CONNECTICUT LIGHT & POWER CO
Form 10-Q
August 05, 2011

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, 2011

OR

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

For the transition period from ____________ to ____________

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-5324	**NORTHEAST UTILITIES** (a Massachusetts voluntary association) One Federal Street Building 111-4 Springfield, Massachusetts 01105 Telephone: (413) 785-5871	04-2147929
0-00404	**THE CONNECTICUT LIGHT AND POWER COMPANY** (a Connecticut corporation) 107 Selden Street Berlin, Connecticut 06037-1616 Telephone: (860) 665-5000	06-0303850
1-6392	**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE** (a New Hampshire corporation) Energy Park 780 North Commercial Street Manchester, New Hampshire 03101-1134 Telephone: (603) 669-4000	02-0181050

0-7624	**WESTERN MASSACHUSETTS ELECTRIC COMPANY** (a Massachusetts corporation) One Federal Street Building 111-4 Springfield, Massachusetts 01105 Telephone: (413) 785-5871	04-1961130

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

Yes	No
ü	

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

Yes	No
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, 2011
Northeast Utilities	
Common shares, $5.00 par value	176,893,612 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
NPT	Northern Pass Transmission LLC, a jointly owned limited liability company, held by NUTV and NSTAR Transmission Ventures, Inc. on a 75 percent and 25 percent basis, respectively
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, Select Energy Contracting, Inc. 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 and WMECO, Yankee Gas, a natural gas local distribution company, and NPT
RRR	The Rocky River Realty Company
Select Energy	Select Energy, Inc.
WMECO	Western Massachusetts Electric Company
Yankee	Yankee Energy System, Inc.
Yankee Gas	Yankee Gas Services Company

REGULATORS:

DEEP	Department of Energy and Environmental Protection
DOE	U.S. Department of Energy
DPU	Massachusetts Department of Public Utilities
DPUC	Connecticut Department of Public Utility Control
EPA	U.S. Environmental Protection Agency
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
MA DEP	Massachusetts Department of Environmental Protection
NHPUC	New Hampshire Public Utilities Commission
PURA	Public Utility Regulatory Authority
SEC	Securities and Exchange Commission

OTHER:

2010 Form 10-K	The Northeast Utilities and subsidiaries 2010 combined Annual Report on Form 10-K as filed with the SEC
2010 Healthcare Act	Patient Protection and Affordable Care Act
2010 Tax Act	Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act
AOCI	Accumulated Other Comprehensive Income/(Loss)
AFUDC	Allowance For Funds Used During Construction
C&LM	Conservation and Load Management
CTA	Competitive Transition Assessment
CWIP	Construction work in progress
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
ES	Default Energy Service
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
Fitch	Fitch Ratings
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	Giga-watt Hours
HG&E	Holyoke Gas and Electric, a municipal department of the town of Holyoke, MA
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
Hydro Renewable Energy	H.Q. Hydro Renewable Energy, Inc., a wholly-owned subsidiary of Hydro-Québec
IASB	International Accounting Standards Board
IPP	Independent Power Producers
ISO-NE	ISO New England, Inc., the New England Independent System Operator
ISO-NE Tariff	ISO-NE FERC Transmission, Markets and Services Tariff
KV	Kilovolt
KWh	Kilowatt-Hours
LNG	Liquefied natural gas
LOC	Letter of Credit
LRS	Last resort service
MGP	Manufactured Gas Plant
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 into New Hampshire
NU supplemental benefit trust	The NU Trust Under Supplemental Executive Retirement Plan
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
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
RMR	Reliability Must Run
ROE	Return on Equity
RRB	Rate Reduction Bond or Rate Reduction Certificate
RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SERP	Supplemental Executive Retirement Plan
SS	Standard service
TCAM	Transmission Cost Adjustment Mechanism
TSA	Transmission Service Agreement

UI	The United Illuminating Company
VIE	Variable interest entity
WWL Project	The construction of a 16-mile gas pipeline between Waterbury and Wallingford, Connecticut and the increase of vaporization output of Yankee Gas' LNG plant
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

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
ITEM 1 - Unaudited Condensed Consolidated Financial Statements for the Following Companies:	
Northeast Utilities and Subsidiaries	
Condensed Consolidated Balance Sheets (Unaudited) - June 30, 2011 and December 31, 2010	1
Condensed Consolidated Statements of Income (Unaudited) - Three and Six Months Ended June 30, 2011 and 2010	3
Condensed Consolidated Statements of Cash Flows (Unaudited) - Six Months Ended June 30, 2011 and 2010	4
The Connecticut Light and Power Company and Subsidiaries	
Condensed Consolidated Balance Sheets (Unaudited) - June 30, 2011 and December 31, 2010	5
Condensed Consolidated Statements of Income (Unaudited) - Three and Six Months Ended June 30, 2011 and 2010	7
Condensed Consolidated Statements of Cash Flows (Unaudited) - Six Months Ended June 30, 2011 and 2010	8
Public Service Company of New Hampshire and Subsidiaries	
Condensed Consolidated Balance Sheets (Unaudited) - June 30, 2011 and December 31, 2010	9
Condensed Consolidated Statements of Income (Unaudited) - Three and Six Months Ended June 30, 2011 and 2010	11
Condensed Consolidated Statements of Cash Flows (Unaudited) - Six Months Ended June 30, 2011 and 2010	12

Western Massachusetts Electric Company and Subsidiary

Condensed Consolidated Balance Sheets (Unaudited) - June 30, 2011 and December 31, 2010	13
Condensed Consolidated Statements of Income (Unaudited) - Three and Six Months Ended June 30, 2011 and 2010	15
Condensed Consolidated Statements of Cash Flows (Unaudited) - Six Months Ended June 30, 2011 and 2010	16
Combined Notes to Condensed Consolidated Financial Statements (Unaudited - all companies)	17
Report of Independent Registered Public Accounting Firm	40

	Page
ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations for the following companies:	
Northeast Utilities and Subsidiaries	41
The Connecticut Light and Power Company and Subsidiaries	57
Public Service Company of New Hampshire and Subsidiaries	60
Western Massachusetts Electric Company and Subsidiary	63
ITEM 3 - Quantitative and Qualitative Disclosures About Market Risk	65
ITEM 4 - Controls and Procedures	65
PART II - OTHER INFORMATION	
ITEM 1 - Legal Proceedings	66
ITEM 1A - Risk Factors	66
ITEM 2 - Unregistered Sales of Equity Securities and Use of Proceeds	67
ITEM 6 Exhibits	68
SIGNATURES	70

This Page Intentionally Left Blank

NORTHEAST UTILITIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)		June 30, 2011		December 31, 2010
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	15,107	$	23,395
Receivables, Net		470,921		523,644
Unbilled Revenues		154,370		208,834
Taxes Receivable		49,130		89,638
Fuel, Materials and Supplies		230,754		244,043
Regulatory Assets		242,137		238,699
Marketable Securities		74,680		78,306
Prepayments and Other Current Assets		100,763		100,441
Total Current Assets		1,337,862		1,507,000
Property, Plant and Equipment, Net		9,863,789		9,567,726
Deferred Debits and Other Assets:				
Regulatory Assets		2,656,093		2,756,580
Goodwill		287,591		287,591
Marketable Securities		58,154		51,201
Derivative Assets		86,730		123,242
Other Long-Term Assets		152,127		179,261
Total Deferred Debits and Other Assets		3,240,695		3,397,875
Total Assets	$	14,442,346	$	14,472,601

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, 2011	December 31, 2010
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Banks	$ 137,000	$ 267,000
Long-Term Debt - Current Portion	336,991	66,286
Accounts Payable	373,799	417,285
Obligations to Third Party Suppliers	74,522	74,659
Accrued Taxes	104,125	107,067
Accrued Interest	69,582	74,740
Regulatory Liabilities	152,956	99,403
Derivative Liabilities	105,583	71,501
Other Current Liabilities	121,469	167,206
Total Current Liabilities	1,476,027	1,345,147
Rate Reduction Bonds	147,252	181,572
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	1,777,163	1,636,750
Regulatory Liabilities	273,909	339,655
Derivative Liabilities	884,283	909,668
Accrued Pension	798,467	802,195
Other Long-Term Liabilities	696,040	695,915
Total Deferred Credits and Other Liabilities	4,429,862	4,384,183
Capitalization:		
Long-Term Debt	4,356,052	4,632,866
Noncontrolling Interest in Consolidated Subsidiary:		
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200
Equity:		
Common Shareholders' Equity:		
Common Shares	979,884	978,909
Capital Surplus, Paid In	1,785,907	1,777,592
Retained Earnings	1,546,493	1,452,777
Accumulated Other Comprehensive Loss	(45,791)	(43,370)
Treasury Stock	(351,387)	(354,732)
Common Shareholders' Equity	3,915,106	3,811,176
Noncontrolling Interests	1,847	1,457
Total Equity	3,916,953	3,812,633
Total Capitalization	8,389,205	8,561,699

Total Liabilities and Capitalization	$	14,442,346	$	14,472,601

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

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

(Thousands of Dollars, Except Share Information)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating Revenues	$ 1,047,481	$ 1,111,426	$ 2,282,732	$ 2,450,845
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	340,300	442,230	814,409	1,045,578
Other Operating Expenses	262,818	206,664	514,796	454,937
Maintenance	78,825	66,817	146,589	112,454
Depreciation	73,637	79,075	147,588	157,731
Amortization of Regulatory Assets, Net	17,262	8,893	51,669	566
Amortization of Rate Reduction Bonds	17,086	54,997	34,367	114,567
Taxes Other Than Income Taxes	79,419	74,406	167,823	160,005
Total Operating Expenses	869,347	933,082	1,877,241	2,045,838
Operating Income	178,134	178,344	405,491	405,007
Interest Expense:				
Interest on Long-Term Debt	57,044	58,522	114,444	115,791
Interest on Rate Reduction Bonds	2,293	5,633	4,871	12,324
Other Interest	2,897	3,042	1,468	6,343
Interest Expense	62,234	67,197	120,783	134,458
Other Income, Net	7,334	1,552	17,647	9,608
Income Before Income Tax Expense	123,234	112,699	302,355	280,157
Income Tax Expense	44,515	39,351	108,052	119,209
Net Income	78,719	73,348	194,303	160,948
Net Income Attributable to Noncontrolling Interests	1,441	1,402	2,870	2,792
Net Income Attributable to Controlling Interests	$ 77,278	$ 71,946	$ 191,433	$ 158,156
Basic and Diluted Earnings Per Common Share	$ 0.44	$ 0.41	$ 1.08	$ 0.90
Dividends Declared Per Common Share	$ 0.28	$ 0.26	$ 0.55	$ 0.51

Weighted Average Common Shares Outstanding:				
Basic	177,347,374	176,571,189	177,267,791	176,460,476
Diluted	177,626,992	176,736,532	177,553,995	176,637,003

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

3

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

	Six Months Ended June 30,	
(Thousands of Dollars)	2011	2010
Operating Activities:		
Net Income	$ 194,303	$ 160,948
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	9,374	17,176
Depreciation	147,588	157,731
Deferred Income Taxes	95,293	37,850
Pension and PBOP Expense, Net of PBOP Contributions	51,324	25,529
Pension Contribution	(19,200)	-
Regulatory Overrecoveries, Net	40,434	21,569
Amortization of Regulatory Assets, Net	51,669	566
Amortization of Rate Reduction Bonds	34,367	114,567
Derivative Assets and Liabilities	(9,272)	(5,640)
Other	(7,192)	(29,707)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	80,696	34,703
Fuel, Materials and Supplies	12,992	52,024
Taxes Receivable/Accrued	48,933	(3,856)
Accounts Payable	(23,981)	(53,480)
Other Current Assets and Liabilities	(20,633)	3,799
Net Cash Flows Provided by Operating Activities	686,695	533,779
Investing Activities:		
Investments in Property, Plant and Equipment	(468,526)	(442,404)
Proceeds from Sales of Marketable Securities	72,369	95,452
Purchases of Marketable Securities	(73,564)	(96,546)
Proceeds from Sale of Assets	46,841	-
Other Investing Activities	(4,828)	(4,369)
Net Cash Flows Used in Investing Activities	(427,708)	(447,867)
Financing Activities:		
Cash Dividends on Common Shares	(97,207)	(90,194)
Cash Dividends on Preferred Stock	(2,779)	(2,779)
(Decrease)/Increase in Short-Term Debt	(130,000)	57,000
Issuance of Long-Term Debt	122,000	145,000
Retirements of Long-Term Debt	(124,086)	(4,286)
Retirements of Rate Reduction Bonds	(34,320)	(128,600)
Other Financing Activities	(883)	(230)
Net Cash Flows Used in Financing Activities	(267,275)	(24,089)
Net (Decrease)/Increase in Cash and Cash Equivalents	(8,288)	61,823

Cash and Cash Equivalents - Beginning of Period		23,395		26,952
Cash and Cash Equivalents - End of Period	$	15,107	$	88,775

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

4

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

(Thousands of Dollars)		June 30, 2011		December 31, 2010
ASSETS				
Current Assets:				
Cash	$	5,078	$	9,762
Receivables, Net		295,688		317,530
Accounts Receivable from Affiliated Companies		3,678		822
Notes Receivable from Affiliated Companies		24,125		-
Unbilled Revenues		87,486		116,392
Taxes Receivable		24,121		48,360
Regulatory Assets		163,917		157,530
Materials and Supplies		73,063		63,811
Accumulated Deferred Income Taxes		21,366		-
Prepayments and Other Current Assets		20,180		27,466
Total Current Assets		718,702		741,673
Property, Plant and Equipment, Net		5,655,205		5,586,504
Deferred Debits and Other Assets:				
Regulatory Assets		1,668,232		1,721,416
Derivative Assets		82,902		115,870
Other Long-Term Assets		96,981		89,729
Total Deferred Debits and Other Assets		1,848,115		1,927,015
Total Assets	$	8,222,022	$	8,255,192

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, 2011		December 31, 2010
LIABILITIES AND CAPITALIZATION				
Current Liabilities:				
Notes Payable to Affiliated Companies	$	-		6,225
Long-Term Debt - Current Portion		62,000		62,000
Accounts Payable		173,098		204,868
Accounts Payable to Affiliated Companies		46,911		53,207
Obligations to Third Party Suppliers		67,026		68,692
Accrued Taxes		94,841		92,061
Accrued Interest		38,774		42,548
Regulatory Liabilities		102,869		75,716
Derivative Liabilities		83,442		46,781
Other Current Liabilities		49,042		46,209
Total Current Liabilities		718,003		698,307
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes		1,165,269		1,068,344
Regulatory Liabilities		141,635		206,394
Derivative Liabilities		863,292		883,091
Accrued Pension		36,364		42,486
Other Long-Term Liabilities		315,912		321,793
Total Deferred Credits and Other Liabilities		2,522,472		2,522,108
Capitalization:				
Long-Term Debt		2,521,457		2,521,102
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		1,606,014		1,605,275
Retained Earnings		680,010		734,561
Accumulated Other Comprehensive Loss		(2,486)		(2,713)
Common Stockholder's Equity		2,343,890		2,397,475
Total Capitalization		4,981,547		5,034,777
Total Liabilities and Capitalization	$	8,222,022	$	8,255,192

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

6

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

	Three Months Ended		Six Months Ended	
(Thousands of Dollars)	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Operating Revenues	$ 608,013	$ 707,917	$ 1,281,695	$ 1,502,897
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	207,163	290,553	462,533	653,374
Other Operating Expenses	139,308	120,293	273,570	255,106
Maintenance	41,869	32,821	82,651	54,660
Depreciation	38,442	47,944	77,917	95,469
Amortization of Regulatory Assets, Net	13,705	20,640	33,049	22,311
Amortization of Rate Reduction Bonds	-	38,924	-	82,207
Taxes Other Than Income Taxes	52,727	50,585	111,193	108,114
Total Operating Expenses	493,214	601,760	1,040,913	1,271,241
Operating Income	114,799	106,157	240,782	231,656
Interest Expense:				
Interest on Long-Term Debt	33,430	33,630	66,758	67,262
Interest on Rate Reduction Bonds	-	2,243	-	5,275
Other Interest	868	1,334	(2,708)	3,197
Interest Expense	34,298	37,207	64,050	75,734
Other Income, Net	2,058	745	6,663	5,678
Income Before Income Tax Expense	82,559	69,695	183,395	161,600
Income Tax Expense	29,924	25,610	66,423	69,102
Net Income	$ 52,635	$ 44,085	$ 116,972	$ 92,498

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 CASH FLOWS
(Unaudited)

(Thousands of Dollars)	Six Months Ended June 30, 2011	2010
Operating Activities:		
Net Income	$ 116,972	$ 92,498
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	2,252	5,494
Depreciation	77,917	95,469
Deferred Income Taxes	60,425	11,624
Pension and PBOP Expense, Net of PBOP Contributions	9,868	3,602
Regulatory Overrecoveries, Net	24,142	30,459
Amortization of Regulatory Assets, Net	33,049	22,311
Amortization of Rate Reduction Bonds	-	82,207
Other	(17,752)	(29,444)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	34,192	15,679
Materials and Supplies	(11,761)	4,767
Taxes Receivable/Accrued	31,797	12,694
Accounts Payable	(12,078)	(38,735)
Other Current Assets and Liabilities	9,968	22,341
Net Cash Flows Provided by Operating Activities	358,991	330,966
Investing Activities:		
Investments in Property, Plant and Equipment	(201,966)	(191,667)
(Increase)/Decrease in NU Money Pool Lending	(24,125)	97,775
Proceeds from Sale of Assets	46,841	-
Other Investing Activities	(6,489)	1,463
Net Cash Flows Used in Investing Activities	(185,739)	(92,429)
Financing Activities:		
Cash Dividends on Common Stock	(168,744)	(145,992)
Cash Dividends on Preferred Stock	(2,779)	(2,779)
(Decrease)/Increase in NU Money Pool Borrowings	(6,225)	15,625
Retirements of Rate Reduction Bonds	-	(96,267)
Other Financing Activities	(188)	(170)
Net Cash Flows Used in Financing Activities	(177,936)	(229,583)
Net (Decrease)/Increase in Cash	(4,684)	8,954
Cash - Beginning of Period	9,762	45
Cash - End of Period	$ 5,078	$ 8,999

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

8

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

(Thousands of Dollars)	June 30, 2011	December 31, 2010
ASSETS		
Current Assets:		
Cash	$ 2,413	$ 2,559
Receivables, Net	87,958	105,070
Accounts Receivable from Affiliated Companies	646	858
Unbilled Revenues	44,358	48,691
Taxes Receivable	2,796	12,564
Fuel, Materials and Supplies	106,371	116,074
Regulatory Assets	38,705	39,215
Prepayments and Other Current Assets	29,879	20,098
Total Current Assets	313,126	345,129
Property, Plant and Equipment, Net	2,135,883	2,053,281
Deferred Debits and Other Assets:		
Regulatory Assets	375,551	395,203
Other Long-Term Assets	59,932	85,508
Total Deferred Debits and Other Assets	435,483	480,711
Total Assets	$ 2,884,492	$ 2,879,121

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, 2011	December 31, 2010
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Banks	$ 22,000	$ 30,000
Notes Payable to Affiliated Companies	43,800	47,900
Accounts Payable	71,278	85,324
Accounts Payable to Affiliated Companies	19,854	20,007
Accrued Interest	8,463	10,231
Regulatory Liabilities	22,369	8,365
Derivative Liabilities	9,097	12,834
Other Current Liabilities	25,371	36,726
Total Current Liabilities	222,232	251,387
Rate Reduction Bonds	112,195	138,247
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	336,877	314,996
Regulatory Liabilities	57,104	58,631
Accrued Pension	253,824	261,096
Other Long-Term Liabilities	100,518	91,952
Total Deferred Credits and Other Liabilities	748,323	726,675
Capitalization:		
Long-Term Debt	838,304	836,365
Common Stockholder's Equity:		
Common Stock	-	-
Capital Surplus, Paid In	599,917	579,577
Retained Earnings	367,186	347,471
Accumulated Other Comprehensive Loss	(3,665)	(601)
Common Stockholder's Equity	963,438	926,447
Total Capitalization	1,801,742	1,762,812
Total Liabilities and Capitalization	$ 2,884,492	$ 2,879,121

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, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Operating Revenues	$ 240,191	$ 238,322	$ 509,661	$ 496,890
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	69,342	83,253	156,474	187,024
Other Operating Expenses	54,226	56,073	110,647	119,199
Maintenance	29,859	25,625	48,563	41,627
Depreciation	18,122	16,020	36,030	31,988
Amortization of Regulatory Assets/(Liabilities), Net	2,465	(11,627)	18,032	(17,322)
Amortization of Rate Reduction Bonds	13,004	12,246	26,139	24,637
Taxes Other Than Income Taxes	15,234	13,348	28,902	26,426
Total Operating Expenses	202,252	194,938	424,787	413,579
Operating Income	37,939	43,384	84,874	83,311
Interest Expense:				
Interest on Long-Term Debt	8,317	9,268	16,941	18,780
Interest on Rate Reduction Bonds	1,676	2,516	3,570	5,237
Other Interest	408	185	346	364
Interest Expense	10,401	11,969	20,857	24,381
Other Income/(Loss), Net	4,361	(197)	8,820	2,215
Income Before Income Tax Expense	31,899	31,218	72,837	61,145
Income Tax Expense	10,234	9,602	23,708	23,719
Net Income	$ 21,665	$ 21,616	$ 49,129	$ 37,426

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)

(Thousands of Dollars)	Six Months Ended June 30, 2011	2010
Operating Activities:		
Net Income	$ 49,129	$ 37,426
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	3,303	4,282
Depreciation	36,030	31,988
Deferred Income Taxes	20,773	15,486
Pension and PBOP Expense, Net of PBOP Contributions	11,112	9,606
Pension Contribution	(15,175)	-
Regulatory Overrecoveries/(Underrecoveries), Net	726	(5,459)
Amortization of Regulatory Assets/(Liabilities), Net	18,032	(17,322)
Amortization of Rate Reduction Bonds	26,139	24,637
Insurance Proceeds	-	10,000
Other	(2,545)	(21,057)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	12,844	3,338
Fuel, Materials and Supplies	11,915	30,714
Taxes Receivable/Accrued	9,767	2,057
Accounts Payable	(8,611)	(12,305)
Other Current Assets and Liabilities	(16,885)	(4,558)
Net Cash Flows Provided by Operating Activities	156,554	108,833
Investing Activities:		
Investments in Property, Plant and Equipment	(111,459)	(141,709)
Other Investing Activities	1,928	(4,367)
Net Cash Flows Used in Investing Activities	(109,531)	(146,076)
Financing Activities:		
Cash Dividends on Common Stock	(29,414)	(25,292)
Decrease in Short-Term Debt	(8,000)	-
Issuance of Long-Term Debt	122,000	-
Retirements of Long-Term Debt	(119,800)	-
Decrease in NU Money Pool Borrowings	(4,100)	(18,900)
Capital Contributions from NU Parent	20,000	115,428
Retirements of Rate Reduction Bonds	(26,052)	(24,568)
Other Financing Activities	(1,803)	(114)
Net Cash Flows (Used in)/Provided by Financing Activities	(47,169)	46,554

Net (Decrease)/Increase in Cash		(146)		9,311
Cash - Beginning of Period		2,559		1,974
Cash - End of Period	$	2,413	$	11,285

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, 2011		December 31, 2010
ASSETS				
Current Assets:				
Cash	$	1	$	1
Receivables, Net		37,948		37,585
Accounts Receivable from Affiliated Companies		585		505
Unbilled Revenues		14,539		16,578
Taxes Receivable		8		7,346
Materials and Supplies		4,062		3,664
Regulatory Assets		19,454		19,531
Marketable Securities		28,033		33,194
Prepayments and Other Current Assets		1,624		1,968
Total Current Assets		106,254		120,372
Property, Plant and Equipment, Net		908,654		817,146
Deferred Debits and Other Assets:				
Regulatory Assets		191,939		207,584
Marketable Securities		29,085		23,860
Other Long-Term Assets		29,931		30,597
Total Deferred Debits and Other Assets		250,955		262,041
Total Assets	$	1,265,863	$	1,199,559

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, 2011		December 31, 2010
LIABILITIES AND CAPITALIZATION				
Current Liabilities:				
Notes Payable to Banks	$	20,000	$	-
Notes Payable to Affiliated Companies		28,100		20,400
Accounts Payable		65,344		48,344
Accounts Payable to Affiliated Companies		10,832		7,848
Accrued Interest		6,736		6,787
Regulatory Liabilities		16,579		7,959
Accumulated Deferred Income Taxes		2,818		5,902
Other Current Liabilities		10,957		9,842
Total Current Liabilities		161,366		107,082
Rate Reduction Bonds		35,057		43,325
Deferred Credits and Other Liabilities:				
Accumulated Deferred Income Taxes		229,399		218,063
Regulatory Liabilities		16,904		15,048
Other Long-Term Liabilities		55,834		58,169
Total Deferred Credits and Other Liabilities		302,137		291,280
Capitalization:				
Long-Term Debt		400,362		400,288
Common Stockholder's Equity:				
Common Stock		10,866		10,866
Capital Surplus, Paid In		253,360		248,044
Retained Earnings		103,741		98,757
Accumulated Other Comprehensive Loss		(1,026)		(83)
Common Stockholder's Equity		366,941		357,584
Total Capitalization		767,303		757,872
Total Liabilities and Capitalization	$	1,265,863	$	1,199,559

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

14

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

	Three Months Ended		Six Months Ended	
(Thousands of Dollars)	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Operating Revenues	$ 98,390	$ 92,473	$ 205,074	$ 192,680
Operating Expenses:				
Fuel, Purchased and Net Interchange Power	32,617	36,720	72,821	80,352
Other Operating Expenses	26,376	23,067	52,606	46,293
Maintenance	4,214	5,367	8,986	9,909
Depreciation	6,625	5,868	12,963	11,821
Amortization of Regulatory Assets/(Liabilities), Net	1,796	(721)	1,196	(2,290)
Amortization of Rate Reduction Bonds	4,082	3,827	8,228	7,722
Taxes Other Than Income Taxes	4,203	4,080	8,745	8,163
Total Operating Expenses	79,913	78,208	165,545	161,970
Operating Income	18,477	14,265	39,529	30,710
Interest Expense:				
Interest on Long-Term Debt	4,722	4,726	9,476	8,607
Interest on Rate Reduction Bonds	617	874	1,301	1,811
Other Interest	121	57	257	183
Interest Expense	5,460	5,657	11,034	10,601
Other Income, Net	242	161	981	765
Income Before Income Tax Expense	13,259	8,769	29,476	20,874
Income Tax Expense	5,088	3,520	11,339	9,966
Net Income	$ 8,171	$ 5,249	$ 18,137	$ 10,908

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)

(Thousands of Dollars)	Six Months Ended June 30, 2011	2010
Operating Activities:		
Net Income	$ 18,137	$ 10,908
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Bad Debt Expense	1,860	3,304
Depreciation	12,963	11,821
Deferred Income Taxes	7,004	5,061
Regulatory Overrecoveries/(Underrecoveries), Net	8,754	(8,181)
Amortization of Regulatory Assets/(Liabilities), Net	1,196	(2,290)
Amortization of Rate Reduction Bonds	8,228	7,722
Other	(2,034)	(3,136)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	405	(1,762)
Materials and Supplies	(398)	(767)
Taxes Receivable/Accrued	9,523	(80)
Accounts Payable	1,021	605
Other Current Assets and Liabilities	(281)	393
Net Cash Flows Provided by Operating Activities	66,378	23,598
Investing Activities:		
Investments in Property, Plant and Equipment	(76,898)	(46,354)
Proceeds from Sales of Marketable Securities	57,746	69,196
Purchases of Marketable Securities	(57,888)	(69,350)
Increase in NU Money Pool Lending	-	(22,000)
Other Investing Activities	(792)	(170)
Net Cash Flows Used in Investing Activities	(77,832)	(68,678)
Financing Activities:		
Cash Dividends on Common Stock	(13,153)	(7,441)
Increase in Short-Term Debt	20,000	-
Issuance of Long-Term Debt	-	95,000
Increase/(Decrease) in NU Money Pool Borrowings	7,700	(136,100)
Retirements of Rate Reduction Bonds	(8,268)	(7,765)
Capital Contributions from NU Parent	5,186	102,600
Other Financing Activities	(11)	(1,214)
Net Cash Flows Provided by Financing Activities	11,454	45,080
Net Change in Cash	-	-

Cash - Beginning of Period		1		1
Cash - End of Period	$	1	$	1

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)

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.

1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.

Proposed Merger with NSTAR

On October 18, 2010, NU and NSTAR announced that each company's Board of Trustees unanimously approved a merger agreement (the "agreement"), under which NSTAR will become a direct wholly owned subsidiary of NU. The transaction is structured as a merger of equals in a tax-free exchange of shares. Under the terms of the agreement, NSTAR shareholders will receive 1.312 NU common shares for each NSTAR common share that they own (the "exchange ratio"). Shareholders of both NU and NSTAR approved the proposed merger at special meetings of shareholders held on March 4, 2011. Post-transaction, NU will provide electric and natural gas energy delivery service to approximately 3.5 million electric and natural gas customers through six regulated electric and natural gas utilities in Connecticut, Massachusetts and New Hampshire.

The exchange ratio was structured to result in a no premium merger based on the average closing share price of each company's common shares for the 20 trading days preceding the announcement. Based on the number of NU common shares and NSTAR common shares estimated to be outstanding immediately prior to the closing of the merger, upon such closing, NU will be owned approximately 56 percent by NU shareholders and approximately 44 percent by former NSTAR shareholders. It is anticipated that NU will issue approximately 137 million common shares to the NSTAR shareholders as a result of the merger. Subject to the conditions in the agreement, NU s first quarterly dividend per common share paid after the completion of the merger will be increased to an amount that is equivalent, after adjusting for the exchange ratio, to NSTAR's last quarterly dividend paid prior to the closing.

At closing, NU will acquire NSTAR and, in accordance with accounting standards for business combinations, account for the transaction as an acquisition of NSTAR by NU.

Completion of the merger is subject to various customary conditions, including, among others, receipt of all required regulatory approvals. NU has received regulatory approvals from the FCC, the FERC and the Maine Public Utilities Commission and the applicable Hart-Scott-Rodino waiting period has expired. The DPUC and the NHPUC have issued decisions stating they do not have jurisdiction over the merger. NU is awaiting approval from the DPU and the Nuclear Regulatory Commission.

B.

Presentation

Pursuant to the rules and regulations of the SEC, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted. 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 2011 combined Quarterly Report on Form 10-Q, and the 2010 combined Annual Report on Form 10-K of NU, CL&P, PSNH, and WMECO, which was filed with the SEC (NU 2010 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, 2011 and December 31, 2010, the results of operations for the three and six months ended June 30, 2011 and 2010, and cash flows for the six months ended June 30, 2011 and 2010. The results of operations for the three months ended June 30, 2011 and 2010, and the results of operations and cash flows for the six months ended June 30, 2011 and 2010, are not necessarily indicative of the results expected for a full year.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with 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.

As of June 30, 2011, NU, CL&P, PSNH and WMECO have adjusted the presentation of Regulatory Assets and Liabilities to reflect the current portions, and related deferred tax amounts, as current assets and liabilities on the unaudited condensed consolidated balance sheets. Amounts as of December 31, 2010 have been reclassified to conform to the June 30, 2011 presentation. For additional information, see Note 2, "Regulatory Accounting," to the unaudited condensed consolidated financial statements.

Certain other reclassifications of prior period data were made in the accompanying unaudited condensed consolidated statements of cash flows for all companies presented. 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. NU did not identify any such events that required recognition or disclosure under this guidance.

C.

Accounting Standards Issued But Not Yet Adopted

In May 2011, the FASB and IASB issued a final Accounting Standards Update (ASU) on fair value measurement, effective January 1, 2012, that is not expected to have a material impact on NU s financial position, results of operations or cash flows, but will require additional financial statement disclosures related to fair value measurements.

D.

Restricted Cash

As of June 30, 2011, NU, CL&P, and PSNH had $15.9 million, $7.4 million, and $7 million, respectively, of restricted cash, primarily relating to amounts held in escrow related to property damage at CL&P and insurance proceeds on bondable property at PSNH, which were included in Prepayments and Other Current Assets on the accompanying unaudited condensed consolidated balance sheets. NU, CL&P, and PSNH had no restricted cash as of December 31, 2010.

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 the accounts are terminated and these balances are deemed to be uncollectible.

The provision for uncollectible accounts, which are included in Receivables, Net on the accompanying unaudited condensed consolidated balance sheets, is as follows:

(Millions of Dollars)		**As of June 30, 2011**		**As of December 31, 2010**
NU	$	38.2	$	39.8
CL&P		16.4		17.2
PSNH		7.5		6.8
WMECO		5.2		6.0

F.

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.

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 4, "Derivative Instruments," and Note 5, "Marketable Securities," to the unaudited condensed consolidated financial statements.

G.

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, 2011	June 30, 2010	June 30, 2011	June 30, 2010
(Millions of Dollars, except percentages)	NU	NU	NU	NU
AFUDC:				
Borrowed Funds	$ 3.3	$ 2.3	$ 6.5	$ 4.2
Equity Funds	6.3	3.8	11.9	6.9
Total	$ 9.6	$ 6.1	$ 18.4	$ 11.1
Average AFUDC Rate	7.8%	7.0%	7.4%	6.8%

	For the Three Months Ended					
	June 30, 2011			June 30, 2010		
(Millions of Dollars, except percentages)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
AFUDC:						
Borrowed Funds	$ 0.7	$ 2.3	$ 0.1	$ 0.7	$ 1.5	$ 0.1
Equity Funds	1.2	4.4	0.1	1.2	2.4	0.2
Total	$ 1.9	$ 6.7	$ 0.2	$ 1.9	$ 3.9	$ 0.3
Average AFUDC Rate	7.9%	7.7%	6.8%	8.0%	6.7%	6.7%

	For the Six Months Ended					
	June 30, 2011			June 30, 2010		
(Millions of Dollars, except percentages)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
AFUDC:						
Borrowed Funds	$ 1.5	$ 4.4	$ 0.1	$ 1.4	$ 2.6	$ 0.1
Equity Funds	2.7	7.8	0.2	2.5	4.2	0.2
Total	$ 4.2	$ 12.2	$ 0.3	$ 3.9	$ 6.8	$ 0.3
Average AFUDC Rate	8.0%	7.3%	7.0%	8.0%	6.5%	4.1%

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 was recorded on 100 percent of CL&P's and WMECO's CWIP for their NEEWS projects through May 31, 2011, all of which was reserved as a regulatory liability to reflect rate base recovery for 100 percent of the CWIP as a result of FERC-approved transmission incentives. Effective June 1, 2011, FERC approved changes to the ISO-NE Tariff in order to include 100 percent of the NEEWS CWIP in regional rate base. As a result, CL&P and WMECO will no longer record AFUDC on NEEWS CWIP.

H.

Other Income, Net

The other income/(loss) items included within Other Income, Net on the accompanying unaudited condensed consolidated statements of income primarily consist of investment income/(loss), interest income, AFUDC related to equity funds and 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.

I.

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:

	For the Three Months Ended		For the Six Months Ended	
(Millions of Dollars)	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**	**June 30, 2010**
NU	$ 32.0	$ 33.1	$ 70.7	$ 72.0
CL&P	28.8	30.2	60.2	62.2

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.

J. Supplemental Cash Flow Information

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

(Millions of Dollars)	**As of June 30, 2011**	**As of December 31, 2010**
NU	$ 109.4	$ 127.9
CL&P	19.4	46.2
PSNH	29.6	35.8
WMECO	39.7	21.2

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 unaudited condensed consolidated statements of cash flows.

19

2.

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.

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

	As of June 30, 2011		As of December 31, 2010	
(Millions of Dollars)	NU		NU	
Deferred Benefit Costs	$	1,036.1	$	1,094.2
Regulatory Assets Offsetting Derivative Liabilities		866.9		859.7
Securitized Assets		137.3		171.7
Income Taxes, Net		419.0		401.5
Unrecovered Contractual Obligations		112.4		123.2
Regulatory Tracker Deferrals		48.3		70.3
Storm Cost Deferrals		77.3		60.1
Asset Retirement Obligations		46.9		45.3
Losses on Reacquired Debt		22.3		21.5
Deferred Environmental Remediation Costs		39.8		36.8
Deferred Operation and Maintenance Costs		7.8		29.5
Other Regulatory Assets		84.1		81.5
Total Regulatory Assets	$	2,898.2	$	2,995.3
Less: Current Portion	$	242.1	$	238.7
Total Long-Term Regulatory Assets	$	2,656.1	$	2,756.6

	As of June 30, 2011						As of December 31, 2010					
(Millions of Dollars)	CL&P		PSNH		WMECO		CL&P		PSNH		WMECO	
Deferred Benefit Costs	$	445.6	$	145.9	$	91.2	$	471.8	$	152.6	$	96.0
Regulatory Assets Offsetting Derivative Liabilities		859.8		6.7		-		846.2		12.8		-
Securitized Assets		-		103.6		33.7		-		129.8		41.9
Income Taxes, Net		340.4		35.2		16.6		328.9		31.4		16.8
Unrecovered Contractual Obligations		89.6		-		22.8		97.9		-		25.3

Regulatory Tracker Deferrals		13.9		13.9		16.0		35.5		14.7		15.2
Storm Cost Deferrals		10.4		48.5		18.4		4.0		40.7		15.4
Asset Retirement Obligations		26.0		14.9		3.1		24.9		14.7		3.0
Losses on Reacquired Debt		11.1		9.5		0.3		11.2		8.4		0.4
Deferred Environmental Remediation Costs		-		9.7		-		-		9.7		-
Deferred Operation and Maintenance Costs		7.8		-		-		29.5		-		-
Other Regulatory Assets		27.5		26.4		9.3		29.0		19.6		13.1
Total Regulatory Assets	$	1,832.1	$	414.3	$	211.4	$	1,878.9	$	434.4	$	227.1
Less: Current Portion	$	163.9	$	38.7	$	19.5	$	157.5	$	39.2	$	19.5
Total Long-Term Regulatory Assets	$	1,668.2	$	375.6	$	191.9	$	1,721.4	$	395.2	$	207.6

Additionally, the Regulated companies had $4.4 million ($0.8 million for CL&P and $0.1 million for WMECO) and $37.5 million ($0.6 million for CL&P, $26.5 million for PSNH and $1.9 million for WMECO) of regulatory costs as of June 30, 2011 and December 31, 2010, 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.

During June 2011, the NHPUC approved for recovery costs incurred for the February 2010 winter storm restorations and certain costs related to 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. Both deferrals were previously recorded in Other Long-Term Assets. As of June 30, 2011, $10.9 million for the February 2010 wind storm costs and $7.2 million for the recovery of the future tax benefits lost as a result of the 2010 Healthcare Act were recorded as Regulatory Assets.

Major Storms: On June 1, 2011, a series of severe thunderstorms with high winds, including a tornado, struck portions of WMECO s service territory. The cost of restoring power, including rebuilding certain overhead electric distribution equipment and services, that was deferred for future recovery and recorded as a regulatory asset as of June 30, 2011 totaled $3.2 million. On June 9, 2011, another series of severe thunderstorms with high winds struck CL&P, PSNH and WMECO's service territories. The cost of restoration that was deferred for future recovery from customers and recorded as regulatory assets as of June 30, 2011 for CL&P and WMECO totaled $7.9 million and $1.2 million, respectively.

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

	As of June 30, 2011	As of December 31, 2010
(Millions of Dollars)	NU	NU
Cost of Removal	$ 186.7	$ 194.8
Regulatory Liabilities Offsetting Derivative Assets	-	38.1
Regulatory Tracker Deferrals	124.4	95.1
AFUDC Transmission Incentive	67.5	62.1
Pension Liability - Yankee Gas Acquisition	11.3	12.5
Overrecovered Spent Nuclear Fuel Costs and Contractual Obligations	14.6	14.6
Wholesale Transmission Overcollections	8.7	13.7
Other Regulatory Liabilities	13.7	8.2
Total Regulatory Liabilities	$ 426.9	$ 439.1
Less: Current Portion	$ 153.0	$ 99.4
Total Long-Term Regulatory Liabilities	$ 273.9	$ 339.7

	As of June 30, 2011			As of December 31, 2010		
(Millions of Dollars)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Cost of Removal	$ 72.8	$ 55.8	$ 9.3	$ 78.6	$ 57.3	$ 9.5
Regulatory Liabilities Offsetting Derivative Assets	-	-	-	38.1	-	-
Regulatory Tracker Deferrals	84.8	19.4	11.6	79.4	6.6	4.8
AFUDC Transmission Incentive	58.2	-	9.3	56.5	-	5.6
Overrecovered Spent Nuclear Fuel Costs and Contractual Obligations	14.6	-	-	14.6	-	-
Wholesale Transmission Overcollections	7.6	-	1.1	13.7	-	-
WMECO Provision For Rate Refunds	-	-	1.8	-	-	2.0
Other Regulatory Liabilities	6.5	4.3	0.4	1.2	3.1	1.1
Total Regulatory Liabilities	$ 244.5	$ 79.5	$ 33.5	$ 282.1	$ 67.0	$ 23.0
Less: Current Portion	$ 102.9	$ 22.4	$ 16.6	$ 75.7	$ 8.4	$ 8.0
Total Long-Term Regulatory Liabilities	$ 141.6	$ 57.1	$ 16.9	$ 206.4	$ 58.6	$ 15.0

3. 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, 2011	As of December 31, 2010
(Millions of Dollars)	NU	NU
Distribution - Electric	$ 6,350.2	$ 6,197.2

Distribution - Natural Gas		1,168.5		1,126.6
Transmission		3,407.1		3,378.0
Generation		720.6		697.1
Electric and Natural Gas Utility		11,646.4		11,398.9
Other [1]		304.4		305.5
Total Property, Plant and Equipment, Gross		11,950.8		11,704.4
Less: Accumulated Depreciation				
Electric and Natural Gas Utility		(2,938.0)		(2,862.3)
Other		(119.3)		(119.9)
Total Accumulated Depreciation		(3,057.3)		(2,982.2)
Property, Plant and Equipment, Net		8,893.5		8,722.2
Construction Work in Progress		970.3		845.5
Total Property, Plant and Equipment, Net	$	9,863.8	$	9,567.7

(1)

These assets are primarily owned by RRR ($162.8 million and $166 million) and NUSCO ($129.7 million and $126.6 million) as of June 30, 2011 and December 31, 2010, respectively, and are mainly comprised of building improvements at RRR and software and equipment at NUSCO.

	As of June 30, 2011			As of December 31, 2010		
(Millions of Dollars)	**CL&P**	**PSNH**	**WMECO**	**CL&P**	**PSNH**	**WMECO**
Distribution	$ 4,293.6	$ 1,405.6	$ 684.8	$ 4,180.7	$ 1,375.4	$ 673.7
Transmission	2,649.2	497.0	260.9	2,668.4	476.1	233.5
Generation	-	711.1	9.5	-	687.7	9.4
Total Property, Plant and Equipment, Gross	6,942.8	2,613.7	955.2	6,849.1	2,539.2	916.6
Less: Accumulated Depreciation	(1,543.6)	(862.8)	(234.6)	(1,508.7)	(837.3)	(228.5)
Property, Plant and Equipment, Net	5,399.2	1,750.9	720.6	5,340.4	1,701.9	688.1
Construction Work in Progress	256.0	385.0	188.1	246.1	351.4	129.0
Total Property, Plant and Equipment, Net	$ 5,655.2	$ 2,135.9	$ 908.7	$ 5,586.5	$ 2,053.3	$ 817.1

On May 31, 2011, CL&P completed the sale of a segment of high voltage transmission lines in the town of Wallingford, Connecticut. The net book value of the assets sold was $42.5 million. CL&P will operate and maintain the lines under an operations and maintenance agreement.

4.

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. 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. Changes in fair values of NU's remaining unregulated wholesale marketing contracts are included in Net Income.

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 energy 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 SS or LRS 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, 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. The costs or benefits from these contracts are recoverable from or refundable to CL&P's customers, and, therefore 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 basic service contracts, which fix the price of electricity purchased for customers for periods of time ranging from three months to one year 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 and FTRs. PSNH enters into these contracts in order to stabilize electricity prices for customers by mitigating uncertainties associated with the New England spot market. The costs or benefits from these contracts are recoverable from or refundable to PSNH's customers, and, therefore changes in fair value are recorded as Regulatory Assets and Regulatory Liabilities on the accompanying unaudited condensed consolidated balance sheets.

NU, through Yankee Gas, mitigates the risks associated with supply availability and volatility of natural gas prices through the use of storage facilities and agreements to purchase natural gas supply for customers. The costs associated with mitigating these risks are recoverable from customers, and, therefore changes in fair value are recorded as Regulatory Assets and Regulatory Liabilities on the accompanying unaudited condensed consolidated balance sheets.

NU, through Select Energy, has one remaining fixed price forward sales contract to serve electrical load that is part of its remaining unregulated wholesale energy marketing portfolio. NU mitigates the price risk associated with this contract through the use of forward purchase contracts. The contracts are accounted for at fair value, and changes in their fair values are recorded in Fuel, Purchased and Net Interchange Power 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 balance its fixed and floating rate debt. This interest rate swap 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 current and long-term portions, in the accompanying unaudited condensed consolidated balance sheets. Cash collateral posted or collected under master netting agreements is recorded as an offset to the derivative asset or liability. 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, 2011				
	Derivatives Not Designated as Hedges				
(Millions of Dollars)	**Commodity and Capacity Contracts Required by Regulation**	**Commodity Supply and Price Risk Management**	**Hedging Instruments**	**Collateral and Netting** (1)	**Net Amount Recorded as Derivative Asset/(Liability)**
Current Derivative Assets:					
Level 2:					
Other	$ -	$ -	$ 7.7	$ -	$ 7.7
Level 3:					
CL&P	15.2	1.0	-	(11.1)	5.1
Other	-	2.2	-	-	2.2
Total Current Derivative Assets	$ 15.2	$ 3.2	$ 7.7	$ (11.1)	$ 15.0
Long-Term Derivative Assets:					
Level 3:					
CL&P	$ 160.6	$ -	$ -	$ (77.7)	$ 82.9
Other	-	3.8	-	-	3.8
Total Long-Term Derivative Assets	$ 160.6	$ 3.8	$ -	$ (77.7)	$ 86.7
Current Derivative Liabilities:					
Level 2:					
PSNH	$ -	$ (6.7)	$ (2.4)	$ -	$ (9.1)
WMECO	-	-	(1.5)	-	(1.5)
Level 3:					
CL&P	(83.3)	(0.1)	-	-	(83.4)
Other	-	(12.5)	-	0.9	(11.6)
Total Current Derivative Liabilities	$ (83.3)	$ (19.3)	$ (3.9)	$ 0.9	$ (105.6)
Long-Term Derivative Liabilities:					
Level 3:					
CL&P	$ (863.3)	$ -	$ -	$ -	$ (863.3)
Other	-	(21.4)	-	0.4	(21.0)
Total Long-Term Derivative Liabilities	$ (863.3)	$ (21.4)	$ -	$ 0.4	$ (884.3)

23

	As of December 31, 2010				
	Derivatives Not Designated as Hedges				
(Millions of Dollars)	**Commodity and Capacity Contracts Required by Regulation**	**Commodity Supply and Price Risk Management**	**Hedging Instruments**	**Collateral and Netting (1)**	**Net Amount Recorded as Derivative Asset/(Liability)**
Current Derivative Assets:					
Level 2:					
Other	$ -	$ -	$ 7.7	$ -	$ 7.7
Level 3:					
CL&P	5.8	2.1	-	-	7.9
Other	-	1.7	-	-	1.7
Total Current Derivative Assets	$ 5.8	$ 3.8	$ 7.7	$ -	$ 17.3
Long-Term Derivative Assets:					
Level 2:					
Other	$ -	$ -	$ 4.1	$ -	$ 4.1
Level 3:					
CL&P	195.9	-	-	(80.0)	115.9
Other	-	3.2	-	-	3.2
Total Long-Term Derivative Assets	$ 195.9	$ 3.2	$ 4.1	$ (80.0)	$ 123.2
Current Derivative Liabilities:					
Level 2:					
PSNH	$ -	$ (12.8)	$ -	$ -	$ (12.8)
Level 3:					
CL&P	(54.3)	(0.2)	-	7.7	(46.8)
Other	-	(12.4)	-	0.5	(11.9)
Total Current Derivative Liabilities	$ (54.3)	$ (25.4)	$ -	$ 8.2	$ (71.5)
Long-Term Derivative Liabilities:					
Level 3:					
CL&P	$ (883.1)	$ -	$ -	$ -	$ (883.1)
Other	-	(26.8)	-	0.2	(26.6)
Total Long-Term Derivative Liabilities	$ (883.1)	$ (26.8)	$ -	$ 0.2	$ (909.7)

(1)

Amounts represent cash collateral posted under master netting agreements and the netting of derivative assets and liabilities. See "Credit Risk" below for discussion of cash collateral posted under master netting agreements.

For further information on the fair value of derivative contracts, see Note 1F, "Summary of Significant Accounting Policies - Fair Value Measurements," to the unaudited condensed consolidated financial statements.

Derivatives not designated as hedges

CL&P commodity and capacity contracts required by regulation: CL&P has capacity related contracts with generation facilities. These contracts and similar UI contracts, have an expected capacity of 787 MW. CL&P has a sharing agreement with UI, with 80 percent allocated to CL&P and 20 percent allocated to UI. The capacity contracts have terms up to 15 years and obligate the utilities to make or receive payments on a monthly basis to or from the generation facilities the difference between a set capacity price and the forward capacity market price received in the ISO-NE capacity markets. The largest of these generation facilities achieved commercial operation in July 2011. In addition, CL&P has a contract to purchase 0.1 million MWh of energy through 2020.

Commodity supply and price risk management: As of June 30, 2011 and December 31, 2010, CL&P had 1 million and 1.8 million MWh, respectively, remaining under FTRs that extend through December 2011 and require monthly payments or receipts.

PSNH has electricity procurement contracts with delivery dates through 2011 to purchase an aggregate amount of 0.2 million and 0.4 million MWh of power as of June 30, 2011 and December 31, 2010, respectively. In addition, PSNH has 0.2 million and 0.3 million MWh remaining under FTRs as of June 30, 2011 and December 31, 2010, respectively, that extend through December 2011 and require monthly payments or receipts.

As of June 30, 2011 and December 31, 2010, NU had approximately 0.1 million and 0.3 million MWh, respectively, of supply volumes remaining in its unregulated wholesale portfolio when expected sales to an agency that is comprised of municipalities are compared with contracted supply, both of which extend through 2013.

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			
	Location of Gain or Loss Recognized on Derivative	For the Three Months Ended		For the Six Months Ended	
(Millions of Dollars)		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
NU					
Commodity and Capacity Contracts Required by Regulation	Regulatory Assets/Liabilities	$ (13.0)	$ (23.1)	$ (43.2)	$ (91.8)
Commodity Supply and Price Risk Management	Regulatory Assets/Liabilities	(1.7)	1.3	(2.0)	(19.7)
Commodity Supply and Price Risk Management	Fuel, Purchased and Net Interchange Power	0.5	0.7	0.8	0.5
CL&P					
Commodity and Capacity Contracts Required by Regulation	Regulatory Assets/Liabilities	(13.0)	(23.1)	(43.2)	(91.8)
Commodity Supply and Price Risk Management	Regulatory Assets/Liabilities	(0.9)	(0.6)	(1.9)	(3.6)
PSNH					
Commodity Supply and Price Risk Management	Regulatory Assets/Liabilities	(0.8)	1.9	-	(15.7)

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.

Hedging instruments

Fair Value Hedge: To manage the balance of its fixed and floating rate debt, NU parent has a fixed to floating interest rate swap on its $263 million, 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 three and six months ended June 30, 2011 and 2010. 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.

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, were as follows:

	For the Three Months Ended			
	June 30, 2011		June 30, 2010	
(Millions of Dollars)	**Swap**	**Hedged Debt**	**Swap**	**Hedged Debt**
Changes in Fair Value	$ 0.9	$ (0.9)	$ 3.5	$ (3.5)
Interest Recorded in Net Income	-	2.7	-	2.5

	For the Six Months Ended			
	June 30, 2011		June 30, 2010	
(Millions of Dollars)	**Swap**	**Hedged Debt**	**Swap**	**Hedged Debt**
Changes in Fair Value	$ 1.3	$ (1.3)	$ 7.4	$ (7.4)
Interest Recorded in Net Income	-	5.4	-	5.3

Cash Flow Hedges: In March 2011, PSNH and WMECO entered into cash flow hedges related to a portion of their respective planned debt issuances. PSNH entered into two forward starting swaps to fix the U.S. dollar LIBOR swap rate of 3.73 percent on $80 million of a planned $160 million long-term debt issuance and 3.60 percent on $120 million of planned refinancing of PCRBs. On May 19, 2011, PSNH settled one of the cash flow hedges and the $2.9 million pre-tax reduction in AOCI will be amortized over the life of the debt. WMECO entered into a forward starting swap to fix the U.S. dollar LIBOR swap rate of 3.75 percent associated with $50 million of a planned $100 million long-term debt issuance. 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 AOCI. When a cash flow hedge is settled, the settlement amount is recorded in AOCI and is amortized into Net Income over the term of the underlying debt instrument. Cash flow hedges also 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.

The pre-tax impact of cash flow hedging instruments on AOCI is as follows:

	Gains/(Losses) Recognized on Derivative Instruments		Gains/(Losses) Reclassified from AOCI into Interest Expense[(1)]		Gains/(Losses) Reclassified from AOCI into Interest Expense[(1)]	
	For the Three Months Ended	For the Six Months Ended	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
NU	$ (8.7)	$ (6.8)	$ (0.1)	$ (0.1)	$ (0.2)	$ (0.2)
CL&P	-	-	(0.2)	(0.2)	(0.4)	(0.4)
PSNH	(6.8)	(5.3)	-	-	(0.1)	(0.1)
WMECO	(1.9)	(1.5)	-	-	0.1	0.1

(1)

Amounts that were reclassified from AOCI for the three and six months ended June 30, 2011 and 2010 relate to interest rate swap agreements that have been previously settled.

For further information, see Note 10, "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 and NU's sourcing contracts related to the remaining wholesale marketing contract, contain credit risk contingent features. These features require these companies 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, the fair value of cash collateral and standby LOCs posted with counterparties and the additional collateral in the form of LOCs that would be required to be posted by NU or PSNH if the respective unsecured debt credit ratings of NU parent or PSNH were downgraded to below investment grade as of June 30, 2011 and December 31, 2010:

	As of June 30, 2011							
(Millions of Dollars)	**Fair Value Subject to Credit Risk Contingent Features**		**Cash Collateral Posted**		**Standby LOCs Posted**		**Additional Cash or Standby LOCs Required if Downgraded Below Investment Grade**	
NU	$	(29.7)	$	0.9	$	6.0	$	25.8
PSNH		(9.1)		-		6.0		6.1
WMECO		(1.5)		-		-		1.5

	As of December 31, 2010							
(Millions of Dollars)	**Fair Value Subject to Credit Risk Contingent Features**		**Cash Collateral Posted**		**Standby LOCs Posted**		**Additional Standby LOCs Required if Downgraded Below Investment Grade**	
NU	$	(30.9)	$	0.5	$	24.0	$	18.5
PSNH		(12.8)		-		24.0		-

Fair Value Measurements of Derivative Instruments:

Valuation of Derivative Instruments: Derivative contracts classified as Level 2 in the fair value hierarchy include Commodity Supply and Price Risk Management contracts and Interest Rate Risk Management contracts. Commodity Supply and Price 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 the Regulated companies' Commodity and Capacity Contracts Required by Regulation, and Commodity Supply and Price Risk Management contracts (CL&P and PSNH FTRs and NU's remaining wholesale marketing portfolio). For Commodity and Capacity Contracts Required by Regulation and NU's remaining unregulated wholesale marketing portfolio, 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 Commodity and Capacity Contracts Required by Regulation and future contract quantities. 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.

The remaining contracts included in Commodity Supply and Price Risk Management and classified as Level 3 in the tables below 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, 2011 and 2010 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 and six months ended June 30, 2011 and 2010:

	For the Three Months Ended June 30, 2011 NU		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (843.9)	$ (28.8)	$ (872.7)
Net Realized/Unrealized Gains/(Losses) Included in:			
Net Income(1)	-	0.5	0.5
Regulatory Assets/Liabilities	(13.0)	(0.9)	(13.9)
Settlements	(2.7)	2.6	(0.1)
Fair Value as of End of Period	$ (859.6)	$ (26.6)	$ (886.2)
Period Change in Unrealized Gains Included in			
Net Income Relating to Items Held as of End of Period	$ -	$ 0.2	$ 0.2

	For the Six Months Ended June 30, 2011 NU		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (808.0)	$ (32.2)	$ (840.2)
Net Realized/Unrealized Gains/(Losses) Included in:			
Net Income(1)	-	0.8	0.8
Regulatory Assets/Liabilities	(43.2)	(2.0)	(45.2)
Settlements	(8.4)	6.8	(1.6)
Fair Value as of End of Period	$ (859.6)	$ (26.6)	$ (886.2)
Period Change in Unrealized Gains Included in			
Net Income Relating to Items Held as of End of Period	$ -	$ 0.6	$ 0.6

For the Three Months Ended June 30, 2011

	CL&P		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (843.9)	$ 1.3	$ (842.6)
Net Realized/Unrealized Losses Included in:			
Regulatory Assets/Liabilities	(13.0)	(0.9)	(13.9)
Settlements	(2.7)	0.5	(2.2)
Fair Value as of End of Period	$ (859.6)	$ 0.9	$ (858.7)

	For the Six Months Ended June 30, 2011 CL&P		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (808.0)	$ 1.9	$ (806.1)
Net Realized/Unrealized Losses Included in:			
Regulatory Assets/Liabilities	(43.2)	(1.9)	(45.1)
Settlements	(8.4)	0.9	(7.5)
Fair Value as of End of Period	$ (859.6)	$ 0.9	$ (858.7)

	For the Three Months Ended June 30, 2010 NU		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (792.9)	$ (41.0)	$ (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)
Settlements	(2.3)	2.4	0.1
Fair Value as of End of Period	$ (818.3)	$ (38.5)	$ (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 Six Months Ended June 30, 2010 NU		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
Derivatives, Net:			
Fair Value as of Beginning of Period	$ (720.3)	$ (40.9)	$ (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)
Settlements	(6.2)	6.1	(0.1)
Fair Value as of End of Period	$ (818.3)	$ (38.5)	$ (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 Three Months Ended June 30, 2010 CL&P		
(Millions of Dollars)	**Commodity and Capacity Contracts Required By Regulation**	**Commodity Supply and Price Risk Management**	**Total Level 3**
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)
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 CL&P					
(Millions of Dollars)		**Commodity and Capacity Contracts Required By Regulation**		**Commodity Supply and Price Risk Management**		**Total Level 3**
Derivatives, Net:						
Fair Value as of Beginning of Period	$	(720.3)	$	4.5	$	(715.8)
Net Realized/Unrealized Losses Included in:						
Regulatory Assets/Liabilities		(91.8)		(3.6)		(95.4)
Settlements		(6.2)		0.9		(5.3)
Fair Value as of End of Period	$	(818.3)	$	1.8	$	(816.5)

(1)

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

5.

MARKETABLE SECURITIES (NU, WMECO)

The Company elects to record mutual funds purchased by the NU supplemental benefit trust at fair value. As such, any change in fair value of these purchased equity securities are reflected in Net Income. These equity securities, classified as Level 1 in the fair value hierarchy, totaled $44.4 million and $42.2 million as of June 30, 2011 and December 31, 2010, respectively, and are included in current Marketable Securities. Gains on these securities of $0.3 million and $2.2 million for the three and six months ended June 30, 2011 and losses of $4.2 million and $2.5 million for the three and six months ended June 30, 2010, respectively, were recorded in Other Income, Net on the accompanying unaudited condensed consolidated statements of income. Dividend income is recorded when dividends are declared and are recorded in Other Income, Net on the accompanying unaudited condensed consolidated statements of income. All other marketable securities are accounted for as available-for-sale.

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

	As of June 30, 2011			
(Millions of Dollars)	**Amortized Cost**	**Pre-Tax Unrealized Gains(1)**	**Pre-Tax Unrealized Losses(1)**	**Fair Value**
NU				
U.S. Government Issued Debt Securities (Agency and Treasury)	$ 13.1	$ 0.3	$ -	$ 13.4
Corporate Debt Securities	12.6	0.5	-	13.1
Asset Backed Debt Securities	9.4	0.4	(0.1)	9.7
Municipal Bonds	26.4	0.1	-	26.5
Money Market Funds and Other	25.5	0.2	-	25.7
Total NU	$ 87.0	$ 1.5	$ (0.1)	$ 88.4
WMECO Spent Nuclear Fuel Trust				
Corporate Debt Securities	$ 5.9	$ -	$ -	$ 5.9
Asset Backed Debt Securities	3.1	-	(0.1)	3.0
Municipal Bonds	25.8	-	-	25.8
Money Market Funds and Other	22.4	-	-	22.4
Total WMECO Spent Nuclear Fuel Trust	$ 57.2	$ -	$ (0.1)	$ 57.1

	As of December 31, 2010			
(Millions of Dollars)	**Amortized Cost**	**Pre-Tax Unrealized Gains(1)**	**Pre-Tax Unrealized Losses(1)**	**Fair Value**

NU								
U.S. Government Issued Debt Securities								
(Agency and Treasury)	$	17.7	$	0.2	$	(0.1)	$	17.8
Corporate Debt Securities		22.1		0.5		(0.1)		22.5
Asset Backed Debt Securities		11.3		0.4		(0.1)		11.6
Municipal Bonds		16.1		-		-		16.1
Money Market Funds and Other		19.1		0.2		-		19.3
Total NU	$	86.3	$	1.3	$	(0.3)	$	87.3
WMECO Spent Nuclear Fuel Trust								
U.S. Government Issued Debt Securities								
(Agency and Treasury)	$	6.0	$	-	$	-	$	6.0
Corporate Debt Securities		15.6		-		-		15.6
Asset Backed Debt Securities		4.8		-		(0.1)		4.7
Municipal Bonds		15.4		-		-		15.4
Money Market Funds and Other		15.4		-		-		15.4
Total WMECO Spent Nuclear Fuel Trust	$	57.2	$	-	$	(0.1)	$	57.1

(1)

Unrealized gains and losses on debt securities for the NU supplemental benefit trust and WMECO spent nuclear fuel trust are recorded in AOCI and Other Long-Term Assets, respectively, on the accompanying unaudited condensed consolidated balance sheets.

Unrealized Losses and Other-than-Temporary Impairment: There have been no significant unrealized losses, other-than-temporary impairments or credit losses for the NU supplemental benefit trust or WMECO spent nuclear fuel trust. Factors considered in determining whether a credit loss exists include the duration and severity of the impairment, adverse conditions specifically affecting the issuer, and the payment history, ratings and rating changes of the security. For asset backed debt securities, underlying collateral and expected future cash flows are also evaluated.

Realized gains and losses: Realized gains and losses on available-for-sale-securities are recorded in Other Income, Net for the NU supplemental benefit trust and in Other Long-Term Assets for the WMECO spent nuclear fuel trust. NU utilizes the specific identification basis method for the NU supplemental benefit trust securities and the average cost basis method for the WMECO spent nuclear fuel trust to compute the realized gains and losses on the sale of available-for-sale securities.

Contractual Maturities: As of June 30, 2011, the contractual maturities of available-for-sale debt securities are as follows:

	NU		WMECO	
(Millions of Dollars)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than one year	$ 30.2	$ 30.3	$ 28.0	$ 28.0
One to five years	12.3	12.5	6.7	6.8
Six to ten years	6.3	6.7	2.0	1.9
Greater than ten years	38.2	38.9	20.5	20.4
Total Debt Securities	$ 87.0	$ 88.4	$ 57.2	$ 57.1

Fair Value Measurements: The following table presents the marketable securities recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

	NU		WMECO	
(Millions of Dollars)	**As of June 30, 2011**	**As of December 31, 2010**	**As of June 30, 2011**	**As of December 31, 2010**
Level 1:				
Mutual Funds	$ 44.4	$ 42.2	$ -	$ -
Money Market Funds	2.1	1.8	1.1	0.3
Total Level 1	$ 46.5	$ 44.0	$ 1.1	$ 0.3
Level 2:				
U.S. Government Issued Debt Securities (Agency and Treasury)	13.4	17.8	-	6.0
Corporate Debt Securities	13.1	22.5	5.9	15.6
Asset Backed Debt Securities	9.7	11.6	3.0	4.7
Municipal Bonds	26.5	16.1	25.8	15.4
Other Fixed Income Securities	23.6	17.5	21.3	15.1
Total Level 2	$ 86.3	$ 85.5	$ 56.0	$ 56.8
Total Marketable Securities	$ 132.8	$ 129.5	$ 57.1	$ 57.1

U.S. government issued debt securities are valued using market approaches that incorporate transactions for the same or similar bonds and adjustments for yields and maturity dates. Corporate debt securities are valued using a market approach, utilizing recent trades of the same or similar instrument and also incorporating yield curves, credit spreads and specific bond terms and conditions. Municipal bonds are valued using a market approach that incorporates reported trades and benchmark yields. Asset backed debt securities include collateralized mortgage obligations, commercial mortgage backed securities, and securities collateralized by auto loans, credit card loans or receivables. Asset backed debt securities are valued using recent trades of similar instruments, prepayment assumptions, yield curves, issuance and maturity dates and tranche information. Other fixed income securities are valued using pricing models, quoted prices of securities with similar characteristics, and discounted cash flows.

6.

LONG-TERM DEBT (PSNH)

On May 26, 2011, PSNH issued $122 million of Series Q first mortgage bonds with a coupon rate of 4.05 percent and a maturity date of June 1, 2021. The proceeds of these bonds were used to redeem two series of tax-exempt PCRBs. The indenture under which the bonds were issued requires PSNH to comply with certain covenants as are customarily included in such indentures.

NU, including CL&P, PSNH and WMECO, was in compliance with all its debt covenants as of June 30, 2011.

7.

PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

NUSCO sponsors a Pension Plan, which is subject to the provisions of ERISA, as amended by the PPA of 2006. 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). In addition, NU maintains a SERP, which provides benefits to eligible participants who are officers of NU. This plan provides benefits that would have been provided to these employees under the Pension Plan if certain Internal Revenue Code limitations were not imposed. 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.

The components of net periodic benefit expense, the portion of pension amounts capitalized related to employees working on capital projects, and intercompany allocations not included in the net periodic benefit expense amounts for the Pension Plan (including the SERP) and PBOP Plan are as follows:

For the Three Months Ended June 30, 2011								
	Pension				PBOP			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMECO
Service Cost	$ 14.0	$ 4.9	$ 2.7	$ 1.0	$ 2.1	$ 0.7	$ 0.5	$ 0.2
Interest Cost	38.3	13.0	6.1	2.7	6.5	2.5	1.2	0.5
Expected Return on Plan Assets	(42.2)	(19.1)	(4.7)	(4.4)	(5.4)	(2.1)	(1.1)	(0.5)
Actuarial Loss	21.1	8.2	2.6	1.7	5.0	1.9	0.9	0.3
Prior Service Cost	2.4	1.0	0.5	0.2	-	-	-	-
Net Transition Obligation Cost	-	-	-	-	2.9	1.5	0.6	0.3
Total - Net Periodic Expense	$ 33.6	$ 8.0	$ 7.2	$ 1.2	$ 11.1	$ 4.5	$ 2.1	$ 0.8
Related Intercompany Allocations	N/A	$ 8.7	$ 1.9	$ 1.6	N/A	$ 2.0	$ 0.5	$ 0.9
Amount Capitalized	$ 8.0	$ 4.4	$ 2.0	$ 0.7	$ -	$ -	$ -	$ -

For the Three Months Ended June 30, 2010								
	Pension				PBOP			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMECO
Service Cost	$ 12.4	$ 4.3	$ 2.4	$ 0.8	$ 2.0	$ 0.7	$ 0.4	$ 0.2
Interest Cost	38.3	13.0	6.1	2.6	6.7	2.6	1.3	0.6
Expected Return on Plan Assets	(45.7)	(21.4)	(3.6)	(4.8)	(5.5)	(2.2)	(1.1)	(0.5)
Actuarial Loss	13.8	5.4	1.8	1.1	4.4	1.6	0.7	0.2
Prior Service Cost	2.5	1.0	0.4	0.3	-	-	-	-
Net Transition Obligation Cost	-	-	-	-	2.9	1.5	0.7	0.3
Total - Net Periodic Expense	$ 21.3	$ 2.3	$ 7.1	$ -	$ 10.5	$ 4.2	$ 2.0	$ 0.8
Related Intercompany Allocations	N/A	$ 6.5	$ 1.5	$ 1.2	N/A	$ 2.1	$ 0.5	$ 0.4
Amount Capitalized	$ 4.4	$ 1.8	$ 2.1	$ 0.1	$ -	$ -	$ -	$ -

For the Six Months Ended June 30, 2011								
	Pension				PBOP			
(Millions of Dollars)	NU	CL&P	PSNH	WMECO	NU	CL&P	PSNH	WMECO
Service Cost	$ 27.7	$ 9.7	$ 5.3	$ 2.0	$ 4.5	$ 1.4	$ 1.0	$ 0.3
Interest Cost	76.5	26.1	12.3	5.4	12.9	5.0	2.4	1.1
Expected Return on Plan Assets	(85.3)	(38.3)	(10.0)	(8.8)	(10.8)	(4.3)	(2.2)	(1.0)
Actuarial Loss	42.1	16.6	5.2	3.4	9.5	3.6	1.6	0.6
	4.8	2.0	1.0	0.4	(0.1)	-	-	-

Prior Service Cost/(Credit)								
Net Transition Obligation Cost	-	-	-	-	5.8	3.1	1.2	0.6
Total - Net Periodic Expense	$ 65.8	$ 16.1	$ 13.8	$ 2.4	$ 21.8	$ 8.8	$ 4.0	$ 1.6
Related Intercompany Allocations	N/A	$ 16.5	$ 3.8	$ 3.0	N/A	$ 4.1	$ 1.0	$ 1.7
Amount Capitalized	$ 15.7	$ 8.9	$ 3.9	$ 1.4	$ -	$ -	$ -	$ -

	For the Six Months Ended June 30, 2010							
	Pension				PBOP			
(Millions of Dollars)	**NU**	**CL&P**	**PSNH**	**WMECO**	**NU**	**CL&P**	**PSNH**	**WMECO**
Service Cost	$ 25.5	$ 8.8	$ 4.9	$ 1.7	$ 4.3	$ 1.3	$ 0.9	$ 0.3
Interest Cost	76.3	26.0	12.1	5.3	13.4	5.2	2.5	1.1
Expected Return on Plan Assets	(91.3)	(42.9)	(7.2)	(9.7)	(10.8)	(4.3)	(2.1)	(1.0)
Actuarial Loss	26.8	10.6	3.6	2.2	8.3	3.2	1.4	0.5
Prior Service Cost/(Credit)	4.9	2.0	0.7	0.4	(0.1)	-	-	-
Net Transition Obligation Cost	-	-	-	-	5.7	3.1	1.2	0.6
Total - Net Periodic Expense/(Income)	$ 42.2	$ 4.5	$ 14.1	$ (0.1)	$ 20.8	$ 8.5	$ 3.9	$ 1.5
Related Intercompany Allocations	N/A	$ 12.6	$ 3.0	$ 2.3	N/A	$ 4.0	$ 1.0	$ 0.7
Amount Capitalized	$ 8.8	$ 3.5	$ 4.1	$ 0.3	$ -	$ -	$ -	$ -

Contributions: Currently NU s policy is to annually fund the Pension Plan in an amount at least equal to an amount that will satisfy the requirements of ERISA, as amended by the PPA of 2006, and the Internal Revenue Code. Due to an underfunded balance as of January 1, 2010, NU is required to make an additional contribution to the Pension Plan of approximately $145 million in 2011, approximately $19 million of which was made in the second quarter of 2011 ($15 million of which was contributed by PSNH). The required contribution is being made in installments, which began in April 2011, to meet the current minimum funding requirements established by the PPA of 2006. Additional contributions totalling $390 million are expected to be made from 2012 through 2015, subject to a variety of factors, including the performance of existing plan assets, valuation of the plan's liabilities and changes in long-term discount rates.

8.

COMMITMENTS AND CONTINGENCIES

A.

Environmental Matters

General: 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. NU, CL&P, PSNH, and WMECO have an active environmental auditing and training program and believe that they are substantially in compliance with all enacted laws and regulations.

The environmental reserve as of June 30, 2011 and December 31, 2010 related to sites in the remediation or long-term monitoring phase is as follows:

	As of June 30, 2011			As of December 31, 2010		
	Number of Sites		Reserve (in millions)	Number of Sites		Reserve (in millions)
NU	33	$	28.4	33	$	30.3
CL&P	6		0.9	6		0.8
PSNH	12		8.2	12		8.8
WMECO	8		0.2	8		0.2

The majority of the accrual for sites in remediation or long-term monitoring relate to MGP sites that were operated several decades ago and produced manufacturing gas from coal, which resulted in certain byproducts in the environment that may pose a risk to human health and the environment.

HWP: HWP, a subsidiary of NU, continues to investigate the potential need for additional remediation at a river site in Massachusetts containing tar deposits associated with an MGP site that HWP sold to HG&E, a municipal utility, in 1902. HWP shares responsibility for site remediation with HG&E and has conducted substantial investigative and remediation activities. The cumulative expense recorded to the reserve for this site since 1994 through June 30, 2011 was $19.5 million, of which $16.9 million had been spent, leaving $2.6 million in the reserve as of June 30, 2011. For the six months ended June 30, 2011, there was no charge recorded to the reserve and for the six months ended June 30, 2010, a pre-tax charge of $1 million was recorded to reflect estimated costs associated with the site. HWP's share of the costs related to this site is not recoverable from customers.

The $2.6 million reserve balance as of June 30, 2011 represents estimated costs that HWP considers probable over the remaining life of the project, including testing and related costs in the near term and field activities to be agreed upon with the MA DEP, further studies and long-term monitoring that are expected to be required by the MA DEP, and certain soft tar remediation activities. Various factors could affect management's estimates and require an increase to the reserve, which would be reflected as a charge to Net Income. Although a material increase to the reserve is not presently anticipated, management cannot reasonably estimate potential additional investigation or remediation costs because these costs would depend on, among other things, the nature, extent and timing of additional investigation and remediation that may be required by the MA DEP.

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 provided guarantees and various indemnifications on behalf of external parties as a result of the sales of former subsidiaries of NU Enterprises, with maximum exposures either not specified or not material.

NU also issued a guaranty for the benefit of Hydro Renewable Energy under which, beginning at the time the Northern Pass Transmission line goes into commercial operation, NU will guarantee the financial obligations of NPT under the TSA in an amount not to exceed $18.8 million. NU's obligations under the guaranty expire upon the full, final and indefeasible payment of the guaranteed obligations.

Management does not anticipate a material impact to Net Income to result from these various guarantees and indemnifications.

The following table summarizes NU's guarantees of its subsidiaries, including CL&P, PSNH, and WMECO, as of June 30, 2011:

Subsidiary	Description		Maximum Exposure (in millions)	Expiration Dates
Various	Surety Bonds and Performance Guarantees	$	17.1	2011-2012 (1)
CL&P, PSNH and Select Energy	Letters of Credit	$	20.6	October 2011 - December 2011 -

RRR and NUSCO	Lease Payments for Real Estate and Vehicles	$	21.8	2019-2024
NU Enterprises	Surety Bonds, Insurance Bonds and Performance Guarantees	$	137.4 (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 $58.2 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 $15.7 million related to a performance guarantee of NGS obligations for which no maximum exposure is specified in the agreement. The maximum exposure was calculated as of June 30, 2011 based on limits of NGS's liability contained in the underlying service contract and assumes that NGS will perform under that contract through its expiration in 2020. Also included in the maximum exposure is $1.2 million related to insurance bonds at NGS with no expiration date that are billed annually on their anniversary date. The remaining $62.3 million of maximum exposure relates to surety bonds covering ongoing projects at Boulos, which expire upon project completion.

CL&P, PSNH and WMECO do not guarantee the performance of third parties.

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

9.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	As of June 30, 2011							
	NU		CL&P		PSNH		WMECO	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value

(Millions of Dollars)								
Preferred Stock Not Subject to Mandatory Redemption	$ 116.2	$ 97.6	$ 116.2	$ 97.6	$ -	$ -	$ -	$ -
Long-Term Debt	4,694.8	5,066.2	2,587.7	2,835.4	839.5	884.2	401.0	417.9
Rate Reduction Bonds	147.3	155.7	-	-	112.2	118.5	35.1	37.2

	As of December 31, 2010							
	NU		**CL&P**		**PSNH**		**WMECO**	
(Millions of Dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Preferred Stock Not Subject to Mandatory Redemption	$ 116.2	$ 93.7	$ 116.2	$ 93.7	$ -	$ -	$ -	$ -
Long-Term Debt	4,692.4	5,043.8	2,587.5	2,816.7	837.3	871.4	401.0	417.0
Rate Reduction Bonds	181.6	193.3	-	-	138.2	146.9	43.3	46.4

Derivative Instruments: NU, including CL&P and PSNH, holds various derivative instruments that are carried at fair value. For further information, see Note 4, "Derivative Instruments," to the unaudited condensed consolidated financial statements.

Other Financial Instruments: Investments in marketable securities are carried at fair value on the accompanying unaudited condensed consolidated balance sheets. For further information, see Note 1F, "Summary of Significant Accounting Policies - Fair Value Measurements," and Note 5, "Marketable Securities," to the unaudited condensed consolidated financial statements.

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

10. COMPREHENSIVE INCOME

Total comprehensive income is as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
(Millions of Dollars)	NU	NU	NU	NU
Net Income	$ 78.7	$ 73.3	$ 194.3	$ 160.9
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	(5.1)	-	(3.9)	0.1
Changes in Unrealized Gains on Other Securities[1]	0.1	0.3	0.1	0.6
Change in Funded Status of Pension, SERP and PBOP Benefit Plans	0.4	0.6	1.4	1.0
Other Comprehensive Income, Net of Tax	(4.6)	0.9	(2.4)	1.7
Total Comprehensive Income	74.1	74.2	191.9	162.6
Comprehensive Income Attributable to Noncontrolling Interests	(1.4)	(1.4)	(2.9)	(2.8)
Comprehensive Income Attributable to Controlling Interests	$ 72.7	$ 72.8	$ 189.0	$ 159.8

	For the Three Months Ended June 30, 2011			For the Three Months Ended June 30, 2010		
(Millions of Dollars)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Net Income	$ 52.6	$ 21.7	$ 8.2	$ 44.1	$ 21.6	$ 5.2
Other Comprehensive Income, Net of Tax:						
Qualified Cash Flow Hedging Instruments	0.1	(4.0)	(1.1)	0.1	-	-
Other Comprehensive Income, Net of Tax	0.1	(4.0)	(1.1)	0.1	-	-
Total Comprehensive Income	$ 52.7	$ 17.7	$ 7.1	$ 44.2	$ 21.6	$ 5.2

	For the Six Months Ended June 30, 2011			For the Six Months Ended June 30, 2010		
(Millions of Dollars)	CL&P	PSNH	WMECO	CL&P	PSNH	WMECO
Net Income	$ 117.0	$ 49.1	$ 18.1	$ 92.5	$ 37.4	$ 10.9
Other Comprehensive Income, Net of Tax:						
Qualified Cash Flow Hedging Instruments	0.2	(3.1)	(0.9)	0.2	0.1	-
Other Comprehensive Income, Net of Tax	0.2	(3.1)	(0.9)	0.2	0.1	-
Total Comprehensive Income	$ 117.2	$ 46.0	$ 17.2	$ 92.7	$ 37.5	$ 10.9

(1) Represents changes in unrealized gains on securities held in the NU supplemental benefit trust.

Qualified cash flow hedging instruments for the six months ended June 30, 2011 are as follows:

	For the Six Months Ended June 30, 2011		
(Millions of Dollars)	**NU**	**PSNH**	**WMECO**
Balance as of Beginning of Period	$ (4.2)	$ (0.6)	$ (0.1)
Hedged Transactions Recognized into Earnings	0.1	-	-
Change in Fair Value of Interest Rate Swap Agreements	(5.1)	(4.0)	(1.1)
Cash Flow Transactions Entered into for the Period	1.1	0.9	0.2
Net Change Associated with Hedging Transactions	(3.9)	(3.1)	(0.9)
Total Fair Value Adjustments Included in Accumulated Other Comprehensive Income	$ (8.1)	$ (3.7)	$ (1.0)

For further information regarding cash flow hedging transactions, see Note 4, "Derivative Instruments," to the unaudited condensed consolidated financial statements.

11.

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 as of June 30, 2011 and December 31, 2010 and the respective par values:

		Shares		
		Authorized	**Issued**	
	Per Share Par Value	**As of June 30, 2011 and December 31, 2010**	**As of June 30, 2011**	**As of December 31, 2010**
NU	$ 5	225,000,000	195,976,708	195,781,740
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, 2011 and December 31, 2010, 19,151,327 and 19,333,659 NU common shares were held as treasury shares, respectively.

34

12. COMMON SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS (NU)

A summary of the changes in Common Shareholders' Equity and Noncontrolling Interests of NU is as follows:

	For the Three Months Ended							
	June 30, 2011				June 30, 2010			
(Millions of Dollars)	Common Shareholders' Equity	Noncontrolling Interest	Total Equity	Preferred Stock Not Subject to Mandatory Redemption	Common Shareholders' Equity	Noncontrolling Interest	Total Equity	Preferred Stock Not Subject to Mandatory Redemption
Balance, Beginning of Period	$ 3,885.3	$ 1.5	$ 3,886.8	$ 116.2	$ 3,625.2	$ -	$ 3,625.2	$ 116.2
Net Income	78.7	-	78.7	-	73.3	-	73.3	