NORTHEAST UTILITIES
Form 10-Q/A
March 17, 2005
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
Amendment No. 2

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

For the Quarterly Period Ended September 30, 2004

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

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Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes	No
ü	

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act):

	Yes	No
Northeast Utilities	ü	

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

Company - Class of Stock	Outstanding at October 31, 2004
Northeast Utilities Common stock, $5.00 par value	128,384,407 shares

FORM 10-Q/A EXPLANATORY NOTE

Amendment No. 2 to this report eliminates the reference to our certifying officers titles in certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. The certifications are included in Exhibits 31 and 31.1.

Amendment No. 1 to our quarterly report on Form 10-Q (Form 10-Q/A) was filed to amend the quarterly report on Form 10-Q for the quarter ended September 30, 2004 of Northeast Utilities (NU), which was originally filed on November 5, 2004 (Original Form 10-Q). Accordingly, pursuant to rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Form 10-Q/A contains the complete text of Items 1, 2, and 4 of Part I and Item 6 of Part II, as amended, as well as certain currently dated certifications. Unaffected items from the quarterly reports of separate registrants The Connecticut Light and Power Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company (and associated certifications) have not been repeated in this Form 10-Q/A.

Subsequent to the filing of the Form 10-Q for the quarter ended September 30, 2004, NU concluded that it incorrectly applied accrual accounting for certain natural gas contracts established by the merchant energy segment to mitigate the risk of electricity purchased in anticipation of winning certain levels of wholesale electric load in New England. The natural gas basis contracts were originally accounted for on the accrual basis. The natural gas futures and swaps contracts were accounted for as cash flow hedges with changes in fair value reflected in other comprehensive income (a component of shareholders equity). However, subsequent to the filing of the third quarter report on Form 10-Q, NU concluded that applying accrual accounting for the basis contracts was incorrect. The basis contracts should have been recorded at current fair value with changes in fair value impacting earnings. The fair value was a negative $0.9 million at June 30, 2004 and at September 30, 2004 is a negative $2.7 million, which is now reflected in non-trading derivative liabilities. Fuel, purchased and net interchange power expenses increased by $1.8 million for the third quarter of 2004 and increased by $2.7 million for the nine-month period ended September 30, 2004 as a result of the restatements. The futures and swaps contracts should not have been accounted for as cash flow hedges and should also have been recorded at fair value. The fair value was a positive $2.7 million at June 30, 2004 and at September 30, 2004 is a negative $71.1 million. These amounts have been removed from other comprehensive income (a component of shareholders equity). Fuel, purchased and net interchange power expenses increased by $73.8 million for the third quarter and increased by $71.1 million for the nine-month period ended September 30, 2004 as a result of the restatements. This Form 10-Q/A reflects the change from accrual and hedge accounting to fair value accounting for the

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aforementioned natural gas derivative contracts. The net income impact of both of these restatements is a negative $47 million for the third quarter and a negative $45.9 million for the nine months ended September 30, 2004.

The natural gas contracts discussed above are accounted for at fair value with changes in fair value included in earnings. NU concluded that fair value or mark-to-market accounting should have been applied. To correct this error, NU restated its condensed consolidated balance sheet as of September 30, 2004, the condensed consolidated statements of income for the three and nine months ended September 30, 2004, and the condensed consolidated statement of cash flows for the nine months ended September 30, 2004. NU has also restated the notes to its condensed consolidated financial statements as necessary to reflect the adjustments.

For December 31, 2003 amounts, corrections have been made to cash and cash equivalents, unrestricted cash from counterparties, special deposits and accounts payable, which had no impact on net income. These corrections reclassified unrestricted cash from counterparties to cash and cash equivalents because those funds were unrestricted and were used to or were available to fund the company s operations. The December 31, 2003 condensed consolidated balance sheet has been restated for these corrections and a correction to decrease derivative assets and liabilities by the same amount in order to eliminate certain intercompany derivative assets and liabilities. For information regarding this restatement and the effects on significant financial statement line items, see Note 9, Restatement of Previously Issued Financial Statements, to the condensed consolidated financial statements.

This amendment does not otherwise reflect events occurring after the filing of the Original Form 10-Q, which was filed on November 5, 2004. Such events include, among others, the events described in NU s current reports on Form 8-K filed after the filing of the Original Form 10-Q, except for those pertaining to this subject matter. Earnings guidance is not included in this Form 10-Q/A. For information regarding NU s most recent earnings guidance, see the current reports on Form 8-K dated January 26, 2005 and February 4, 2005.

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GLOSSARY OF TERMS

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

NU COMPANIES, SEGMENTS OR INVESTMENTS:

CL&P	The Connecticut Light and Power Company
CRC	CL&P Receivables Corporation
HWP	Holyoke Water Power Company
NGC	Northeast Generation Company
NGS	Northeast Generation Services Company
NU or the company	Northeast Utilities
NU Enterprises	NU s competitive subsidiaries comprised of HWP, NGC, NGS, Select Energy, SESI, and Woods Network. For further information, see Note 8, Segment Information, to the condensed consolidated financial statements.
PSNH	Public Service Company of New Hampshire
RMS	R. M. Services
Select Energy	Select Energy, Inc. (including its wholly owned subsidiary SENY)
SENY	Select Energy New York, Inc.
SESI	Select Energy Services, Inc.
Utility Group	NU s regulated utilities comprised of CL&P, PSNH, WMECO, and Yankee Gas. For further information, see Note 8, Segment Information, to the condensed consolidated financial statements.
WMECO	Western Massachusetts Electric Company
Woods Network	Woods Network Services, Inc.
Yankee	Yankee Energy System, Inc.
Yankee Gas	Yankee Gas Services Company

THIRD PARTIES:

Bechtel	Bechtel Power Corporation
CY	Connecticut Yankee
NRG	NRG Energy, Inc.

REGULATORS:

CSC	Connecticut Siting Council
DPUC	Connecticut Department of Public Utility Control
FERC	Federal Energy Regulatory Commission
NHPUC	New Hampshire Public Utilities Commission
SEC	Securities and Exchange Commission

OTHER:

Act, the	Public Act No. 03-135
CTA	Competitive Transition Assessment
EPS	Earnings Per Share
FASB	Financial Accounting Standards Board
FMCC	Federally Mandated Congestion Costs
GSC	Generation Service Charge
ISO-NE	New England Independent System Operator
kWh	Kilowatt-Hour
LMP	Locational Marginal Pricing

LNG	Liquefied Natural Gas
LOCs	Letters of Credit
MW	Megawatts

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NU 2003 Form 10-K	The Northeast Utilities and Subsidiaries combined 2003 Form 10-K as filed with the SEC
NYMEX	New York Mercantile Exchange
OCA	Office of Consumer Advocate
OCC	Office of Consumer Counsel
Restructuring Settlement	"Agreement to Settle PSNH Restructuring"
ROE	Return on Equity
RTO	Regional Transmission Organization
SBC	System Benefits Charge
SCRC	Stranded Cost Recovery Charge
SFAS	Statement of Financial Accounting Standards
SMD	Standard Market Design
TS	Transition Energy Service
TSO	Transitional Standard Offer

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2004 (Restated)*	December 31, 2003 (Restated)*
	(Thousands of Dollars)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 97,852	$ 43,372
Restricted cash - LMP costs		93,630
Special deposits	101,688	79,120
Investments in securitizable assets	212,521	166,465
Receivables, less provision for uncollectible accounts of $41,538 in 2004 and $40,846 in 2003	656,384	704,893
Unbilled revenues	99,408	125,881
Fuel, materials and supplies, at average cost	202,760	154,076
Derivative assets	364,707	249,117
Prepayments and other	66,042	63,780
	1,801,362	1,680,334
Property, Plant and Equipment:		
Electric utility	5,792,149	5,465,854
Gas utility	776,391	743,990
Competitive energy	911,940	885,953
Other	239,663	221,986
	7,720,143	7,317,783
Less: Accumulated depreciation	2,357,086	2,244,263
	5,363,057	5,073,520
Construction work in progress	376,428	356,396

	5,739,485	5,429,916
Deferred Debits and Other Assets:		
Regulatory assets	2,802,912	2,974,022
Goodwill	319,986	319,986
Purchased intangible assets, net	20,251	22,956
Prepaid pension	356,540	360,706
Prior spent nuclear fuel trust	49,110	
Other	448,043	428,567
	3,996,842	4,106,237
Total Assets	$11,537,689	$11,216,487

* See Note 9.

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2004 (Restated)*	December 31, 2003 (Restated)*
	(Thousands of Dollars)	
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes payable to banks	$ 1,043	$ 105,000
Long-term debt - current portion	88,963	64,936
Accounts payable	704,559	728,463
Accrued taxes	3,111	51,598
Accrued interest	58,560	41,653
Derivative liabilities	206,557	112,612
Counterparty deposits	67,356	46,496
Other	207,878	203,080
	1,338,027	1,353,838
Rate Reduction Bonds	1,591,944	1,729,960
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,404,391	1,287,354
Accumulated deferred investment tax credits	100,062	102,652
Deferred contractual obligations	423,236	469,218

Regulatory liabilities	1,163,773	1,164,288
Other	244,692	247,526
	3,336,154	3,271,038
Capitalization:		
Long-Term Debt	2,839,694	2,481,331
Preferred Stock of Subsidiary - Non-Redeemable	116,200	116,200
Common Shareholders Equity:		
Common shares, $5 par value - authorized 225,000,000 shares; 150,683,698 shares issued and 128,349,411 shares outstanding in 2004 and 150,398,403 shares issued and 127,695,999 shares outstanding in 2003	753,418	751,992
Capital surplus, paid in	1,111,152	1,108,924
Deferred contribution plan - employee stock ownership plan	(63,831)	(73,694)
Retained earnings	833,237	808,932
Accumulated other comprehensive income	40,754	25,991
Treasury stock, 19,575,940 shares in 2004 and 19,518,023 shares in 2003	(359,060)	(358,025)
Common Shareholders Equity	2,315,670	2,264,120
Total Capitalization	5,271,564	4,861,651
Commitments and Contingencies (Note 4)		
Total Liabilities and Capitalization	$ 11,537,689	$ 11,216,487

* See Note 9.

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004 (Restated)*	2003	2004 (Restated)*	2003
	(Thousands of Dollars, except share information)			
Operating Revenues	$ 1,667,985	$ 1,640,117	$ 5,030,938	$ 4,554,338

Operating Expenses:				
Operation-				
Fuel, purchased and net interchange power	1,107,113	1,033,663	3,196,842	2,766,268
Other	273,838	232,616	798,048	672,435
Maintenance	52,919	45,339	150,855	139,110
Depreciation	57,232	50,879	167,366	151,044
Amortization	42,679	56,407	100,057	139,710
Amortization of rate reduction bonds	43,286	40,729	124,579	115,232
Taxes other than income taxes	55,360	53,169	188,644	178,603
Total operating expenses	1,632,427	1,512,802	4,726,391	4,162,402
Operating Income	35,558	127,315	304,547	391,936
Interest Expense:				
Interest on long-term debt	34,940	32,010	101,676	93,496
Interest on rate reduction bonds	24,446	26,863	75,184	82,088
Other interest	4,086	4,474	12,530	10,835
Interest expense, net	63,472	63,347	189,390	186,419
Other Income, Net	8,168	4,678	12,717	6,008
(Loss)/Income Before Income Tax (Benefit)/Expense	(19,746)	68,646	127,874	211,525
Income Tax (Benefit)/Expense	(13,228)	23,277	40,179	76,304
(Loss)/Income Before Preferred Dividends of Subsidiary	(6,518)	45,369	87,695	135,221
Preferred Dividends of Subsidiary	1,390	1,390	4,169	4,169
(Loss)/Income Before Cumulative Effect of Accounting Change	(7,908)	43,979	83,526	131,052
Cumulative effect of accounting change, net of tax benefit of $2,553		(4,741)		(4,741)
Net (Loss)/Income	$ (7,908)	$ 39,238	$ 83,526	$ 126,311
Basic and Fully Diluted (Loss)/Earnings Per Common Share:				
(Loss)/Income Before Cumulative Effect of Accounting Change	$ (0.06)	$ 0.35	$ 0.65	$ 1.03
Cumulative effect of accounting change, net of tax benefit		(0.04)		(0.04)
Basic and Fully Diluted (Loss)/Earnings Per Common Share	$ (0.06)	$ 0.31	$ 0.65	$ 0.99
Basic Common Shares Outstanding (average)	128,279,814	127,167,690	128,064,364	126,976,161
Fully Diluted Common Shares Outstanding (average)	128,442,701	127,303,973	128,231,267	127,086,414

* See Note 9.

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2004 (Restated)*	2003
	(Thousands of Dollars)	
Operating Activities:		
Income before preferred dividends of subsidiary	$ 87,695	$ 135,221
Adjustments to reconcile to net cash flows provided by operating activities:		
Depreciation	167,366	151,044
Deferred income taxes and investment tax credits, net	65,133	(55,734)
Amortization	100,057	139,710
Amortization of rate reduction bonds	124,579	115,232
Deferral of recoverable energy costs	(30,688)	(23,021)
Decrease/(increase) in prepaid pension	4,166	(23,778)
Cumulative effect of accounting change		(4,741)
Regulatory (refunds)/overrecoveries	(43,919)	122,870
Mark-to-market on natural gas contracts	45,916	
Other sources of cash	62,026	14,911
Other uses of cash	(42,710)	(105,914)
Changes in current assets and liabilities:		
Restricted cash - LMP costs	93,630	(45,760)
Receivables and unbilled revenues, net	74,982	160,789
Fuel, materials and supplies	(48,684)	(40,548)
Investments in securitizable assets	(46,056)	(36,684)
Other current assets	(85,163)	(5,703)
Accounts payable	(23,904)	10,805
Accrued taxes	(48,487)	(72,851)
Other current liabilities	69,545	24,906
Net cash flows provided by operating activities	525,484	460,754
Investing Activities:		
Investments in property and plant:		
Electric, gas and other utility plant	(449,785)	(369,660)
Competitive energy assets	(13,915)	(12,221)
Cash flows used for investments in property and plant	(463,700)	(381,881)
Buyout/buydown of IPP contracts		(20,437)
Investment in prior spent nuclear fuel trust	(49,110)	
Other investment activities	(32,843)	6,582
Net cash flows used in investing activities	(545,653)	(395,736)
Financing Activities:		
Issuance of common shares	4,470	9,940
Repurchase of common shares		(23,209)
Issuance of long-term debt	463,113	250,384

Retirement of rate reduction bonds	(138,016)	(126,374)
Decrease in short-term debt	(103,957)	(16,000)
Reacquisitions and retirements of long-term debt	(86,628)	(33,607)
Cash dividends on preferred stock of subsidiaries	(4,169)	(4,169)
Cash dividends on common shares	(59,221)	(53,959)
Other financing activities	(943)	(4,564)
Net cash flows provided by/(used in) financing activities	74,649	(1,558)
Net increase in cash and cash equivalents	54,480	63,460
Cash and cash equivalents - beginning of period	43,372	54,678
Cash and cash equivalents - end of period	$ 97,852	$ 118,138

* See Note 9.

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (All Companies)

A. Presentation

Restatement of Previously Issued Financial Statements: Subsequent to the filing of the Form 10-Q for the quarter ended September 30, 2004, Northeast Utilities (NU or the company) concluded that it incorrectly applied accrual accounting for certain natural gas contracts established to mitigate the risk of electricity purchased in anticipation of winning certain levels of wholesale electric load in New England. NU concluded that fair value accounting should have been applied. To correct this error, the financial and other information included herein has been restated for this change. For December 31, 2003 amounts, corrections have been made to cash and cash equivalents, unrestricted cash from counterparties, special deposits, accounts payable, derivative assets, and derivative liabilities, which had no impact on net income. For further information regarding this restatement and the effects on significant financial statement line items, see Note 9, Restatement of Previously Issued Financial Statements.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with this complete report on Form 10-Q/A, the First and Second Quarter 2004 reports on Form 10-Q, the Second Quarter 2004 report on Form 10-Q/A and the Annual Reports of NU, The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH), and Western Massachusetts Electric Company (WMECO), which were filed as part of the NU 2003 Form 10-K, and the current reports on Form 8-K disclosed in Part II, Item 6, Other Information - Exhibits and Reports on Form 8-K, included in this report on Form 10-Q/A. The accompanying condensed consolidated financial statements contain, in the opinion of management, all adjustments necessary to present fairly NUs and the above companies financial position at September 30, 2004, the results of operations for the three-month and nine-month periods ended September 30, 2004 and 2003, and condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2004 and 2003. All adjustments are of a normal, recurring nature except those described in Note 1B. Due primarily to the seasonality of NUs business and to the quarterly earnings profile of NU Enterprises merchant energy business segment in 2004, the results of operations and condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2004 and 2003, are not indicative of the results expected for a full year.

The condensed consolidated financial statements of NU and of its subsidiaries, as applicable, include the accounts of all their respective subsidiaries. Intercompany transactions have been eliminated in consolidation.

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

Certain reclassifications of prior period data included in the accompanying condensed consolidated financial statements have been made to conform with the current period presentation.

B. New Accounting Standards

*Other-Than-Temporary Impairments:*The Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) issued and later deferred the effective date of accounting guidance included in EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. EITF Issue No. 03-1 provides guidance on how to evaluate and recognize an impairment loss that is other-than-temporary and could impact NUs investments in Acumentrics Corporation (Acumentrics) and NEON Communications, Inc. (NEON) upon its effective date. Certain accounting guidance included in EITF Issue No. 03-1 is not effective until the FASB issues additional guidance on this issue. EITF Issue No. 03-1 also requires certain annual disclosures that are effective for NUs December 31, 2004 annual report on Form 10-K.

For further information regarding NUs investments in Acumentrics and NEON, see Note 1H, Summary of Significant Accounting Policies - Other Investments, to the condensed consolidated financial statements.

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C. Guarantees

NU provides credit assurance in the form of guarantees and letters of credit (LOCs) in the normal course of business, primarily for the financial performance obligations of NU Enterprises. NU would be required to perform under these guarantees in the event of non-performance by NU Enterprises, primarily Select Energy, Inc. (Select Energy). At September 30, 2004, the maximum level of exposure in accordance with FASB Interpretation No. (FIN) 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, under guarantees by NU, primarily on behalf of NU Enterprises, totaled $990.8 million. Additionally, NU had $113.6 million of LOCs issued for the benefit of NU Enterprises outstanding at September 30, 2004.

At September 30, 2004, NU had outstanding guarantees on behalf of the Utility Group of $11.2 million. This amount is included in the total outstanding NU guarantee exposure amount of $990.8 million.

Several underlying contracts that NU guarantees and certain surety bonds contain credit ratings triggers that would require NU to post collateral in the event that NUs credit ratings are downgraded below investment grade.

NU currently has authorization from the Securities and Exchange Commission (SEC) to provide up to $750 million of guarantees for NU Enterprises through June 30, 2007. The $11.2 million in guarantees to the Utility Group are subject to a separate $50 million SEC limitation apart from the current $750 million guarantee limit. The amount of guarantees outstanding for compliance with the SEC limit for NU Enterprises at September 30, 2004 is $422 million, which is calculated using different, more probabilistic and fair-value based criteria than the maximum level of exposure required to be disclosed under FIN 45. FIN 45 includes all exposures even though they are not reasonably likely to result in exposure to NU.

On October 19, 2004, the SEC authorized NU to issue guarantees of up to an aggregate $100 million through June 30, 2007 of the debt or other obligations of two of its subsidiaries, Northeast Utilities Service Company and Rocky River Realty Company. These companies provide certain specialized support and real estate services to the entire NU system and occasionally enter into transactions that require financial backing from NU parent.

D. Regulatory Accounting

The accounting policies of NU's Utility Group conform to accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises and historically reflect the effects of the rate-making process in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation."

The transmission and distribution businesses of CL&P, WMECO and PSNH, along with PSNH's generation business and Yankee Gas' distribution business, continue to be cost-of-service rate regulated, and management believes that the application of SFAS No. 71 to those portions of the aforementioned companies continues to be appropriate. Management also believes that it is probable that NU's Utility Group companies will recover their investments in long-lived assets, including regulatory assets. In addition, all material net regulatory assets are earning an equity return, except for securitized regulatory assets, which are not supported by equity.

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

	At September 30, 2004			
(Millions of Dollars)	NU Consolidated (1)	CL&P	PSNH	WMECO
Recoverable nuclear costs	$ 54.0	$ —	$ 30.6	$ 23.4
Securitized assets	1,526.0	1,025.4	432.7	67.9
Income taxes, net	317.3	208.1	39.3	56.8
Unrecovered contractual obligations	352.2	208.3	65.1	78.8
Recoverable energy costs	268.8	61.7	200.7	3.2
Other	284.6	64.7	156.8	10.6
Totals	$2,802.9	$1,568.2	$925.2	$ 240.7

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(Millions of Dollars)	At December 31, 2003 NU Consolidated (1)	CL&P	PSNH	WMECO
Recoverable nuclear costs	$ 82.4	$ 16.4	$ 33.3	$ 32.7
Securitized assets	1,664.0	1,123.7	465.3	75.0
Income taxes, net	253.8	140.9	44.2	60.1
Unrecovered contractual obligations	378.6	221.8	69.9	86.9
Recoverable energy costs	255.7	30.1	218.3	3.7
Other	339.5	140.1	138.4	9.8
Totals	$2,974.0	$1,673.0	$969.4	$ 268.2

(1) At September 30, 2004 and December 31, 2003, included in the table are $68.8 million and $63.4 million, respectively, of other regulatory assets, primarily associated with Yankee Gas' income taxes, net and other regulatory assets related to environmental clean-up costs and hardship receivables.

Additionally, NU had approximately $11.6 million and approximately $12 million of regulatory costs at September 30, 2004 and December 31, 2003, respectively, that are included in deferred debits and other assets - other on the accompanying condensed consolidated balance sheets. These amounts represent regulatory costs that have not yet been approved by the applicable regulatory agency. Management believes these assets are recoverable in future rates.

As discussed in Note 4D, Commitments and Contingencies - Deferred Contractual Obligations, a substantial portion of the unrecovered contractual obligations regulatory asset has not yet been approved for recovery. At this time management believes that these regulatory assets are probable of recovery.

Regulatory Liabilities: The Utility Group maintained $1.2 billion of regulatory liabilities at both September 30, 2004 and December 31, 2003. These amounts are comprised of the following:

(Millions of Dollars)	At September 30, 2004 NU Consolidated (1)	CL&P	PSNH	WMECO
Cost of removal	$ 331.8	$146.7	$ 88.2	$ 24.6
CTA, GSC and SBC overcollections	235.4	235.4		
Cumulative deferral SCRC	200.6		200.6	
Regulatory liabilities offsetting Utility Group derivative assets	186.4	186.4		
LMP overcollections	61.6	61.6		
Other	148.0	81.3	24.4	6.8
Totals	$1,163.8	$711.4	$313.2	$ 31.4

(Millions of Dollars)	At December 31, 2003 NU Consolidated (1)	CL&P	PSNH	WMECO
Cost of removal	$ 334.0	$150.0	$ 88.0	$ 25.0

CTA, GSC and SBC overcollections	333.7	333.7		
Cumulative deferral SCRC	160.4		160.4	
Regulatory liabilities offsetting Utility Group derivative assets	116.9	115.4	1.5	
LMP overcollections	83.6	83.6		
Other	135.7	70.3	22.2	2.8
Totals	$1,164.3	$753.0	$272.1	$ 27.8

(1) At September 30, 2004 and December 31, 2003, included in the table are $107.8 million and $111.4 million, respectively, of other regulatory liabilities, associated with Yankee Gas cost of removal, deferred gas costs, pension and other regulatory liabilities.

E. Allowance for Funds Used During Construction

The allowance for funds used during construction (AFUDC) is a non-cash item that is included in the cost of Utility Group 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 in other interest expense and the cost of equity funds is recorded as other income on the condensed consolidated statements of income:

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	For the Nine Months Ended	
(Millions of Dollars)	September 30, 2004	September 30, 2003
Borrowed funds	$3.1	$4.1
Equity funds	2.2	5.1
Totals	$5.3	$9.2
Average AFUDC rates	3.8%	4.2%

F. Equity-Based Compensation

NU maintains an Employee Stock Purchase Plan and other long-term, equity-based incentive plans under the Northeast Utilities Incentive Plan. NU accounts for these plans under the recognition and measurement principles of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations. No equity-based employee compensation cost for stock options is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share (EPS) if NU had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to equity-based employee compensation:

	For the Nine Months Ended	
(Millions of Dollars, except per share amounts)	September 30, 2004(Restated)	September 30, 2003
Net income, as reported	$83.5	$126.3
Total equity-based employee compensation expense determined under the fair value-based method for all awards, net of related tax effects	1.5	1.4
Pro forma net income	$82.0	$124.9
EPS:		
Basic and fully diluted as reported	$0.65	$ 0.99
Basic and fully diluted pro forma	$0.64	$ 0.98

Net income as reported includes $2.8 million and $1.2 million expensed for restricted stock and restricted stock units for the nine months ended September 30, 2004 and 2003, respectively. NU accounts for restricted stock in accordance with APB No. 25 and amortizes the intrinsic value of the award over the related service period.

NU assumes an income tax rate of 40 percent to estimate the tax effect on total equity-based employee compensation expense determined under the fair value-based method for all awards.

During the nine-month period ended September 30, 2004, no stock options were awarded.

On March 31, 2004, the FASB issued an exposure draft that, if finalized as proposed, would require NU to expense equity-based employee compensation under the fair value-based method. The FASB continues to redeliberate this exposure draft and has deferred the effective date of a final statement to July 1, 2005 from January 1, 2005. A final standard could be issued in the fourth quarter of 2004.

G. Sale of Customer Receivables

CL&P has an arrangement with a financial institution under which CL&P can sell up to $100 million of accounts receivable and unbilled revenues. At September 30, 2004 and December 31, 2003, CL&P had sold accounts receivable of $40 million and $80 million, respectively, to the financial institution with limited recourse through CL&P Receivables Corporation (CRC), a wholly owned subsidiary of CL&P. At September 30, 2004, the reserve requirements calculated in accordance with the related Receivables Purchase and Sale Agreement were $8.7 million. This reserve amount is deducted from the amount of receivables eligible for sale at the time. Concentrations of credit risk to the purchaser under this agreement with respect to the receivables are limited due to CL&Ps diverse customer base within its service territory. At September 30, 2004, the amount of customer receivables sold to CRC by CL&P but not sold to the financial institution totaling $212.5 million are included in investments in securitizable assets on the accompanying condensed consolidated balance sheets. This amount would be excluded from CL&Ps assets in the event of CL&Ps bankruptcy. On July 7, 2004, CL&P renewed the arrangement with the financial institution through July 6, 2005.

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The transfer of receivables to the financial institution under this arrangement qualifies for sale treatment under SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities - A Replacement of SFAS No. 125.

H. Other Investments

Yankee Energy System, Inc. (Yankee) maintains a long-term note receivable from BMC Energy LLC (BMC), an operator of renewable energy projects. In late-March 2004, based on revised information that impacts undiscounted cash flow projections and fair value estimates, management determined that the fair value of the note receivable from BMC had declined and that the note was impaired. As a result, management recorded an after-tax investment write-down of $1.5 million ($2.5 million on a pre-tax basis) in the first quarter of 2004.

NU has an investment in the common stock of Acumentrics, a developer of fuel cell and power quality equipment. Based on revised information that affected the fair value of NUs investment, management determined that at June 30, 2004, the value of NUs investment declined and that the decline was other-than-temporary in nature. An after-tax investment write-down of $2.4 million ($3.8 million on a pre-tax basis) was recorded to reduce the carrying value of the investment to $3.8 million. NU also has an investment in Acumentrics debt securities totaling $2.2 million at September 30, 2004.

On June 30, 2004, Yankee sold virtually all of the assets and liabilities of R.M. Services, Inc. (RMS), a provider of consumer collection services, for $3 million. In conjunction with the sale in the second quarter of 2004, an estimated gain totaling $0.6 million was included as a gain from sale of RMS. As a result of adjustments to estimates recorded in conjunction with the sale during the third quarter of 2004, this gain was increased by $0.2 million and totals $0.8 million at September 30, 2004. For the three and six months ended June 30, 2004, RMS was consolidated into NUs condensed consolidated financial statements and had pre-tax losses totaling $0.7 million and $1.7 million, respectively. These amounts are recorded in other income - other, net on the accompanying condensed consolidated statements of income. For the three and six months ended June 30, 2003, which is before RMS was consolidated, Yankee recorded pre-tax investment write-downs totaling $1.1 million and $1.4 million, respectively, related to its investment in RMS.

These charges are included in Note 1L, Summary of Significant Accounting Policies Other Income, and in the Eliminations and Other segment in Note 8, Segment Information, to the condensed consolidated financial statements.

NU has an investment in the common stock of NEON, a provider of optical networking services. On July 19, 2004, NEON and Globix Corporation (Globix) announced a definitive merger agreement in which Globix, an unaffiliated publicly-owned entity would acquire NEON for shares of Globix common stock. If the merger is consummated, then NU would receive 1.2748 shares of Globix common stock for each of the 1.8 million shares of NEON stock it owns. Management continues to evaluate the potential impact of the proposed merger on NUs investment in NEON, which had a carrying value of $9.9 million at September 30, 2004.

NU owns 49 percent of the common stock of Connecticut Yankee (CY) with a carrying value of $21 million at September 30, 2004. CY is involved in litigation over the termination of the decommissioning contract with Bechtel Power Corporation (Bechtel). Management believes that this litigation has not impaired the value of its investment in CY at September 30, 2004 but will continue to evaluate the impact of the litigation on NUs investment. For further information regarding the Bechtel litigation, see Note 4D, Commitments and Contingencies - Deferred Contractual Obligations, to the condensed consolidated financial statements.

I. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. At the end of each reporting period, overdraft amounts are reclassified from cash and cash equivalents to accounts payable.

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J. Special Deposits

Special deposits represents amounts Select Energy has on deposit with unaffiliated counterparties and brokerage firms in the amount of $80.2 million and amounts included in escrow for Select Energy Services, Inc. (SESI) that have not been spent on construction projects of $21.5 million at September 30, 2004. Similar amounts totaled $24.5 million and $32 million, respectively, at December 31, 2003. Special deposits at December 31, 2003 also included $30.1 million in escrow that PSNH funded to acquire Connecticut Valley Electric Company, Inc. on January 1, 2004.

K. Restricted Cash – LMP Costs

Restricted cash - LMP costs represented incremental locational marginal pricing (LMP) cost amounts that were collected by CL&P and deposited into an escrow account. At December 31, 2003, restricted cash - LMP costs totaled $93.6 million, and an additional $30 million was deposited in 2004. During the third quarter of 2004, $83 million of the account was paid to CL&P’s standard offer suppliers in accordance with the Federal Energy Regulatory Commission (FERC) approved Standard Market Design (SMD) settlement. The remaining $41 million was released from the escrow account in the third quarter and will be refunded to CL&P’s customers as a credit on bills from September to December of 2004.

L. Other Income

The pre-tax components of NU’s other income items are as follows:

	For the Three Months Ended	
(Millions of Dollars)	September 30, 2004	September 30, 2003
Investment income	$ 6.3	$ 5.5
CL&P procurement fee	3.0	—
AFUDC – equity funds	0.3	1.8
Gain on sale of RMS	0.2	—
Charitable donations	(0.4)	(0.4)
Other, net	(1.2)	(2.2)
Totals	$ 8.2	$ 4.7

	For the Nine Months Ended	
(Millions of Dollars)	September 30, 2004	September 30, 2003
Investment write-downs	$ (6.3)	$ —
Investment income	13.4	13.5
CL&P procurement fee	8.8	—
AFUDC – equity funds	2.2	5.1
Gain on sale of RMS	0.8	—
Charitable donations	(1.7)	(3.1)
Other, net	(4.5)	(9.5)
Totals	$12.7	$ 6.0

M. Counterparty Deposits

Balances collected from counterparties resulting from Select Energys credit management activities totaled $67.4 million at September 30, 2004 and $46.5 million at December 31, 2003. These amounts are recorded as current liabilities and included as counterparty deposits on the accompanying condensed consolidated balance sheets. To the extent Select Energy requires collateral from counterparties, cash is received as a part of the total collateral required. The right to receive such cash collateral in an unrestricted manner is determined by the terms of Select Energys agreements. Key factors affecting the unrestricted status of a portion of this cash collateral include the financial standing of Select Energy and of NU as its credit supporter.

2. DERIVATIVE INSTRUMENTS (NU, CL&P, Select Energy, Yankee Gas)

Derivatives that are utilized for trading purposes are recorded at fair value with changes in fair value included in earnings. Other contracts that are derivatives but do not meet the definition of a cash flow or fair value hedge and cannot be designated as normal purchases or normal sales are also recorded at fair value with changes in fair value included in earnings. For those contracts that meet the definition of a derivative and meet the cash flow hedge requirements, the changes in the fair value of the effective portion of those contracts are generally recognized in accumulated other comprehensive income until the underlying transactions occur. For contracts that meet the definition of a derivative but do not meet the hedging

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requirements, and for the ineffective portion of contracts that meet the cash flow hedge requirements, the changes in fair value of those contracts are recognized currently in earnings. Derivative contracts designated as fair value hedges and the item they are hedging are both recorded at fair value on the condensed consolidated balance sheets. Derivative contracts that are entered into as a normal purchase or sale and are probable of resulting in physical delivery, and are documented as such, are recorded under accrual accounting.

For the nine months ended September 30, 2004, a negative $42.7 million, net of tax, was reclassified as an expense from other comprehensive income in connection with the consummation of the underlying hedged transactions and recognized in earnings. Also during the third quarter of 2004, new cash flow hedge transactions were entered into that hedge cash flows through 2006. As a result of these new transactions and market value changes since January 1, 2004, accumulated other comprehensive income increased by $15.4 million, net of tax. Accumulated other comprehensive income at September 30, 2004, was a positive $40.2 million, net of tax (increase to equity), relating to hedged transactions, and it is estimated that a positive $36 million included in this net of tax balance will be reclassified as an increase to earnings within the next twelve months. Cash flows from hedge contracts are reported in the same category as cash flows from the underlying hedged transaction.

The restatements discussed in Note 9, Restatement of Previously Issued Financial Statements, resulted in $42.7 million being removed from accumulated other comprehensive income and being recognized as a decrease in earnings.

There was no material impact recognized in earnings for the ineffective portion of cash flow hedges. A pre-tax negative $4.2 million was recognized in earnings for the ineffective portion of fair value hedges. The changes in the fair value of both the fair value hedges and the natural gas inventory being hedged are recorded in fuel, purchased, and net interchange power on the accompanying condensed consolidated statements of income.

The tables below summarize the derivative assets and liabilities at September 30, 2004 and December 31, 2003. The business activities of NU Enterprises that result in the recognition of derivative assets include concentrations of credit risk to energy marketing and trading counterparties. At September 30, 2004, Select Energy has $174.4 million of derivative assets from trading, non-trading, and hedging activities. These assets are exposed to counterparty credit risk. However, a significant portion of these assets is contracted with investment grade rated counterparties or collateralized with cash. The amounts below do not include option premiums paid, which are recorded as prepayments and amounted to $4.4 million and $9.1 million related to energy trading activities and $9 million and $7.6 million related to marketing activities at September 30, 2004 and December 31, 2003, respectively. These amounts also do not include option premiums received, which are recorded as other current liabilities and amounted to $7 million and $12.2 million related to energy trading activities at September 30, 2004 and December 31, 2003, respectively, and $1.9 million related to marketing activities at September 30, 2004.

	At September 30, 2004		
(Millions of Dollars)	Assets	Liabilities	Total
NU Enterprises:			
Trading	$ 94.0	$ (71.0)	$ 23.0
Non-trading	3.3	(76.1)	(72.8)
Hedging	77.1	(10.0)	67.1
Utility Group - Gas:			
Non-trading	0.3	(0.1)	0.2
Hedging	3.0	—	3.0
Utility Group - Electric:			
Non-trading	186.3	(49.4)	136.9
NU Parent:			
Hedging	0.7	—	0.7
Total	$ 364.7	$ (206.6)	$ 158.1

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	At December 31, 2003		
(Millions of Dollars)	Assets	Liabilities	Total
NU Enterprises:			
Trading	$ 71.8	$ (39.3)	$ 32.5
Non-trading	1.6	(0.8)	0.8
Hedging	55.8	(12.7)	43.1
Utility Group - Gas:			
Non-trading	0.2	(0.2)	—
Hedging	2.8	—	2.8
Utility Group - Electric:			
Non-trading	116.9	(56.0)	60.9
NU Parent:			
Hedging	—	(3.6)	(3.6)
Total	$ 249.1	$ (112.6)	$ 136.5

NU Enterprises - Trading: To gather market intelligence and utilize this information in risk management activities for the wholesale marketing activities, Select Energy conducts limited energy trading activities in electricity, natural gas, and oil, and therefore, experiences net open positions. Select Energy manages these open positions with strict policies that limit its exposure to market risk and require daily reporting to management of potential financial exposures.

Derivatives used in trading activities are recorded at fair value and included in the condensed consolidated balance sheets as derivative assets or liabilities. Changes in fair value are recognized in operating revenues in the condensed consolidated statements of income in the period of change. The net fair value positions of the trading portfolio at September 30, 2004 and at December 31, 2003 were assets of $23 million and $32.5 million, respectively.

Select Energy's trading portfolio includes New York Mercantile Exchange (NYMEX) futures, financial swaps, and options, the fair value of which is based on closing exchange prices; over-the-counter forwards, financial swaps, and options, the fair value of which is based on the mid-point of bid and ask market prices; and bilateral contracts for the purchase or sale of electricity or natural gas, the fair value of which is determined using available information from external sources. Select Energy's trading portfolio also includes transmission congestion contracts (TCC). The fair value of the TCCs included in the trading portfolio is based on published market data.

NU Enterprises - Non-Trading: Certain non-trading derivative contracts are used for delivery of energy related to Select Energy's wholesale and retail marketing activities. These contracts are subject to fair value accounting because these contracts are derivatives that cannot be designated as normal purchases or sales, as defined. These contracts cannot be designated as normal purchases or sales either because they are included in the New York energy market that settles financially or because management did not elect the normal purchases and sales designation.

Market information for the TCCs classified as non-trading is not available, and those contracts cannot be reliably valued. Management believes the amounts paid for these contracts, which total $5.4 million at September 30, 2004, and $4.3 million at December 31, 2003 and are included in premiums paid, are equal to their fair value.

Other non-trading derivative contracts with September 30, 2004 fair values of negative $73.8 million are used to mitigate the risk of electricity price changes on Select Energy's fixed-price electricity purchase contracts. These derivatives do not meet criteria to be accounted for as cash flow hedges and are accounted for at fair value as non-trading contracts. The contracts are natural gas basis and natural gas futures and swaps contracts with fair values determined by prices provided by external sources and actively quoted markets. Select Energy held none of these contracts at December 31, 2003.

NU Enterprises - Hedging: Select Energy utilizes derivative financial and commodity instruments, including futures and forward contracts, to reduce market risk associated with fluctuations in the price of electricity and natural gas purchased to meet firm sales and purchase commitments to certain customers. Select Energy also utilizes derivatives, including price swap agreements, call and put option contracts, and futures and forward contracts to manage the market risk associated with a portion of its anticipated supply and delivery requirements. These derivatives have been designated as cash flow hedging instruments and are used to reduce the market risk associated with fluctuations in the price of electricity or natural gas. A derivative that hedges exposure to the variable cash flows of a forecasted transaction (a cash flow hedge) is initially recorded at fair value with changes in fair value recorded in accumulated other comprehensive income. Cash flow hedges impact net income when the forecasted transaction being hedged occurs, when hedge ineffectiveness is measured and recorded, when the forecasted transaction being hedged is no longer probable of occurring, or when there is accumulated other comprehensive loss and the hedge and the forecasted transaction being hedged are in a loss position on a combined basis.

Select Energy maintains natural gas service agreements with certain customers to supply gas at fixed prices for terms extending through 2006. Select Energy has hedged its gas supply risk under these agreements through NYMEX futures contracts. Under these contracts, which also extend through 2006, the purchase price of a specified quantity of gas is effectively fixed over the term of the gas service agreements. At September 30, 2004 the NYMEX futures contracts had notional values of $88.3 million and were recorded at fair value as derivative assets of $18.9 million.

Select Energy also maintains various physical and financial instruments to hedge its electric and gas purchases and sales through 2006. These instruments include forwards, futures, options, financial collars, swaps and financial transmission rights (FTRs). These hedging contracts, which are valued at the mid-point of bid and ask market prices, were recorded as derivative assets of $58.2 million and derivative liabilities of $84.5 million at September 30, 2004.

Select Energy hedges certain amounts of natural gas inventory with gas futures, options and swaps, some of which are accounted for as fair value hedges. The changes in fair value of the futures, options and swaps were recorded as derivative liabilities of $0.4 million at September 30, 2004. During the third quarter, a change in the fair value of hedged natural gas inventory of a negative $4.3 million was recorded along with the change in the fair value of the hedge of a positive $0.1 million. In September 2004, certain of these fair value hedges were redesignated as cash flow hedges, and future changes in fair value will be included in other comprehensive income (equity), unless ineffective.

Utility Group - Gas - Non-Trading : Yankee Gas non-trading derivatives consist of peaking supply arrangements to serve winter load obligations and firm sales contracts with options to curtail delivery. These contracts are subject to fair value accounting because these contracts are derivatives that cannot be designated as normal purchases or sales, as defined, because of the optionality in the contract terms. Non-trading derivatives at September 30, 2004 included assets of $0.3 million and liabilities of $0.1 million.

Utility Group - Gas - Hedging: Yankee Gas maintains a master swap agreement with a financial counterparty to purchase gas at fixed prices. Under this master swap agreement, the purchase price of a specified quantity of gas for an unaffiliated customer is effectively fixed over the term of the gas service agreements with that customer for a period not extending beyond 2005. At September 30, 2004 the commodity swap agreement had a notional value of $3.3 million and was recorded at fair value as a derivative asset of $3 million. The firm commitment contract that is hedged is also recorded as a liability on the accompanying condensed consolidated balance sheets, and changes in fair values of the hedge and firm commitment have offsetting impacts in earnings.

Utility Group - Electric - Non-Trading: CL&P has two independent power producer (IPP) contracts to purchase power that contain pricing provisions that are not clearly and closely related to the price of power and therefore do not qualify for the normal purchases and sales exception to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The fair values of these IPP non-trading derivatives at September 30, 2004 include a derivative asset with a fair value of $186.3 million and a derivative liability with a fair value of $49.4 million. An offsetting regulatory liability and an offsetting regulatory asset were recorded, as these contracts are part of the stranded costs, and management believes that these costs will continue to be recovered or refunded in rates.

NU Parent - Hedging: In March of 2003, NU parent entered into a fixed to floating interest rate swap on its $263 million, 7.25 percent fixed rate note that matures on April 1, 2012. As a matched-terms fair value hedge, the changes in fair value of the swap and the hedged debt instrument are recorded on the condensed consolidated balance sheets but are equal and offsetting in the condensed consolidated statements of income. The cumulative change in the fair value of the hedged debt of $0.7 million is included an increase to long-term debt on the condensed consolidated balance sheets. The hedge is recorded as a derivative asset of $0.7 million. The resulting changes in interest payments made are recorded as adjustments to interest expense.

3. GOODWILL AND OTHER INTANGIBLE ASSETS (Yankee Gas, NU Enterprises)

SFAS No. 142, Goodwill and Other Intangible Assets, requires that goodwill and intangible assets deemed to have indefinite useful lives be reviewed for impairment at least annually by applying a fair value-based test. NU uses October 1st as the annual goodwill impairment testing date. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value and if the implied fair value of goodwill based on the estimated fair value of the reporting unit is less than the carrying amount. There were no impairments or adjustments to the goodwill balances during the nine-month periods ended September 30, 2004 and 2003.

NUs reporting units that maintain goodwill are generally consistent with the operating segments underlying the reportable segments identified in Note 8, Segment Information, to the condensed consolidated financial statements. Consistent with

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the way management reviews the operating results of its reporting units, NUs reporting units under the NU Enterprises reportable segment include: 1) the merchant energy reporting unit and 2) the energy services reporting unit. The merchant energy reporting unit is comprised of the operations of Select Energy, Northeast Generation Company (NGC) and the generation operations of Holyoke Water Power Company (HWP), while the energy services reporting unit is comprised of the operations of SESI, Northeast Generation Services Company (NGS) and Woods Network Services, Inc. (Woods Network). As a result, NUs reporting units that maintain goodwill are as follows: the Yankee Gas reporting unit, which is classified under the Utility Group - gas reportable segment; the merchant energy reporting unit, which is classified under the NU Enterprises - merchant energy reportable segment; and the energy services reporting unit, which is classified under NU Enterprises - eliminations and other. The goodwill balances of these reporting units are included in the table herein.

At September 30, 2004, NU maintained $319.9 million of goodwill that is no longer being amortized, $11.7 million of identifiable intangible assets subject to amortization and $8.5 million of intangible assets not subject to amortization. At December 31, 2003, NU maintained $319.9 million of goodwill that is no longer being amortized, $14.4 million of identifiable intangible assets subject to amortization and $8.5 million of intangible assets not subject to amortization. A summary of NUs goodwill balances at September 30, 2004 and December 31, 2003, by reportable segment and reporting unit is as follows:

(Millions of Dollars)	At September 30, 2004	At December 31, 2003
Utility Group Gas:		
Yankee Gas	$287.6	$287.6
NU Enterprises:		
Merchant Energy	3.2	3.2
Energy Services	29.1	29.1
Totals	$319.9	$319.9

The goodwill recorded related to the acquisition of Yankee Gas is not being recovered from the customers of Yankee Gas.

At September 30, 2004 and December 31, 2003, NUs intangible assets and related accumulated amortization, all of which related to NU Enterprises, consisted of the following:

	At September 30, 2004

(Millions of Dollars)	Gross Balance	Accumulated Amortization	Net Balance
Intangible assets subject to amortization:			
Exclusivity agreement	$17.7	$ 9.2	$ 8.5
Customer list	6.6	3.4	3.2
Totals	$24.3	$12.6	$11.7
Intangible assets not subject to amortization:			
Customer relationships	$ 5.2		
Tradenames	3.3		
Totals	$ 8.5		

	At December 31, 2003		
(Millions of Dollars)	Gross Balance	Accumulated Amortization	Net Balance
Intangible assets subject to amortization:			
Exclusivity agreement	$17.7	$7.2	$10.5
Customer list	6.6	2.7	3.9
Totals	$24.3	$9.9	$14.4
Intangible assets not subject to amortization:			
Customer relationships	$ 5.2		
Tradenames	3.3		
Totals	$ 8.5		

NU recorded amortization expense of $2.7 million and $2.6 million for the nine months ended September 30, 2004 and 2003, respectively, related to intangible assets. Based on the current amount of intangible assets subject to amortization, the estimated annual amortization expense for 2004 and for each of the succeeding 5 years from 2005 through 2009 is $3.6 million in 2004 through 2007 and no amortization expense in 2008 or 2009. These amounts may vary as acquisitions and dispositions occur in the future.

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4. COMMITMENTS AND CONTINGENCIES

A. Regulatory Issues and Rate Matters (CL&P, PSNH, WMECO)

Connecticut:

CTA and SBC Reconciliation: The Competitive Transition Assessment (CTA) allows CL&P to recover stranded costs, such as securitization costs associated with the rate reduction bonds, amortization of regulatory assets, and IPP over market costs, while the System Benefits Charge (SBC) allows CL&P to recover certain regulatory and energy public policy costs, such as public education outreach costs, hardship protection costs, transition period property taxes, and displaced worker protection costs.

On April 1, 2004, CL&P filed its 2003 CTA and SBC reconciliation with the Connecticut Department of Public Utility Control (DPUC), which compares CTA and SBC revenues to revenue requirements. A final decision in the 2003 CTA and SBC docket was issued on August 4, 2004 and ordered a refund to customers of $88.5 million over a seven-month period beginning with October 2004 consumption.

The DPUC also directed CL&P to impute revenues of $2.7 million during 2004 payable to customers associated with a previously renegotiated IPP contract. On September 15, 2004, CL&P filed an appeal and a motion for partial stay with the Connecticut Superior Court challenging the DPUC s August 4, 2004 decision regarding this contract. The motion for partial stay was granted. On October 15, 2004, CL&P entered into a settlement involving the counterparties to this contract and various other parties. If approved by the DPUC and by the bankruptcy court of one of the counterparties, the DPUC will rescind the imputed revenues order, and CL&P would withdraw its appeal. CL&P is awaiting approvals of the settlement.

In the 2001 CTA and SBC reconciliation filing, and subsequently in a September 10, 2002 petition to reopen related proceedings, CL&P requested that a deferred intercompany liability associated with the intercompany sale of generation assets be excluded from the calculation of CTA revenue requirements. On September 10, 2003, the DPUC issued a final decision denying CL&P s request, and on October 24, 2003, CL&P appealed the DPUC s final decision to the Connecticut Superior Court. The appeal has been fully briefed and is in the argument phase, and a decision from the Connecticut Superior Court could be rendered by the end of 2004. If CL&P s request is granted through these court proceedings, then there could be additional amounts due to CL&P from its customers. The 2004 impact of including the deferred intercompany liability in CTA revenue requirements has been a reduction of approximately $19.3 million in revenue.

New Hampshire:

SCRC Reconciliation Filing: The stranded cost recovery charge (SCRC) allows PSNH to recover its stranded costs. On an annual basis, PSNH files with the New Hampshire Public Utilities Commission (NHPUC) a SCRC reconciliation filing for the preceding calendar year. This filing includes the reconciliation of stranded cost revenues billed with stranded costs, and transition energy service (TS) revenues billed with TS costs. The NHPUC reviews the filing, including a prudence review of PSNH s generation operations. The cumulative deferral of SCRC revenues in excess of costs was $200.6 million at September 30, 2004. This cumulative deferral will decrease the amount of non-securitized stranded costs that will have to be recovered from PSNH s customers in the future from $422.6 million to $222 million.

The 2003 SCRC reconciliation filing was filed with the NHPUC on April 30, 2004, and a proposed stipulation and settlement agreement between PSNH, the Office of Consumer Advocate and NHPUC staff was filed with the NHPUC on October 4, 2004. Under the terms of the settlement agreement, no costs related to the recovery of stranded costs or the cost of providing TS were disallowed, and the NHPUC staff agreed to accept the 2003 SCRC filing without change. On October 29, 2004, the NHPUC issued an order accepting the settlement agreement as filed.

Estimated unbilled revenues are not included in the reconciliation of billed revenues to incurred costs through rate mechanisms for the SCRC and the TS. At September 30, 2004, the unbilled balance related to SCRC and TS was $11.7 million and $16.7 million, respectively. The level of the TS rate will vary from time to time and will continue until it is replaced with Default Energy Service, or some equivalent, which will then continue indefinitely. The SCRC rate is expected to begin decreasing in late 2006. Management will seek from regulators a determination as to the ultimate inclusion of any of this unbilled revenue into billed rates.

Massachusetts:

Transition Cost Reconciliation: On March 31, 2004, WMECO filed its 2003 transition cost reconciliation with the Massachusetts Department of Telecommunications and Energy. This filing reconciled the recovery of generation-related stranded costs for calendar year 2003. The timing of a final decision is uncertain, but management does not expect the outcome of this docket to have a material adverse impact on WMECO s net income or financial position.

B. NRG Energy, Inc. Exposures (CL&P, Yankee Gas)

Certain subsidiaries of NU, including CL&P and Yankee Gas, entered into transactions with NRG Energy, Inc. (NRG) and certain of its subsidiaries. On May 14, 2003, NRG and certain of its subsidiaries filed voluntary bankruptcy petitions. On December 5, 2003, NRG emerged from bankruptcy. NU s NRG-related exposures as a result of these transactions relate to 1) the recovery of congestion charges incurred by NRG prior to the implementation of SMD on March 1, 2003, 2) the recovery of CL&P s station service billings from NRG, and 3) the recovery of Yankee Gas and CL&P s expenditures that were incurred related to an NRG subsidiary s generating plant construction project that is now abandoned. While it is unable to determine the ultimate outcome of these issues, management does not expect that their resolution will have a material adverse effect on NU s consolidated financial condition or results of operations.

C. Long-Term Contractual Arrangements (CL&P, PSNH, WMECO, Yankee Gas, and Select Energy)

Select Energy maintains long-term agreements to purchase energy in the normal course of business as part of its portfolio of resources to meet its actual or expected sales commitments. The aggregate amount of these purchase contracts was $5.4 billion at September 30, 2004, as follows (millions of dollars):

Year	
2004	$ 1,460.9
2005	2,914.6
2006	452.7
2007	125.7
2008	89.0
Thereafter	312.5
Total	$ 5,355.4

Select Energy s purchase contract amounts can exceed the amount expected to be reported in fuel, purchased and net interchange power as energy trading purchases are classified net with the corresponding revenues.

The following are material updates to the table of contractual obligations and commercial commitments discussed in NU s 2003 report on Form 10-K:

(Millions of Dollars)	2004	2005	2006	2007	2008	Thereafter
Contracted expenditures for construction of Yankee Gas LNG facility	$ 7.5	$ 30.6	$ 39.3	$ 3.4	$	$
Northern Wood Project	21.6	36.5	5.6			
FERC-approved billings from the Yankee Companies	40.8	92.5	74.4	68.6	60.9	113.5
	$69.9	$159.6	$119.3	$72.0	$60.9	$ 113.5

Certain other estimated construction expenditures totaling $19.2 million related to the Yankee Gas liquefied natural gas (LNG) facility and $11.3 million related to the Northern Wood Project are not included in the contracts signed to build these facilities and are not included in the table above. NU s other long-term contractual arrangements have not changed materially from the amounts reported at December 31, 2003.

D. Deferred Contractual Obligations (NU, CL&P, PSNH, WMECO)

NU still has significant decommissioning and plant closure cost obligations to the companies that own the Yankee Atomic (YA), CY and Maine Yankee (MY) nuclear power plants (collectively, the Yankee Companies). Each plant has been shut down and is undergoing decommissioning.

The Yankee Companies collect decommissioning and closure costs through wholesale, FERC-approved rates charged under power purchase agreements with several New England utilities, including NU s electric utility companies CL&P, PSNH and WMECO. These companies in turn pass these costs on to their customers through state regulatory commission-approved retail rates. YA has received FERC approval to collect all presently estimated decommissioning costs. MY and various other parties filed a settlement agreement with the FERC, which provides for the collection of approximately $27 million annually through October 31, 2008 for all presently estimated decommissioning and long-term spent fuel storage costs. The MY settlement was approved by the FERC on September 16, 2004.

CY s estimated decommissioning and plant closure costs for the period 2000 through 2023 have increased by approximately $395 million over the April 2000 estimate of $436 million approved by the FERC in a 2000 rate case settlement. The revised

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estimate reflects the fact that CY is now self-performing all work to complete the decommissioning of the plant due to the termination of the decommissioning contract with Bechtel in July 2003, the increases in the projected costs of spent fuel storage, and increased security and liability and property insurance costs. NU s share of CY s increase in decommissioning and plant closure costs is approximately $194 million. On July 1, 2004, CY filed with the FERC for recovery of these increased costs. In the filing, CY sought to increase its annual decommissioning collections from $16.7 million to $93 million for a six-year period beginning on January 1, 2005. On August 30, 2004, the FERC issued an order accepting the rates, with collection beginning on February 1, 2005, subject to refund, and scheduled hearings for May 2005. In total, NU s estimated remaining decommissioning and plant closure obligation for CY is $310.2 million at September 30, 2004.

On June 10, 2004, the DPUC and Office of Consumer Counsel (OCC) filed a petition seeking a declaratory order that CY be allowed to recover all decommissioning costs from its wholesale purchasers, including CL&P, PSNH and WMECO, but that such purchasers may not be allowed to recover in their retail rates any costs that the FERC might determine to have been imprudently incurred. On August 30, 2004, the FERC denied this petition. On September 29, 2004, the DPUC and OCC asked the FERC to reconsider the petition. On October 29, 2004, the FERC issued an order granting further consideration regarding the DPUC s and OCC s petition for reconsideration. No hearing date has been established.

CY is currently in litigation with Bechtel over the termination of its decommissioning contract. On June 13, 2003, CY gave notice of the termination of its contract with Bechtel for the decommissioning of its nuclear power plant. CY terminated the contract due to Bechtel s history of incomplete and untimely performance and refusal to perform the remaining decommissioning work. Bechtel has departed the site and the decommissioning responsibility has been transitioned to CY, which has recommenced the decommissioning process.

On June 23, 2003, Bechtel filed a complaint against CY asserting a number of claims and seeking a variety of remedies, including monetary and punitive damages and rescission of the contract. Bechtel has since amended its complaint to add claims for wrongful termination. On August 22, 2003, CY filed its answer and counterclaims, including counts for breach of contract, negligent misrepresentation and breach of duty of good faith and fair dealing. Discovery is currently underway and a trial has been scheduled for May 2006.

On July 20, 2004, the Connecticut Superior Court (the Court) allowed the DPUC to intervene in the prejudgment remedy (PJR) proceeding filed in June 2004 for the limited purpose of objecting to Bechtel s requested garnishment of the decommissioning trust and related payments. On October 27, 2004, Bechtel and CY entered into a stipulation under which Bechtel relinquished its right to seek garnishment of the decommissioning trust and related payments in return for the potential attachment of CY s real property in Connecticut and the escrowing of $41.7 million the sponsors are scheduled to pay to CY through June 30, 2007. This stipulation is subject to approval of the Court and would not be implemented until the Court found that such assets were subject to attachment. CY intends to contest the attachability of such assets. Management cannot predict the outcome of this litigation or its impact on NU.

NU cannot at this time predict the timing or outcome of the FERC proceeding required for the collection of the increased decommissioning costs. Management believes that the costs have been prudently incurred and will ultimately be recovered from the customers of CL&P, PSNH and WMECO. However, there is a risk that some portion of these increased costs may not be recovered, or will have to be refunded if recovered, as a result of the FERC proceedings. NU also cannot predict the timing and the outcome of the litigation with Bechtel.

The Yankee Companies also are seeking recovery of damages from the United States Department of Energy (DOE) for the cost of storing spent nuclear fuel that the DOE has failed to remove. The DOE trial ended on August 30, 2004 and a verdict has not been reached. The related claim for damages from the DOE incurred through 2010 is approximately $500 million. The current Yankee Companies rates do not include an amount for recovery of damages in this matter. Management can predict neither the outcome of this matter nor its ultimate impact on NU.

For additional current information regarding these issues and litigation with Bechtel, see Part II, Item 1, Legal Proceedings, in this report on Form 10-Q.

E. Consolidated Edison, Inc. Merger Litigation

Certain gain and loss contingencies continue to exist with regard to the 1999 merger agreement between NU and Consolidated Edison, Inc. (Con Edison) and the related litigation. Interrogatory appeals in the case are now pending, and no trial date has been set. At this stage of the litigation, management can predict neither the outcome of this matter nor its ultimate effect on NU. For additional information on this litigation, see Part II, Item 1, Legal Proceedings in this report on Form 10-Q.

5. COMPREHENSIVE INCOME (NU, CL&P, PSNH, WMECO, NU Enterprises)

Total comprehensive income, which includes all comprehensive income/(loss) items by category, for the nine months ended September 30, 2004 and 2003 is as follows:

	Nine Months Ended September 30, 2004 (Restated - See Note 9)					
	NU	CL&P	PSNH	WMECO	NU Enterprises	Other
Net income*	$83.5	$65.1	$36.0	$ 8.7	$ (20.2)	$(6.1)
Comprehensive income/(loss) items:						
Qualified cash flow hedging instruments	15.4				15.3	0.1
Unrealized losses on securities	(0.6)					(0.6)
Net change in comprehensive income/(loss) items	14.8				15.3	(0.5)
Total comprehensive income/(loss)	$98.3	$65.1	$36.0	$ 8.7	$ (4.9)	$(6.6)

	Nine Months Ended September 30, 2003					
	NU	CL&P	PSNH	WMECO	NU Enterprises	Other
Net income*	$126.3	$59.0	$34.5	$ 13.9	$ 24.0	$(5.1)
Comprehensive income/(loss) items:						
Qualified cash flow hedging instruments	(18.7)				(14.7)	(4.0)
Unrealized losses on securities	1.0	0.1	0.1			0.8

Net change in comprehensive income/(loss) items	(17.7)	0.1	0.1		(14.7)	(3.2)
Total comprehensive income/(loss)	$108.6	$59.1	$34.6	$ 13.9	$ 9.3	$(8.3)

*After preferred dividends of subsidiary.

NU s total comprehensive income for the three months ended September 30, 2004 and 2003 totaled $12.2 million in losses and $34.6 million in income, respectively.

Amounts included in the Other column primarily relate to NU parent and Northeast Utilities Service Company.

Accumulated other comprehensive income fair value adjustments in NU s qualified cash flow hedging instruments for the three and nine months ended September 30, 2004 and the twelve months ended December 31, 2003 are as follows:

(Millions of Dollars, Net of Tax)	Three Months September 30, 2004	Nine Months September 30, 2004	Twelve Months December 31, 2003
Balance at beginning of period	$ 44.1	$ 24.8	$15.5
Hedged transactions recognized into earnings	(15.5)	(42.7)	(5.3)
Change in fair value	8.3	45.0	5.0
Cash flow transactions entered into for the period	3.3	13.1	9.6
Net change associated with the current period hedging transactions	(3.9)	15.4	9.3
Total fair value adjustments included in accumulated other comprehensive income	$ 40.2	$ 40.2	$24.8

Accumulated other comprehensive income items unrelated to NU s qualified cash flow hedging instruments totaled $0.6 million and $1.2 million in gains at September 30, 2004 and December 31, 2003, respectively. These amounts primarily relate to unrealized gains on investments in marketable debt and equity securities, net of related income taxes.

6. EARNINGS PER SHARE (NU)

EPS is computed based upon the weighted average number of common shares outstanding during each period. Diluted EPS is computed on the basis of the weighted average number of common shares outstanding plus the potential dilutive effect if certain securities are converted into common stock. At September 30, 2004 and 2003, 647,856 options and 2,004,224 options, respectively, were excluded from the following table as these options were antidilutive. The following table sets forth the components of basic and fully diluted EPS:

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	Nine Months Ended September 30,	
(Millions of Dollars, Except for Share Information)	2004 (Restated)	2003

Income before preferred dividends of subsidiaries	$ 87.7	$ 135.2
Preferred dividends of subsidiaries	4.2	4.2
Income before cumulative effect of accounting change	$ 83.5	$ 131.0
Cumulative effect of accounting change, net of tax benefit		(4.7)
Net income	$ 83.5	$ 126.3
Basic EPS common shares outstanding (average)	128,064,364	126,976,161
Dilutive effects of employee stock options	166,903	110,256
Fully diluted EPS common shares outstanding (average)	128,231,267	127,086,417
Basic and fully diluted EPS:		
Income before cumulative effect of accounting change	$ 0.65	$ 1.03
Cumulative effect of accounting change net of tax benefit		(0.04)
Net income	$ 0.65	$ 0.99

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

NU s subsidiaries participate in a uniform noncontributory defined benefit retirement plan (Pension Plan) covering the majority of regular NU employees and also provide certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees (PBOP Plan). The components of net periodic benefit expense/(income) for the Pension Plan and the PBOP Plan for the nine months ended September 30, 2004 and 2003 are estimated as follows:

	For the Nine Months Ended September 30,			
	Pension Benefits		Postretirement Benefits	
(Millions of Dollars)	2004	2003	2004	2003
Service cost	$ 30.5	$ 26.3	$ 4.5	$ 4.0
Interest cost	89.2	87.7	19.0	20.1
Expected return on plan assets	(131.3)	(136.9)	(9.4)	(11.2)
Amortization of unrecognized net transition (asset)/obligation	(1.1)	(1.1)	8.9	8.9
Amortization of prior service cost	5.4	5.4	(0.3)	(0.3)
Amortization of actuarial loss/(gain)	11.5	(5.3)		
Other amortization, net			8.6	4.8
Total - net periodic expense/(income)	$ 4.2	$ (23.9)	$31.3	$ 26.3

A portion of these expenses/(income) is capitalized related to employees working on capital projects.

NU does not expect to make any contributions to the Pension Plan in 2004. NU anticipates contributing approximately $10.4 million quarterly totaling $41.7 million in 2004 to fund its PBOP Plan.

Based on the most recent actuarial valuation as of January 1, 2004, the impact of the Medicare program has been revised from a $20 million decrease in the PBOP benefit obligation at December 31, 2003 to $27 million at September 30, 2004. The total $27 million decrease consists of $20 million as a direct result of the subsidy for certain non-capped retirees and $7 million related to changes in participation assumptions for capped retirees and future retirees as a result of the subsidy. The total $27 million decrease is currently being amortized as a reduction to PBOP expense over approximately 13 years. For the nine months ended September 30, 2004, this reduction in PBOP expense totaled approximately $2.8 million, including amortization of the actuarial gain of $1.5 million and a reduction in interest cost based on a lower PBOP benefit obligation of $1.3 million.

As a result of litigation with nineteen former employees, in April 2004, NU was ordered by the court to modify its retirement plan to include special retirement benefits for fifteen of these former employees retroactive to the dates of their retirement and increased future monthly benefit payments. In the third quarter, NU withdrew its appeal of the court s ruling. As a consequence, benefits with an estimated cost of $2.1 million will be provided to these fifteen former employees. This amount will be recorded as a plan amendment, which will be amortized as a prior service cost and will increase pension expense over approximately 13 years.

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8. SEGMENT INFORMATION (All Companies)

NU is organized between the Utility Group and NU Enterprises businesses based on a combination of factors, including the characteristics of each business products and services, the sources of operating revenues and expenses and the regulatory environment in which they operate. Based on enhanced information that is reviewed by NU s chief operating decision maker, separate detailed information regarding the Utility Group s transmission businesses and NU Enterprises merchant energy business is now included in the following segment information. Segment information for all periods has been restated to conform to the current presentation except for total asset information for the transmission business segment.

The Utility Group segment, including both the regulated electric distribution and transmission businesses, as well as the gas distribution business comprised of Yankee Gas, represents approximately 69 percent and 73 percent of NU s total revenues for the nine months ended September 30, 2004 and 2003, respectively, and includes the operations of the regulated electric utilities, CL&P, PSNH and WMECO, whose complete condensed consolidated financial statements are included in NU s combined report on Form 10-Q. PSNH s distribution segment includes generation activities. Also included in this combined report on Form 10-Q is detailed information regarding CL&P s, PSNH s, and WMECO s transmission businesses. Utility Group revenues from the sale of electricity and natural gas primarily are derived from residential, commercial and industrial customers and are not dependent on any single customer.

The NU Enterprises merchant energy business segment includes Select Energy, NGC, the generation operations of HWP, and their respective subsidiaries, while the NU Enterprises eliminations and other business segment includes SESI, NGS, Woods Network, and their respective subsidiaries and intercompany eliminations. The results of NU Enterprises parent are also included within eliminations and other.

Effective January 1, 2004, Select Energy began serving a portion of CL&P s transitional standard offer (TSO) load for 2004. Total Select Energy revenues from CL&P for CL&P s standard offer load, TSO load and for other transactions with CL&P, represented approximately $474.9 million or 22 percent for the nine months ended September 30, 2004 and approximately $566.2 million or 30 percent for the nine months ended September 30, 2003, of total NU Enterprises revenues. Total CL&P purchases from Select Energy are eliminated in consolidation.

Additionally, WMECO s purchases from Select Energy for standard offer and default service and for other transactions with Select Energy represented approximately $81.5 million and $110.3 million of total NU Enterprises revenues for the nine months ended September 30, 2004 and 2003, respectively. Total WMECO purchases from Select Energy are eliminated in consolidation. Select Energy revenues related to contracts with NSTAR companies represented $251.6 million or 12 percent of total NU Enterprises revenues for the nine months ended September 30, 2004. Select Energy also provides BGS in the New Jersey market. Select Energy revenues related to these contracts represented $238.5 million or 11 percent of total NU Enterprises revenues for the nine months ended September 30, 2004 and $323.6 million or 17 percent for the nine months ended September 30, 2003. No other individual customer represented in excess of 10 percent of NU Enterprises revenues for the nine months ended September 30, 2004 or 2003.

Eliminations and other in the NU consolidated tables includes the results for Mode 1 Communications, Inc., an investor in NEON, the results of the non-energy-related subsidiaries of Yankee (Yankee Energy Services Company, RMS, Yankee Energy Financial Services, and NorConn Properties, Inc.), the non-energy operations of HWP, the results of NU s parent and service companies, and write-downs of certain of the company s investments. Interest expense included in eliminations and other primarily relates to the debt of NU parent. Inter-segment eliminations of revenues and expenses are also included in eliminations and other. Eliminations and other includes NU s investment in RMS. Virtually all of the assets and liabilities of RMS were sold on June 30, 2004.

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NU s segment information for the three months and nine months ended September 30, 2004 and 2003 is as follows (some amounts between segment schedules may not agree due to rounding):

	For the Nine Months Ended September 30, 2004					
	Utility Group					
	Distribution					
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Eliminations and Other	Totals
Operating revenues	$ 3,061.4	$ 291.4	$ 105.4	$ 2,156.4	$ (583.7)	$ 5,030.9
Depreciation and amortization	(340.2)	(19.4)	(16.2)	(14.5)	(1.7)	(392.0)
Other operating expenses	(2,474.5)	(250.9)	(48.6)	(2,141.3)	580.9	(4,334.4)
Operating income/(loss)	246.7	21.1	40.6	0.6	(4.5)	304.5
Interest expense, net	(118.4)	(12.7)	(8.7)	(39.4)	(10.2)	(189.4)
Other income/(loss), net	10.9	(0.8)	(0.3)	5.3	(2.4)	12.7
Income tax (expense)/benefit	(48.8)	0.9	(8.0)	13.3	2.5	(40.1)
Preferred dividends	(4.2)					(4.2)
Net income/(loss)	$ 86.2	$ 8.5	$ 23.6	$ (20.2)	$ (14.6)	$ (83.5)
Total assets (1)	$ 8,359.6	$ 1,072.8	$	$ 2,110.0	$ (4.7)	$ 11,537.7
Total investments in plant	$ 281.3	$ 37.1	$ 120.9	$ 13.9	$ 10.5	$ 463.7

(1) Information for segmenting total assets between electric distribution and transmission is not available at September 30, 2004. On a NU consolidated basis, these distribution and transmission assets are disclosed in the electric distribution column above.

	For the Three Months Ended September 30, 2004					
	Utility Group					
	Distribution					
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Eliminations and Other	Totals
Operating revenues	$ 1,037.7	$ 48.2	$ 40.8	$ 739.0	$ (197.7)	$ 1,668.0
Depreciation and amortization	(124.9)	(6.6)	(6.1)	(4.9)	(0.7)	(143.2)
Other operating expenses	(827.8)	(45.7)	(18.3)	(795.4)	197.9	(1,489.3)
Operating income/(loss)	85.0	(4.1)	16.4	(61.3)	(0.5)	35.5

Interest expense, net	(39.2)	(4.3)	(3.0)	(13.5)	(3.5)	(63.5)
Other income/(loss), net	3.9	(0.2)	(0.2)	2.4	2.3	8.2
Income tax (expense)/benefit	(17.9)	5.0	(2.2)	29.4	(1.0)	13.3
Preferred dividends	(1.4)					(1.4)
Net income/(loss)	$ 30.4	$ (3.6)	$ 11.0	$ (43.0)	$ (2.7)	$ (7.9)

	For the Nine Months Ended September 30, 2003					
	Utility Group					
	Distribution					
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Eliminations and Other	Totals
Operating revenues	$ 2,998.5	$ 253.7	$ 88.5	$ 1,903.4	$ (689.8)	$ 4,554.3
Depreciation and amortization	(358.4)	(17.2)	(13.9)	(14.8)	(1.7)	(406.0)
Other operating expenses	(2,372.0)	(219.1)	(39.4)	(1,814.3)	688.4	(3,756.4)
Operating income/(loss)	268.1	17.4	35.2	74.3	(3.1)	391.9
Interest expense, net	(125.5)	(9.9)	(3.9)	(36.6)	(10.5)	(186.4)
Other income/(loss), net	2.2	(1.4)	(0.1)	4.2	1.1	6.0
Income tax (expense)/benefit	(54.8)	(2.7)	(9.6)	(17.9)	8.7	(76.3)
Preferred dividends	(4.2)					(4.2)
Income/(loss) before cumulative effect of accounting change	85.8	3.4	21.6	24.0	(3.8)	131.0
Cumulative effect of accounting change, net of tax benefit					(4.7)	(4.7)
Net income/(loss)	$ 85.8	$ 3.4	$ 21.6	$ 24.0	$ (8.5)	$ 126.3
Total investments in plant	$ 255.3	$ 37.4	$ 64.5	$ 12.2	$ 12.5	$ 381.9

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For the Three Months Ended September 30, 2003

	Utility Group					
	Distribution					
(Millions of Dollars)	Electric	Gas	Transmission	NU Enterprises	Eliminations and Other	Totals
Operating revenues	$ 1,104.5	$ 30.6	$ 32.7	$ 735.3	$ (263.1)	$ 1,640.0
Depreciation and amortization	(132.3)	(5.8)	(4.7)	(4.6)	(0.6)	(148.0)
Other operating expenses	(871.5)	(19.5)	(11.6)	(707.2)	245.1	(1,364.7)
Operating income/(loss)	100.7	5.3	16.4	23.5	(18.6)	127.3
Interest expense, net	(41.7)	(3.4)	(1.1)	(13.5)	(3.7)	(63.4)
Other income/(loss), net	2.7	(0.4)		1.3	1.1	4.7
Income tax (expense)/benefit	(23.3)	(11.1)	(5.5)	(4.4)	21.0	(23.3)
Preferred dividends	(1.4)					(1.4)
Income/(loss) before cumulative effect of accounting change	37.0	(9.6)	9.8	6.9	(0.2)	43.9
Cumulative effect of accounting change, net of tax benefit					(4.7)	(4.7)
Net income/(loss)	$ 37.0	$ (9.6)	$ 9.8	$ 6.9	$ (4.9)	$ 39.2

Utility Group segment information related to the regulated electric distribution and transmission businesses for CL&P, PSNH and WMECO for the three months and nine months ended September 30, 2004 and 2003 is as follows:

	CL&P - For the Nine Months Ended September 30, 2004		
(Millions of Dollars)	Distribution	Transmission	Totals
Operating revenues	$ 2,083.4	$ 69.9	$ 2,153.3
Depreciation and amortization	(170.5)	(11.4)	(181.9)
Other operating expenses	(1,761.0)	(32.0)	(1,793.0)
Operating income	151.9	26.5	178.4
Interest expense, net	(75.4)	(6.3)	(81.7)
Other income, net	15.3	(0.2)	15.1
Income tax expense	(38.0)	(4.5)	(42.5)
Preferred dividends	(4.2)		(4.2)
Net income	$ 49.6	$ 15.5	$ 65.1
Total investments in plant	$ 180.1	$ 98.9	$ 279.0

	CL&P - For the Three Months Ended September 30, 2004		
(Millions of Dollars)	Distribution	Transmission	Totals
Operating revenues	$ 699.4	$ 26.1	$ 725.5
Depreciation and amortization	(56.9)	(3.9)	(60.8)
Other operating expenses	(587.9)	(11.9)	(599.8)
Operating income	54.6	10.3	64.9
Interest expense, net	(24.6)	(2.3)	(26.9)
Other income, net	5.2	(0.1)	5.1

Income tax expense	(19.2)	(0.8)	(20.0)
Preferred dividends	(1.4)		(1.4)
Net income	$ 14.6	$ 7.1	$ 21.7

	CL&P - For the Nine Months Ended September 30, 2003		
(Millions of Dollars)	Distribution	Transmission	Totals
Operating revenues	$ 2,061.3	$ 57.7	$ 2,119.0
Depreciation and amortization	(225.6)	(10.4)	(236.0)
Other operating expenses	(1,681.9)	(26.1)	(1,708.0)
Operating income	153.8	21.2	175.0
Interest expense, net	(82.1)	(2.8)	(84.9)
Other income, net	4.8	(0.2)	4.6
Income tax expense	(26.8)	(4.7)	(31.5)
Preferred dividends	(4.2)		(4.2)
Net income	$ 45.5	$ 13.5	$ 59.0
Total investments in plant	$ 176.5	$ 45.9	$ 222.4

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	CL&P - For the Three Months Ended September 30, 2003		
(Millions of Dollars)	Distribution	Transmission	Totals
Operating revenues	$775.8	$ 22.1	$797.9
Depreciation and amortization	(76.6)	(3.5)	