 30, 2010 for NU Enterprises current derivative liabilities represent cash collateral posted that is under master netting agreements. As of December 31, 2009, Collateral and Netting included derivative assets of $2.2 million that are netted against the fair value of derivative liabilities and cash collateral of $2.1 million posted under master netting agreements.

(3)

On PSNH's accompanying unaudited condensed consolidated balance sheet, the current portion of the net derivative asset is shown in Prepayments and Other Current Assets.

(4)

Collateral and Netting amounts represent cash posted under master netting agreements.

For further information on the fair value of derivative contracts, see Note 1B, "Summary of Significant Accounting Policies - 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 hedges</u>

NU Enterprises' commodity sales contract and related price and supply risk management: As of June 30, 2010 and December 31, 2009, NU Enterprises had approximately 0.3 million MWh and 0.4 million MWh, respectively, of supply volumes remaining in its wholesale portfolio when expected sales to an agency that is comprised of municipalities are compared with contracted supply, both of which extend through 2013.

CL&P commodity and capacity contracts required by regulation: As of June 30, 2010 and December 31, 2009, CL&P had 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 one generating project that has been modified and one generating plant to be built. The total capacity of these CfDs and two additional CfDs entered into by UI is expected to be approximately 787 MW. CL&P has an agreement with UI, which is also accounted for as a derivative, under which they 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 ISO-NE capacity markets for periods of up to 15 years beginning in 2009.

Commodity price and supply risk management: As of June 30, 2010 and December 31, 2009, CL&P had 1.5 million and 2.7 million MWh, respectively, remaining under FTRs that extend through December 2010 and require monthly payments or receipts.

PSNH has electricity procurement contracts with delivery dates through 2011 to purchase an aggregate amount of 0.7 million and 1 million MWh of power as of June 30, 2010 and December 31, 2009, respectively, 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 0.3 million and 0.6 million MWh of electricity through December 2010 as of June 30, 2010 and December 31, 2009, respectively. In addition, PSNH has entered into FTRs to manage the risk of congestion costs associated with its electricity delivery service. As of June 30, 2010 and December 31, 2009, there were 0.2 million and 0.4 million MWh, respectively, remaining under FTRs that extend through December 2010 and required 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.

As of June 30, 2010 and December 31, 2009, Yankee Gas had 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 three thousand MMBtu expires on October 31, 2010 and the other contract for 14 thousand MMBtu expires on April 1, 2012. Demand fees on these contracts are paid annually and are included in Yankee Gas' PGA clause for recovery.

The following table presents the realized and unrealized gains/(losses) associated with derivative contracts not designated as hedges:

		Amount of Gain/(Loss) Recognized on Derivative Instrument			
Derivatives Not Designated as Hedges	**Location of Gain or Loss Recognized on Derivative**	**For the Three Months Ended**		**For the Six Months Ended**	
		June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**

(Millions of Dollars)								
NU Enterprises:								
Commodity Sales Contract and Related Price and Supply Risk Management	Fuel, Purchased and Net Interchange Power	$	0.7	$	2.4	$	0.5	$	7.8
Regulated Companies:								
CL&P Energy and Capacity Contracts Required by Regulation	Regulatory Assets/Liabilities		(23.1)		61.2		(91.8)		50.2
Other Commodity Price and Supply Risk Management:								
CL&P	Regulatory Assets/Liabilities		(0.6)		(1.1)		(3.6)		(7.0)
PSNH	Regulatory Assets/Liabilities		1.9		(8.3)		(15.7)		(50.8)
Yankee Gas	Regulatory Assets/Liabilities		-		(1.2)		(0.4)		(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 on the accompanying unaudited condensed consolidated financial statements. Regulatory assets/liabilities are established with no impact to Net Income.

Derivatives designated as hedging instruments

Interest Rate Risk Management: To manage the interest rate risk characteristics of NU parent's fixed rate long-term debt, NU parent 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 qualifies and was designated as a fair value hedge and requires semi-annual cash settlements. The changes in fair value of the swap and the interest component of the hedged long-term debt instrument are recorded in Interest Expense on the accompanying unaudited condensed consolidated statements of income. There was no ineffectiveness recorded for the six months ended June 30, 2010 and 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 Current Assets.

For the three and six months ended June 30, 2010 and 2009, the realized and unrealized gains/(losses) related to changes in fair value of the swap and Long-Term Debt as well as pre-tax Interest Expense, recorded in Net Income, were as follows:

	For the Three Months Ended			
	June 30, 2010		**June 30, 2009**	
(Millions of Dollars)	**Swap**	**Hedged Debt**	**Swap**	**Hedged Debt**
Changes in Fair Value	$ 3.5	$ (3.5)	$ (3.8)	$ 3.8
Interest Recorded in Net Income	-	2.5	-	2.4

	For the Six Months Ended			
	June 30, 2010		**June 30, 2009**	
(Millions of Dollars)	**Swap**	**Hedged Debt**	**Swap**	**Hedged Debt**
Changes in Fair Value	$ 7.4	$ (7.4)	$ (3.3)	$ 3.3
Interest Recorded in Net Income	-	5.3	-	3.8

There were no cash flow hedges outstanding as of or during the three or six months ended June 30, 2010 and 2009 and no ineffectiveness was recorded during these periods. From time to time, NU, including CL&P, PSNH and WMECO, enters 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 Loss. Cash flow hedges impact Net Income when hedge ineffectiveness is measured and recorded, when the forecasted transaction being hedged is improbable of occurring or when the transaction is settled. When a cash flow hedge is terminated, the settlement amount is recorded in Accumulated Other Comprehensive Loss and is amortized into Net Income over the term of the underlying debt instrument.

Pre-tax gains/(losses) amortized from Accumulated Other Comprehensive Loss into Interest Expense on the accompanying unaudited condensed consolidated statements of income were as follows:

	For the Three Months Ended		For the Six Months Ended	
(Millions of Dollars)	**June 30, 2010**	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
CL&P	$ (0.2)	$ (0.2)	$ (0.4)	$ (0.4)
PSNH	-	-	(0.1)	(0.1)
WMECO	-	-	0.1	0.1
Other	0.1	0.1	0.2	0.2
NU	$ (0.1)	$ (0.1)	$ (0.2)	$ (0.2)

For further information, see Note 5, "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 parent, to maintain investment grade credit ratings from the major rating agencies and to post cash or standby LOCs as collateral for contracts in a net liability position over specified credit limits. NU parent provides standby LOCs under its revolving credit agreement for NU 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, 2010 and December 31, 2009:

	As of June 30, 2010		
(Millions of Dollars)	**Fair Value Subject to Credit Risk Contingent Features**	**Cash Collateral Posted**	**Standby LOCs Posted**
PSNH	$ (23.9)	$ -	$ 29.0
NU Enterprises	(21.0)	3.7	-
NU	$ (44.9)	$ 3.7	$ 29.0

	As of December 31, 2009		
(Millions of Dollars)	**Fair Value Subject to Credit Risk Contingent Features**	**Cash Collateral Posted**	**Standby LOCs Posted**
PSNH	$ (26.4)	$ -	$ 25.0
NU Enterprises	(20.0)	2.1	-
NU	$ (46.4)	$ 2.1	$ 25.0

Additional collateral is required to be posted by NU Enterprises, CL&P or PSNH, respectively, if the respective unsecured debt credit ratings of NU parent, CL&P or PSNH are downgraded below investment grade. As of June 30, 2010, no additional cash collateral

would have been required to be posted if credit ratings had been downgraded below investment grade. However, if the senior unsecured debt of NU parent had been downgraded to below investment grade, additional standby LOCs in the amount of $17.5 million would have been required to be posted on derivative contracts for Select Energy. As of December 31, 2009, no additional cash collateral would have been required to be posted if credit ratings had been downgraded below investment grade. However, if the senior unsecured debt of PSNH or NU parent had been downgraded to below investment grade, additional standby LOCs in the amount of $1.8 million and $17.8 million would have been 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.

Fair Value Measurements of Derivative Instruments:

Valuation of Derivative Instruments: Derivative contracts classified as Level 2 in the fair value hierarchy include Other Commodity Price and Supply Risk Management contracts and Interest Rate Risk Management contracts. Other Commodity Price and Supply Risk Management contracts include PSNH forward contracts to purchase energy for periods for which prices are quoted in an active market. Prices are obtained from broker quotes and based on actual market activity. The contracts are valued using the mid-point of the bid-ask spread. Valuations of these contracts also incorporate discount rates using the yield curve approach. Interest Rate Risk Management contracts represent interest rate swap agreements and are valued using a market approach provided by the swap counterparty using a discounted cash flow approach utilizing forward interest rate curves.

The derivative contracts classified as Level 3 in the tables below include NU Enterprises Sales Contract and Related Price and Supply Risk Management contracts, the Regulated companies Commodity and Capacity Contracts Required by Regulation (including CL&P's CfDs and contracts with certain IPPs), and Other Commodity Price and Supply Risk Management contracts (PSNH and Yankee Gas physical options, and CL&P and PSNH FTRs.) For Commodity and Capacity Contracts Required by Regulation and NU Enterprises Commodity Sales contract, fair value is modeled using income techniques such as discounted cash flow approaches adjusted for assumptions relating to exit price. Significant observable inputs for valuations of these contracts include energy and energy-related product prices for which quoted prices in an active market exist. Significant unobservable inputs used in the valuations of these contracts include energy and energy-related product prices for future years for long-dated derivative contracts and future contract quantities under requirements and supplemental sales contracts. 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 include assumptions regarding the timing and likelihood of scheduled payments and also reflect nonperformance risk, including credit, using the default probability approach based on the counterparty's credit rating for assets and the company s credit rating for liabilities.

Other Commodity Price and Supply Risk Management contracts classified as Level 3 in the tables below are valued using income approaches including a Black-Scholes option pricing model. Observable inputs used in valuing options include prices for energy and energy-related products for years for which quoted prices in an active market exist. Unobservable inputs included in the valuation of options contracts include market volatilities related to future energy prices and the estimated likelihood that the option will be exercised. FTRs are valued using broker quotes based on prices in an inactive market.

Valuations using significant unobservable inputs: The following tables present changes for the three and six months ended June 30, 2010 and 2009 in the Level 3 category of derivative assets and derivative liabilities measured at fair value on a recurring basis. The derivative assets and liabilities 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 or six months ended June 30, 2010 or 2009:

	For the Three Months Ended June 30, 2010 NU			
(Millions of Dollars)	Commodity and Capacity Contracts Required By Regulation	Commodity Sales Contracts and Related Price and Supply Risk Management	Other Commodity Price and Supply Risk Management	Total Level 3
Derivatives, Net:				
Fair Value as of Beginning of Period	$ (792.9)	$ (42.6)	$ 1.6	$ (833.9)
Net Realized/Unrealized Gains/(Losses) Included in:				
Net Income [(1)]	-	0.7	-	0.7
Regulatory Assets/Liabilities	(23.1)	-	(0.6)	(23.7)
Purchases, Issuances and Settlements	(2.3)	2.4	-	0.1
Fair Value as of End of Period	$ (818.3)	$ (39.5)	$ 1.0	$ (856.8)
Period Change in Unrealized Gains Included in Net Income Relating to Items Held as of End of Period	$ -	$ 0.5	$ -	$ 0.5

	For the Three Months Ended June 30, 2010 CL&P			PSNH
(Millions of Dollars)	Commodity and Capacity Contracts Required By Regulation	Other Commodity Price and Supply Risk Management	Total Level 3	Other Commodity Price and Supply Risk Management
Derivatives, Net:				
Fair Value as of Beginning of Period	$ (792.9)	$ 2.4	$ (790.5)	$ -
Net Realized/Unrealized Losses Included in:				
Regulatory Assets/Liabilities	(23.1)	(0.6)	(23.7)	-
Purchases, Issuances and Settlements	(2.3)	-	(2.3)	-
Fair Value as of End of Period	$ (818.3)	$ 1.8	$ (816.5)	$ -

	For the Six Months Ended June 30, 2010 NU			
(Millions of Dollars)	Commodity and	Commodity Sales	Other Commodity	Total Level 3

	Capacity Contracts Required By Regulation	Contracts and Related Price and Supply Risk Management	Price and Supply Risk Management	
Derivatives, Net:				
Fair Value as of Beginning of Period	$ (720.3)	$ (45.2)	$ 4.3	$ (761.2)
Net Realized/Unrealized Gains/(Losses) Included in:				
Net Income [(1)]	-	0.5	-	0.5
Regulatory Assets/Liabilities	(91.8)	-	(4.2)	(96.0)
Purchases, Issuances and Settlements	(6.2)	5.2	0.9	(0.1)
Fair Value as of End of Period	$ (818.3)	$ (39.5)	$ 1.0	$ (856.8)
Period Change in Unrealized Losses Included in Net Income Relating to Items Held as of End of Period	$ -	$ (0.1)	$ -	$ (0.1)

	For the Six Months Ended June 30, 2010			
(Millions of Dollars)	Commodity and Capacity Contracts Required By Regulation	CL&P Other Commodity Price and Supply Risk Management	Total Level 3	PSNH Other Commodity Price and Supply Risk Management
Derivatives, Net:				
Fair Value as of Beginning of Period	$ (720.3)	$ 4.5	$ (715.8)	$ 0.4
Net Realized/Unrealized Losses Included in:				
Regulatory Assets/Liabilities	(91.8)	(3.6)	(95.4)	(0.2)
Purchases, Issuances and Settlements	(6.2)	0.9	(5.3)	(0.2)
Fair Value as of End of Period	$ (818.3)	$ 1.8	$ (816.5)	$ -

(Millions of Dollars)	For the Three Months Ended June 30, 2009			For the Six Months Ended June 30, 2009		
Derivatives, Net:	**NU**	**CL&P**	**PSNH**	**NU**	**CL&P**	**PSNH**
Fair Value as of Beginning of Period	$ (680.3)	$ (633.3)	$ 1.4	$ (669.2)	$ (611.1)	$ 4.1
Net Realized/Unrealized Gains/(Losses) Included in:						
Net Income [1]	2.4	-	-	7.8	-	-
Regulatory Assets/Liabilities	58.8	60.1	(0.1)	38.3	43.2	(2.8)
Purchases, Issuances and Settlements	5.1	2.7	-	9.1	(2.6)	-
Fair Value as of End of Period	$ (614.0)	$ (570.5)	$ 1.3	$ (614.0)	$ (570.5)	$ 1.3
Period Change in Unrealized Gains Included in Net Income Relating to Items Held as of End of Period	$ 2.2	$ -	$ -	$ 7.4	$ -	$ -

(1)

Realized and unrealized gains and losses on derivatives included in Net Income relate to the remaining NU Enterprises' marketing contracts and are reported in Fuel, Purchased and Net Interchange Power on the accompanying unaudited condensed consolidated statements of income.

3.

PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

NUSCO, a subsidiary of NU, sponsors the Pension Plan, a single uniform noncontributory defined benefit retirement plan, which is subject to the provisions of the Employee Retirement Income Security Act. The Pension Plan covers nonbargaining unit employees (and bargaining unit employees, as negotiated) of NU, including CL&P, PSNH, and WMECO, hired before 2006 (or as negotiated, for bargaining unit employees). On behalf of NU's retirees, NUSCO also sponsors plans that provide certain retiree health care benefits, primarily medical and dental, and life insurance benefits through a PBOP Plan. In addition, NU maintains a SERP, which provides benefits to eligible participants who are officers of NU. 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, 2010 and 2009 are as follows:

	For the Three Months Ended June 30,					
NU	**Pension Benefits**		**PBOP Benefits**		**SERP Benefits**	
(Millions of Dollars)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Service Cost	$ 12.2	$ 11.3	$ 2.0	$ 1.8	$ 0.2	$ 0.2
Interest Cost	37.7	38.3	6.7	7.2	0.6	0.6
Expected Return on Plan Assets	(45.7)	(47.3)	(5.5)	(5.3)	-	-
Net Transition Obligation Cost	-	6.8	2.9	2.4	-	-
Prior Service Cost	2.5	2.4	-	-	-	-
Actuarial Loss/(Gain)	13.6	(1.6)	4.4	3.2	0.2	0.1
Total - Net Periodic Expense	$ 20.3	$ 9.9	$ 10.5	$ 9.3	$ 1.0	$ 0.9
CL&P - Net Periodic Expense/(Income)	$ 2.2	$ (1.4)	$ 4.2	$ 3.8	$ 0.1	$ 0.1
PSNH - Net Periodic Expense	$ 7.0	$ 5.8	$ 2.0	$ 1.7	$ 0.1	$ 0.1
WMECO - Net Periodic (Income)/Expense	$ *	$ (0.7)	$ 0.8	$ 0.7	$ *	$ *

	For the Six Months Ended June 30,					
NU	**Pension Benefits**		**PBOP Benefits**		**SERP Benefits**	
(Millions of Dollars)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Service Cost	$ 25.1	$ 22.5	$ 4.3	$ 3.6	$ 0.4	$ 0.4
Interest Cost	75.2	76.8	13.4	14.5	1.1	1.1
Expected Return on Plan Assets	(91.3)	(94.7)	(10.8)	(10.4)	-	-
Net Transition Obligation Cost	-	6.9	5.7	5.2	-	-
Prior Service Cost/(Credit)	4.9	4.9	(0.1)	-	-	0.1
Actuarial Loss	26.3	3.5	8.3	5.7	0.5	0.2
Total - Net Periodic Expense	$ 40.2	$ 19.9	$ 20.8	$ 18.6	$ 2.0	$ 1.8
CL&P - Net Periodic Expense/(Income)	$ 4.3	$ (2.8)	$ 8.5	$ 7.8	$ 0.2	$ 0.2
PSNH - Net Periodic Expense	$ 14.0	$ 11.6	$ 3.9	$ 3.5	$ 0.1	$ 0.1
WMECO - Net Periodic (Income)/Expense	$ (0.1)	$ (1.4)	$ 1.5	$ 1.4	$ *	$ *

*A de minimis amount of net periodic 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)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Pension Benefits	$ 6.0	$ 3.0	$ 1.4	$ 0.7	$ 1.1	$ 0.4
PBOP Benefits	2.1	2.0	0.5	0.5	0.4	0.3
SERP Benefits	0.5	0.5	0.1	0.1	0.1	0.1

	For the Six Months Ended June 30,					
	CL&P		PSNH		WMECO	
(Millions of Dollars)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Pension Benefits	$ 11.6	$ 6.7	$ 2.7	$ 1.5	$ 2.1	$ 1.0
PBOP Benefits	4.0	3.7	1.0	0.9	0.7	0.6
SERP Benefits	1.0	0.9	0.3	0.2	0.2	0.1

A portion of the pension amounts is capitalized related to employees who are working on capital projects. Amounts capitalized, including intercompany allocations, for NU, 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)	**2010**	**2009**	**2010**	**2009**
NU	$ 4.4	$ 1.5	$ 8.8	$ 3.1
CL&P	1.8	(0.1)	3.5	(0.1)
PSNH	2.1	1.5	4.1	2.9
WMECO	0.1	(0.2)	0.3	(0.3)

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

4.

COMMITMENTS AND CONTINGENCIES

A.

Environmental Matters (NU, PSNH)

NU, CL&P, PSNH and WMECO are subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or the remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current and former operating sites. MGP sites comprise the largest portion of the Company's environmental liabilities. MGP sites are sites where the process of producing manufactured gas from coal created certain byproducts that may pose a risk to human health and the environment.

Environmental Matters Impacting Net Income:

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 MGP site which it sold to HG&E in 1902. MGP sites are sites where the process of producing manufactured gas from coal created certain byproducts that may pose a risk to human health and the environment. HWP shares responsibility for the site with HG&E and has already conducted substantial investigative and remediation activities. HWP first established a reserve for this site in 1994.

The MA DEP issued a letter in 2008 to HWP and HG&E providing conditional authorization for additional investigatory and risk characterization activities and providing detailed comments on HWP's 2007 reports and proposals for further investigations. The MA DEP also indicated that further removal of tar in certain areas was necessary. This letter represented guidance rather than a mandate from the MA DEP. HWP developed and implemented site characterization studies to further delineate tar deposits in conformity with the MA DEP's guidance letter. On April 5, 2010, HWP delivered a report to the MA DEP describing the results to date of its site investigation studies and testing. These matters are subject to ongoing discussions with the MA DEP and HG&E and are subject to change in the future.

Pre-tax charges of $1.1 million and $3 million were recorded in 2009 and 2008, respectively, to reflect the estimated costs of tar delineation and site characterization studies. In the first quarter of 2010, a pre-tax charge of $1 million was recorded to reflect the estimated remaining costs to complete these studies and analyze and substantiate them for the MA DEP. The cumulative expense recorded to the reserve for this environmental matter through June 30, 2010 was approximately $17.9 million, of which $16.5 million had been spent, leaving approximately $1.4 million in the reserve as of June 30, 2010, representing estimated costs for HWP to substantiate its studies and conduct certain soft tar remediation activities. Management believes that the $1.4 million remaining in the reserve is at the low end of a range of probable costs for HWP and additional costs cannot be reasonably estimated at this time.

There are many factors that could affect management's estimates and require an increase to the reserve, which would be reflected as a charge to Net Income. However, management cannot reasonably estimate potential additional investigation or remediation costs because they will depend on, among other things, the nature, extent and timing of additional investigation and remediation that may be required by the MA DEP. These costs could be material to the financial statements. HWP's share of the costs related to this site is not recoverable from customers.

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Environmental Matters Not Impacting Net Income:

PSNH has conducted substantial investigative activities and evaluated remediation requirements in the Ashuelot River and Mill Creek in Keene, New Hampshire, which contains coal tar deposits. Yankee Gas has conducted substantial investigative activities, evaluated remediation options, and developed remediation action plans for the Meriden and Bristol sites in Connecticut, which contain coal tar deposits.

In the first quarter of 2010, $7.5 million was recorded to PSNH's environmental reserve for the Keene sites to reflect estimated remediation activities approved by the New Hampshire Department of Environmental Services and expected to be performed in 2010 and 2011. In the second quarter of 2010, $5.4 million was recorded to Yankee Gas' environmental reserve for the Meriden and Bristol sites to reflect estimated remediation activities necessary to achieve compliance with Connecticut Remediation Standard Regulations, which are expected to be performed in 2011. As of June 30, 2010, the $12.9 million was recorded in Other Long-Term Liabilities with an offset recorded to Regulatory Assets on the accompanying unaudited condensed consolidated balance sheet because both PSNH and Yankee Gas have a regulatory rate recovery mechanism for environmental costs. Management believes these costs are probable of recovery in future cost-of-service regulated rates.

The cumulative cost recorded to NU's reserve for these environmental matters through June 30, 2010 was approximately $21 million ($13.6 million for PSNH and $7.4 million for Yankee Gas), of which $8.6 million ($6.8 million for PSNH and $1.8 million for Yankee Gas) had been spent, leaving approximately $12.4 million ($6.8 million for PSNH and $5.6 million for Yankee Gas) in the reserve as of June 30, 2010. The $12.4 million remaining in the reserve is management's best estimate to complete the remediation activities.

The amounts recorded as environmental liabilities included in Other Long-Term Liabilities on the accompanying consolidated balance sheets represent management s best estimate of environmental costs, if reasonably estimable, and take into consideration site assessment and remediation costs. A reconciliation of the activity in the environmental reserve as of June 30, 2010 and December 31, 2009 is as follows:

		NU		CL&P		PSNH		WMECO
Balance as of December 31, 2009	$	26.0	$	2.7	$	5.3	$	0.4
Additions		9.0		0.1		7.6		-
Payments		(1.0)		(0.1)		(0.1)		(0.1)
Balance as of March 31, 2010		34.0		2.7		12.8		0.3
Additions		5.5		0.2		-		0.1
Payments		(1.1)		(0.1)		(0.8)		(0.1)
Balance as of June 30, 2010	$	38.4	$	2.8	$	12.0	$	0.3

B.

Guarantees and Indemnifications

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 sale of SESI, formerly a subsidiary of NU Enterprises, with an aggregate fair value amount recorded of $0.3 million. Other indemnifications in connection with the sale of SESI include specific indemnifications for estimated costs to complete or modify specific projects, indemnifications to lenders for payment of shortfalls in the event of early termination of government contracts, and surety bonds covering certain projects. The maximum exposure on these items is either not specified or not material, and no amounts are recorded as liabilities. NU parent also provided guarantees and various indemnifications on behalf of external parties as a result of the sales of NU Enterprises' former retail marketing business and competitive generation business. These included indemnifications for compliance with tax and environmental laws, and various claims for which the maximum exposure was not specified in the sale agreements.

Management does not anticipate a material impact to net income to result from these various guarantees and indemnifications. The following table summarizes the NU, including CL&P, PSNH, and WMECO, maximum exposure as of June 30, 2010, in accordance with guidance on guarantor's accounting and disclosure requirements for guarantees and expiration dates:

Subsidiary	**Description**	**Maximum Exposure (in millions)**	**Expiration Date(s)**
Various	Surety Bonds	$ 11.5	July 2010 - June 2011 (1)
PSNH and Select Energy	Letters Of Credit	$ 39.6	November 2010
RRR and NUSCO	Lease Payments for Real Estate and Vehicles	$ 22.7	2019-2024
NU Enterprises	Surety Bonds, Insurance Bonds and Performance Guarantees	$ 119.6 (2)	(2)

(1)

Surety bond expiration dates reflect bond termination dates, the majority of which will be renewed or extended.

(2)

The maximum exposure includes $72.3 million related to performance guarantees on Select Energy's wholesale purchase contracts, which expire in 2013, assuming purchase contracts guaranteed have no value; however, actual exposures vary with underlying commodity prices. The maximum exposure also includes $17.5 million related to a performance guarantee of NG