

NORTHEAST UTILITIES
Form 10-Q
May 02, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2014

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

1-5324

Registrant; State of Incorporation;
Address; and Telephone Number

NORTHEAST UTILITIES

I.R.S. Employer
Identification No.

04-2147929

(a Massachusetts voluntary association)
One Federal Street
Building 111-4
Springfield, Massachusetts 01105
Telephone: (413) 785-5871

0-00404

**THE CONNECTICUT LIGHT AND POWER
COMPANY**

06-0303850

(a Connecticut corporation)
107 Selden Street
Berlin, Connecticut 06037-1616
Telephone: (860) 665-5000

1-02301

NSTAR ELECTRIC COMPANY

04-1278810

(a Massachusetts corporation)
800 Boylston Street
Boston, Massachusetts 02199
Telephone: (617) 424-2000

1-6392

**PUBLIC SERVICE COMPANY OF NEW
HAMPSHIRE**

02-0181050

(a New Hampshire corporation)
Energy Park
780 North Commercial Street
Manchester, New Hampshire 03101-1134
Telephone: (603) 669-4000

0-7624

**WESTERN MASSACHUSETTS ELECTRIC
COMPANY**

04-1961130

(a Massachusetts corporation)
One Federal Street
Building 111-4
Springfield, Massachusetts 01105
Telephone: (413) 785-5871

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 |
| x | o |

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

| | |
|-----|----|
| Yes | No |
|-----|----|

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x o

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 | x | o | o |
| The Connecticut Light and Power Company | o | o | x |
| NSTAR Electric Company | o | o | x |
| Public Service Company of New Hampshire | o | o | x |
| Western Massachusetts Electric Company | o | o | x |

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

| | Yes | No |
|---|-----|----|
| Northeast Utilities | o | x |
| The Connecticut Light and Power Company | o | x |
| NSTAR Electric Company | o | x |
| Public Service Company of New Hampshire | o | x |
| Western Massachusetts Electric Company | o | x |

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 April 30, 2014 |
|--|----------------------------------|
| Northeast Utilities Common shares, \$5.00 par value | 315,985,270 shares |
| The Connecticut Light and Power Company Common stock, \$10.00 par value | 6,035,205 shares |
| NSTAR Electric Company Common stock, \$1.00 par value | 100 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, 100 shares, 301 shares, and 434,653 shares of the outstanding common stock of The Connecticut Light and Power Company, NSTAR Electric Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company, respectively.

NSTAR Electric Company, 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.

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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:

| | |
|-------------------------------|--|
| CL&P | The Connecticut Light and Power Company |
| CYAPC | Connecticut Yankee Atomic Power Company |
| Hopkinton | Hopkinton LNG Corp., a wholly owned subsidiary of Yankee Energy System, Inc. |
| HWP | HWP Company, formerly the Holyoke Water Power Company |
| MYAPC | Maine Yankee Atomic Power Company |
| NGS | Northeast Generation Services Company |
| NPT | Northern Pass Transmission LLC |
| NSTAR | Parent Company of NSTAR Electric, NSTAR Gas and other subsidiaries (prior to the merger with NU) |
| NSTAR Electric | NSTAR Electric Company |
| NSTAR Electric & Gas | NSTAR Electric & Gas Corporation, a former Northeast Utilities service company (effective January 1, 2014 merged into NUSCO) |
| NSTAR Gas | NSTAR Gas Company |
| NU Enterprises | NU Enterprises, Inc., the parent company of NGS, Select Energy, Select Energy Contracting, Inc., E.S. Boulos Company and NSTAR Communications, Inc. |
| NU or the Company | Northeast Utilities and subsidiaries |
| NU parent and other companies | NU parent and other companies is comprised of NU parent, NUSCO and other subsidiaries, which primarily include NU Enterprises, HWP, RRR (a real estate subsidiary), the non-energy-related subsidiaries of Yankee (Yankee Energy Services Company and Yankee Energy Financial Services Company), and the consolidated operations of CYAPC and YAEC |
| NUSCO | Northeast Utilities Service Company (effective January 1, 2014 includes the operations of NSTAR Electric & Gas) |
| NUTV | NU Transmission Ventures, Inc., the parent company of NPT and Renewable Properties, Inc. |
| PSNH | Public Service Company of New Hampshire |
| Regulated companies | NU's Regulated companies, comprised of the electric distribution and transmission businesses of CL&P, NSTAR Electric, PSNH, and WMECO, the natural gas distribution businesses of Yankee Gas and NSTAR Gas, the generation activities of PSNH and WMECO, and NPT |
| RRR | The Rocky River Realty Company |
| Select Energy | Select Energy, Inc. |
| WMECO | Western Massachusetts Electric Company |
| YAEC | Yankee Atomic Electric Company |
| Yankee | Yankee Energy System, Inc. |
| Yankee Companies | CYAPC, YAEC and MYAPC |
| Yankee Gas | Yankee Gas Services Company |
| REGULATORS: | |
| DEEP | Connecticut Department of Energy and Environmental Protection |
| DOE | U.S. Department of Energy |
| DOER | Massachusetts Department of Energy Resources |
| DPU | Massachusetts Department of Public Utilities |
| EPA | U.S. Environmental Protection Agency |
| FERC | Federal Energy Regulatory Commission |
| ISO-NE | ISO New England, Inc., the New England Independent System Operator |
| MA DEP | Massachusetts Department of Environmental Protection |
| NHPUC | New Hampshire Public Utilities Commission |

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| | |
|-------------------|--|
| PURA | Connecticut Public Utilities Regulatory Authority |
| SEC | U.S. Securities and Exchange Commission |
| SJC | Supreme Judicial Court of Massachusetts |
| OTHER: | |
| AFUDC | Allowance For Funds Used During Construction |
| AOCI | Accumulated Other Comprehensive Income/(Loss) |
| ARO | Asset Retirement Obligation |
| C&LM | Conservation and Load Management |
| CfD | Contract for Differences |
| Clean Air Project | The construction of a wet flue gas desulphurization system, known as scrubber technology, to reduce mercury emissions of the Merrimack coal-fired generation station in Bow, New Hampshire |
| CO2 | Carbon dioxide |
| CPSL | Capital Projects Scheduling List |
| 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 |
| ESPP | Employee Share Purchase Plan |
| FERC ALJ | FERC Administrative Law Judge |
| Fitch | Fitch Ratings |
| FMCC | Federally Mandated Congestion Charge |
| FTR | Financial Transmission Rights |

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|------------------------|--|
| GAAP | Accounting principles generally accepted in the United States of America |
| GSC | Generation Service Charge |
| GSRP | Greater Springfield Reliability Project |
| GWh | Gigawatt-Hours |
| HG&E | Holyoke Gas and Electric, a municipal department of the City 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 | Hydro Renewable Energy, Inc., a wholly owned subsidiary of Hydro-Québec |
| IPP | Independent Power Producers |
| ISO-NE Tariff | ISO-NE FERC Transmission, Markets and Services Tariff |
| kV | Kilovolt |
| kW | Kilowatt (equal to one thousand watts) |
| kWh | Kilowatt-Hours (the basic unit of electricity energy equal to one kilowatt of power supplied for one hour) |
| LNG | Liquefied natural gas |
| LOC | Letter of Credit |
| LRS | Supplier of last resort service |
| MGP | Manufactured Gas Plant |
| Millstone | Millstone Nuclear Generating station, made up of Millstone 1, Millstone 2, and Millstone 3. All three units were sold in March 2001. |
| MMBtu | One million British thermal units |
| 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 |
| NOx | Nitrogen oxide |
| NU 2013 Form 10-K | The Northeast Utilities and Subsidiaries 2013 combined Annual Report on Form 10-K as filed with the SEC |
| PAM | Pension and PBOP Rate Adjustment Mechanism |
| 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 |
| RECs | Renewable Energy Certificates |
| Regulatory ROE | The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment |
| 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 |
| SCRC | Stranded Cost Recovery Charge |
| SERP | Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans |
| Settlement Agreements | The comprehensive settlement agreements reached by NU and NSTAR with the Massachusetts Attorney General and the DOER on February 15, 2012 related to the merger of NU and NSTAR (Massachusetts settlement agreements) and the comprehensive settlement agreement reached by NU and NSTAR with both the Connecticut Attorney General and the Connecticut Office of Consumer Counsel on March 13, 2012 related to the merger of NU and NSTAR (Connecticut settlement agreement). |
| SIP | Simplified Incentive Plan |
| SO ₂ | Sulfur dioxide |
| SS | Standard service |

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TCAM
TSA
UI

Transmission Cost Adjustment Mechanism
Transmission Service Agreement
The United Illuminating Company

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|--|-------------------|----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 89,150 | \$ 43,364 |
| Receivables, Net | 980,033 | 765,391 |
| Unbilled Revenues | 202,867 | 224,982 |
| Fuel, Materials and Supplies | 228,192 | 303,233 |
| Regulatory Assets | 573,028 | 535,791 |
| Prepayments and Other Current Assets | 292,539 | 214,288 |
| Total Current Assets | 2,365,809 | 2,087,049 |
| Property, Plant and Equipment, Net | 17,713,027 | 17,576,186 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 3,486,645 | 3,758,694 |
| Goodwill | 3,519,401 | 3,519,401 |
| Marketable Securities | 507,931 | 488,515 |
| Other Long-Term Assets | 504,057 | 365,692 |
| Total Deferred Debits and Other Assets | 8,018,034 | 8,132,302 |
| Total Assets | \$ 28,096,870 | \$ 27,795,537 |

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|----------------------|----------------------|
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable | \$ 571,147 | \$ 1,093,000 |
| Long-Term Debt - Current Portion | 530,533 | 533,346 |
| Accounts Payable | 711,594 | 742,251 |
| Regulatory Liabilities | 263,754 | 204,278 |
| Other Current Liabilities | 713,116 | 702,776 |
| Total Current Liabilities | 2,790,144 | 3,275,651 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 4,209,969 | 4,029,026 |
| Regulatory Liabilities | 591,468 | 502,984 |
| Derivative Liabilities | 546,387 | 624,050 |
| Accrued Pension, SERP and PBOP | 890,019 | 896,844 |
| Other Long-Term Liabilities | 871,050 | 923,053 |
| Total Deferred Credits and Other Liabilities | 7,108,893 | 6,975,957 |
| Capitalization: | | |
| Long-Term Debt | 8,318,332 | 7,776,833 |
| Noncontrolling Interest - Preferred Stock of Subsidiaries | 155,568 | 155,568 |
| Equity: | | |
| Common Shareholders' Equity: | | |
| Common Shares | 1,666,580 | 1,665,351 |
| Capital Surplus, Paid In | 6,185,027 | 6,192,765 |
| Retained Earnings | 2,237,710 | 2,125,980 |
| Accumulated Other Comprehensive Loss | (44,321) | (46,031) |
| Treasury Stock | (321,063) | (326,537) |
| Common Shareholders' Equity | 9,723,933 | 9,611,528 |
| Total Capitalization | 18,197,833 | 17,543,929 |
| Total Liabilities and Capitalization | \$ 28,096,870 | \$ 27,795,537 |

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| (Thousands of Dollars, Except Share Information) | For the Three Months Ended March 31, | |
|---|--------------------------------------|--------------|
| | 2014 | 2013 |
| Operating Revenues | \$ 2,290,590 | \$ 1,995,023 |
| Operating Expenses: | | |
| Purchased Power, Fuel and Transmission | 978,150 | 747,809 |
| Operations and Maintenance | 351,688 | 346,092 |
| Depreciation | 150,807 | 154,977 |
| Amortization of Regulatory Assets, Net | 57,898 | 54,049 |
| Amortization of Rate Reduction Bonds | | 34,499 |
| Energy Efficiency Programs | 138,825 | 105,771 |
| Taxes Other Than Income Taxes | 145,533 | 132,881 |
| Total Operating Expenses | 1,822,901 | 1,576,078 |
| Operating Income | 467,689 | 418,945 |
| Interest Expense: | | |
| Interest on Long-Term Debt | 87,377 | 85,906 |
| Other Interest | 2,598 | (9,651) |
| Interest Expense | 89,975 | 76,255 |
| Other Income, Net | 1,667 | 7,765 |
| Income Before Income Tax Expense | 379,381 | 350,455 |
| Income Tax Expense | 141,545 | 120,487 |
| Net Income | 237,836 | 229,968 |
| Net Income Attributable to Noncontrolling Interests | 1,879 | 1,879 |
| Net Income Attributable to Controlling Interest | \$ 235,957 | \$ 228,089 |
| Basic Earnings Per Common Share | \$ 0.75 | \$ 0.72 |
| Diluted Earnings Per Common Share | \$ 0.74 | \$ 0.72 |
| Dividends Declared Per Common Share | \$ 0.39 | \$ 0.37 |
| Weighted Average Common Shares Outstanding: | | |
| Basic | 315,534,512 | 315,129,782 |
| Diluted | 316,892,119 | 316,002,538 |

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

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| | | | | |
|--|----|---------|----|---------|
| Net Income | \$ | 237,836 | \$ | 229,968 |
| Other Comprehensive Income, Net of Tax: | | | | |
| Qualified Cash Flow Hedging Instruments | | 509 | | 516 |
| Changes in Unrealized Gains/(Losses) on Other Securities | | 240 | | (181) |
| Changes in Funded Status of Pension, SERP and PBOP Benefit Plans | | 961 | | 1,621 |
| Other Comprehensive Income, Net of Tax | | 1,710 | | 1,956 |
| Comprehensive Income Attributable to Noncontrolling Interests | | (1,879) | | (1,879) |
| Comprehensive Income Attributable to Controlling Interest | \$ | 237,667 | \$ | 230,045 |

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|---|--------------------------------------|------------|
| | 2014 | 2013 |
| Operating Activities: | | |
| Net Income | \$ 237,836 | \$ 229,968 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation | 150,807 | 154,977 |
| Deferred Income Taxes | 137,417 | 168,938 |
| Pension, SERP and PBOP Expense | 24,995 | 53,102 |
| Pension and PBOP Contributions | (6,622) | (47,048) |
| Regulatory Overrecoveries, Net | 872 | 39,218 |
| Amortization of Regulatory Assets, Net | 57,898 | 54,049 |
| Amortization of Rate Reduction Bonds | | 34,499 |
| Proceeds from DOE Damages Claim | 163,300 | 77,936 |
| Deferred DOE Proceeds | (163,300) | |
| Other | (7,574) | (51,106) |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | (182,221) | (129,431) |
| Fuel, Materials and Supplies | 75,041 | 28,487 |
| Taxes Receivable/Accrued, Net | (59,840) | (21,295) |
| Accounts Payable | 53,905 | (86,916) |
| Other Current Assets and Liabilities, Net | 11,282 | (32,235) |
| Net Cash Flows Provided by Operating Activities | 493,796 | 473,143 |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (348,691) | (388,950) |
| Proceeds from Sales of Marketable Securities | 128,505 | 98,070 |
| Purchases of Marketable Securities | (132,605) | (184,030) |
| Other Investing Activities | 1,637 | 27,997 |
| Net Cash Flows Used in Investing Activities | (351,154) | (446,913) |
| Financing Activities: | | |
| Cash Dividends on Common Shares | (118,460) | (116,431) |
| Cash Dividends on Preferred Stock | (1,879) | (1,879) |
| Decrease in Short-Term Debt | (299,500) | (228,000) |
| Issuance of Long-Term Debt | 400,000 | 400,000 |
| Retirements of Long-Term Debt | (75,000) | |
| Retirements of Rate Reduction Bonds | | (62,529) |
| Other Financing Activities | (2,017) | (2,322) |
| Net Cash Flows Used in Financing Activities | (96,856) | (11,161) |
| Net Increase in Cash and Cash Equivalents | 45,786 | 15,069 |
| Cash and Cash Equivalents - Beginning of Period | 43,364 | 45,748 |
| Cash and Cash Equivalents - End of Period | \$ 89,150 | \$ 60,817 |

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

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THE CONNECTICUT LIGHT AND POWER COMPANY

CONDENSED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 15,675 | \$ 7,237 |
| Receivables, Net | 386,876 | 319,670 |
| Accounts Receivable from Affiliated Companies | 14,721 | 13,777 |
| Unbilled Revenues | 98,095 | 92,401 |
| Regulatory Assets | 175,926 | 150,943 |
| Materials and Supplies | 51,376 | 54,606 |
| Prepayments and Other Current Assets | 73,602 | 53,082 |
| Total Current Assets | 816,271 | 691,716 |
| Property, Plant and Equipment, Net | 6,506,245 | 6,451,259 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 1,580,609 | 1,663,147 |
| Other Long-Term Assets | 170,814 | 174,380 |
| Total Deferred Debits and Other Assets | 1,751,423 | 1,837,527 |
| Total Assets | \$ 9,073,939 | \$ 8,980,502 |

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

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THE CONNECTICUT LIGHT AND POWER COMPANY

CONDENSED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable to NU Parent | \$ 351,600 | \$ 287,300 |
| Long-Term Debt - Current Portion | 150,000 | 150,000 |
| Accounts Payable | 186,792 | 201,047 |
| Accounts Payable to Affiliated Companies | 52,760 | 56,531 |
| Obligations to Third Party Suppliers | 76,236 | 73,914 |
| Regulatory Liabilities | 107,284 | 93,961 |
| Derivative Liabilities | 92,040 | 92,233 |
| Other Current Liabilities | 154,312 | 134,716 |
| Total Current Liabilities | 1,171,024 | 1,089,702 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 1,579,498 | 1,510,586 |
| Regulatory Liabilities | 90,053 | 93,757 |
| Derivative Liabilities | 539,444 | 617,072 |
| Accrued Pension, SERP and PBOP | 94,820 | 95,895 |
| Other Long-Term Liabilities | 152,920 | 163,588 |
| Total Deferred Credits and Other Liabilities | 2,456,735 | 2,480,898 |
| Capitalization: | | |
| Long-Term Debt | 2,591,405 | 2,591,208 |
| 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 | 1,682,900 | 1,682,047 |
| Retained Earnings | 996,591 | 961,482 |
| Accumulated Other Comprehensive Loss | (1,268) | (1,387) |
| Common Stockholder's Equity | 2,738,575 | 2,702,494 |
| Total Capitalization | 5,446,180 | 5,409,902 |
| Total Liabilities and Capitalization | \$ 9,073,939 | \$ 8,980,502 |

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

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THE CONNECTICUT LIGHT AND POWER COMPANY

CONDENSED STATEMENTS OF INCOME

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2014 | 2013 |
| Operating Revenues | \$ 734,614 | \$ 624,097 |
| Operating Expenses: | | |
| Purchased Power and Transmission | 281,381 | 229,259 |
| Operations and Maintenance | 109,514 | 108,895 |
| Depreciation | 46,130 | 42,448 |
| Amortization of Regulatory Assets, Net | 29,931 | 10,787 |
| Energy Efficiency Programs | 42,694 | 22,813 |
| Taxes Other Than Income Taxes | 66,953 | 60,192 |
| Total Operating Expenses | 576,603 | 474,394 |
| Operating Income | 158,011 | 149,703 |
| Interest Expense: | | |
| Interest on Long-Term Debt | 32,908 | 32,635 |
| Other Interest | 1,335 | (2,941) |
| Interest Expense | 34,243 | 29,694 |
| Other Income, Net | 1,072 | 4,187 |
| Income Before Income Tax Expense | 124,840 | 124,196 |
| Income Tax Expense | 45,541 | 39,188 |
| Net Income | \$ 79,299 | \$ 85,008 |

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | | |
|--|-----------|-----------|
| Net Income | \$ 79,299 | \$ 85,008 |
| Other Comprehensive Income, Net of Tax: | | |
| Qualified Cash Flow Hedging Instruments | 111 | 111 |
| Changes in Unrealized Gains/(Losses) on Other Securities | 8 | (6) |
| Other Comprehensive Income, Net of Tax | 119 | 105 |
| Comprehensive Income | \$ 79,418 | \$ 85,113 |

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

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THE CONNECTICUT LIGHT AND POWER COMPANY

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|---|--------------------------------------|-----------|
| | 2014 | 2013 |
| Operating Activities: | | |
| Net Income | \$ 79,299 | \$ 85,008 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation | 46,130 | 42,448 |
| Deferred Income Taxes | 59,334 | 65,475 |
| Pension, SERP and PBOP Expense, Net of PBOP Contributions | 4,086 | 8,183 |
| Regulatory Underrecoveries, Net | (40,399) | (15,835) |
| Amortization of Regulatory Assets, Net | 29,931 | 10,787 |
| Other | 4,536 | 3,653 |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | (82,833) | (32,041) |
| Taxes Receivable/Accrued, Net | 7,015 | (12,777) |
| Accounts Payable | (2,872) | (106,140) |
| Other Current Assets and Liabilities, Net | (8,730) | (22,340) |
| Net Cash Flows Provided by Operating Activities | 95,497 | 26,421 |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (107,993) | (89,360) |
| Other Investing Activities | 1,027 | 447 |
| Net Cash Flows Used in Investing Activities | (106,966) | (88,913) |
| Financing Activities: | | |
| Cash Dividends on Common Stock | (42,800) | (38,000) |
| Cash Dividends on Preferred Stock | (1,390) | (1,390) |
| Issuance of Long Term Debt | | 400,000 |
| Increase/(Decrease) in Notes Payable to NU Parent | 64,300 | (194,700) |
| Decrease in Short-Term Debt | | (89,000) |
| Other Financing Activities | (203) | (6,112) |
| Net Cash Flows Provided by Financing Activities | 19,907 | 70,798 |
| Net Increase in Cash | 8,438 | 8,306 |
| Cash - Beginning of Period | 7,237 | 1 |
| Cash - End of Period | \$ 15,675 | \$ 8,307 |

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

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NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 42,035 | \$ 8,021 |
| Receivables, Net | 231,082 | 209,711 |
| Accounts Receivable from Affiliated Companies | 123,953 | 27,264 |
| Unbilled Revenues | 28,249 | 41,368 |
| Materials and Supplies | 47,843 | 44,236 |
| Regulatory Assets | 222,598 | 204,144 |
| Prepayments and Other Current Assets | 5,686 | 36,710 |
| Total Current Assets | 701,446 | 571,454 |
| Property, Plant and Equipment, Net | 5,069,203 | 5,043,887 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 1,041,925 | 1,235,156 |
| Other Long-Term Assets | 65,983 | 60,624 |
| Total Deferred Debits and Other Assets | 1,107,908 | 1,295,780 |
| Total Assets | \$ 6,878,557 | \$ 6,911,121 |

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

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NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|---------------------|----------------------|
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable | \$ | \$ 103,500 |
| Long-Term Debt - Current Portion | 301,650 | 301,650 |
| Accounts Payable | 264,834 | 207,559 |
| Accounts Payable to Affiliated Companies | 42,879 | 75,707 |
| Accumulated Deferred Income Taxes | 55,763 | 50,128 |
| Regulatory Liabilities | 73,596 | 53,958 |
| Other Current Liabilities | 140,146 | 118,410 |
| Total Current Liabilities | 878,868 | 910,912 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 1,400,532 | 1,466,835 |
| Regulatory Liabilities | 257,101 | 253,108 |
| Accrued Pension, SERP and PBOP | 150,938 | 118,010 |
| Payable to Affiliated Companies | | 64,172 |
| Other Long-Term Liabilities | 132,679 | 142,214 |
| Total Deferred Credits and Other Liabilities | 1,941,250 | 2,044,339 |
| Capitalization: | | |
| Long-Term Debt | 1,797,389 | 1,499,417 |
| Preferred Stock Not Subject to Mandatory Redemption | 43,000 | 43,000 |
| Common Stockholder's Equity: | | |
| Common Stock | | |
| Capital Surplus, Paid In | 992,625 | 992,625 |
| Retained Earnings | 1,225,425 | 1,420,828 |
| Common Stockholder's Equity | 2,218,050 | 2,413,453 |
| Total Capitalization | 4,058,439 | 3,955,870 |
| Total Liabilities and Capitalization | \$ 6,878,557 | \$ 6,911,121 |

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

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NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2014 | 2013 |
| Operating Revenues | \$ 666,188 | \$ 592,257 |
| Operating Expenses: | | |
| Purchased Power and Transmission | 319,082 | 214,053 |
| Operations and Maintenance | 85,924 | 92,301 |
| Depreciation | 46,626 | 45,441 |
| Amortization of Regulatory Assets, Net | 15,664 | 46,994 |
| Amortization of Rate Reduction Bonds | | 15,054 |
| Energy Efficiency Programs | 48,329 | 51,703 |
| Taxes Other Than Income Taxes | 32,151 | 32,174 |
| Total Operating Expenses | 547,776 | 497,720 |
| Operating Income | 118,412 | 94,537 |
| Interest Expense: | | |
| Interest on Long-Term Debt | 20,756 | 19,991 |
| Other Interest | 304 | (4,068) |
| Interest Expense | 21,060 | 15,923 |
| Other Income/(Loss), Net | (31) | 773 |
| Income Before Income Tax Expense | 97,321 | 79,387 |
| Income Tax Expense | 39,234 | 31,265 |
| Net Income | \$ 58,087 | \$ 48,122 |

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

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NSTAR ELECTRIC COMPANY AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|---|--------------------------------------|-----------|
| | 2014 | 2013 |
| Operating Activities, SERP: | | |
| Net Income | \$ 58,087 | \$ 48,122 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation | 46,626 | 45,441 |
| Deferred Income Taxes | 1,585 | 26,571 |
| Pension, SERP and PBOP Expense, Net of Contributions | (4,908) | 6,420 |
| Regulatory Underrecoveries, Net | 6,423 | (2,951) |
| Amortization of Regulatory Assets, Net | 15,664 | 46,994 |
| Amortization of Rate Reduction Bonds | | 15,054 |
| Bad Debt Expense | 6,096 | 5,523 |
| Other | (15,538) | (23,969) |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | (14,348) | (31,455) |
| Materials and Supplies | (3,606) | (7,060) |
| Taxes Receivable/Accrued, Net | 21,504 | (22,501) |
| Accounts Payable | 86,309 | 1,867 |
| Accounts Receivable from/Payable to Affiliates, Net | (43,654) | (37,547) |
| Other Current Assets and Liabilities, Net | 31,112 | 18,916 |
| Net Cash Flows Provided by Operating Activities | 191,352 | 89,425 |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (94,957) | (107,573) |
| (Increase)/Decrease in Special Deposits | (530) | 33,631 |
| Other Investing Activities | 41 | (86) |
| Net Cash Flows Used in Investing Activities | (95,446) | (74,028) |
| Financing Activities: | | |
| Cash Dividends on Common Stock | (253,000) | |
| Cash Dividends on Preferred Stock | (490) | (490) |
| (Decrease)/Increase in Notes Payable | (103,500) | 32,000 |
| Issuance of Long-Term Debt | 300,000 | |
| Retirements of Rate Reduction Bonds | | (43,493) |
| Other Financing Activities | (4,902) | |
| Net Cash Flows Used in Financing Activities | (61,892) | (11,983) |
| Net Increase in Cash and Cash Equivalents | 34,014 | 3,414 |
| Cash and Cash Equivalents - Beginning of Period | 8,021 | 13,695 |
| Cash and Cash Equivalents - End of Period | \$ 42,035 | \$ 17,109 |

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

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 4,284 | \$ 130 |
| Receivables, Net | 88,143 | 76,331 |
| Accounts Receivable from Affiliated Companies | 479 | 90 |
| Unbilled Revenues | 38,327 | 38,344 |
| Taxes Receivable | 20,968 | 2,180 |
| Fuel, Materials and Supplies | 94,410 | 128,736 |
| Regulatory Assets | 83,832 | 92,194 |
| Prepayments and Other Current Assets | 7,270 | 21,920 |
| Total Current Assets | 337,713 | 359,925 |
| Property, Plant and Equipment, Net | 2,486,440 | 2,467,556 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 210,702 | 219,346 |
| Other Long-Term Assets | 40,621 | 39,891 |
| Total Deferred Debits and Other Assets | 251,323 | 259,237 |
| Total Assets | \$ 3,075,476 | \$ 3,086,718 |

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

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|--|-------------------|----------------------|
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable to NU Parent | \$ 39,900 | \$ 86,500 |
| Long-Term Debt - Current Portion | 50,000 | 50,000 |
| Accounts Payable | 59,847 | 82,920 |
| Accounts Payable to Affiliated Companies | 28,009 | 22,040 |
| Regulatory Liabilities | 27,333 | 20,643 |
| Accumulated Deferred Income Taxes | 22,811 | 28,596 |
| Other Current Liabilities | 46,880 | 51,729 |
| Total Current Liabilities | 274,780 | 342,428 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 539,255 | 500,166 |
| Regulatory Liabilities | 51,769 | 51,723 |
| Accrued SERP and PBOP | 15,321 | 15,272 |
| Other Long-Term Liabilities | 46,559 | 46,247 |
| Total Deferred Credits and Other Liabilities | 652,904 | 613,408 |
| Capitalization: | | |
| Long-Term Debt | 999,081 | 999,006 |
| Common Stockholder's Equity: | | |
| Common Stock | | |
| Capital Surplus, Paid In | 702,304 | 701,911 |
| Retained Earnings | 454,653 | 438,515 |
| Accumulated Other Comprehensive Loss | (8,246) | (8,550) |
| Common Stockholder's Equity | 1,148,711 | 1,131,876 |
| Total Capitalization | 2,147,792 | 2,130,882 |
| Total Liabilities and Capitalization | \$ 3,075,476 | \$ 3,086,718 |

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

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2014 | 2013 |
| Operating Revenues | \$ 299,833 | \$ 273,829 |
| Operating Expenses: | | |
| Purchased Power, Fuel and Transmission | 115,246 | 101,024 |
| Operations and Maintenance | 62,212 | 59,729 |
| Depreciation | 24,215 | 22,568 |
| Amortization of Regulatory Assets/(Liabilities), Net | 12,562 | (3,051) |
| Amortization of Rate Reduction Bonds | | 14,756 |
| Energy Efficiency Programs | 3,839 | 3,669 |
| Taxes Other Than Income Taxes | 17,715 | 17,016 |
| Total Operating Expenses | 235,789 | 215,711 |
| Operating Income | 64,044 | 58,118 |
| Interest Expense: | | |
| Interest on Long-Term Debt | 11,526 | 11,881 |
| Other Interest | 445 | 287 |
| Interest Expense | 11,971 | 12,168 |
| Other Income, Net | 265 | 1,030 |
| Income Before Income Tax Expense | 52,338 | 46,980 |
| Income Tax Expense | 19,700 | 17,984 |
| Net Income | \$ 32,638 | \$ 28,996 |

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | | |
|--|-----------|-----------|
| Net Income | \$ 32,638 | \$ 28,996 |
| Other Comprehensive Income, Net of Tax: | | |
| Qualified Cash Flow Hedging Instruments | 290 | 291 |
| Changes in Unrealized Gains/(Losses) on Other Securities | 14 | (11) |
| Changes in Funded Status of Pension, SERP and PBOP Benefit Plans | | (3) |
| Other Comprehensive Income, Net of Tax | 304 | 277 |
| Comprehensive Income | \$ 32,942 | \$ 29,273 |

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

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PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|---|--------------------------------------|-----------|
| | 2014 | 2013 |
| Operating Activities: | | |
| Net Income | \$ 32,638 | \$ 28,996 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation | 24,215 | 22,568 |
| Deferred Income Taxes | 33,667 | 10,143 |
| Pension, SERP and PBOP Expense | 1,961 | 8,022 |
| Pension and PBOP Contributions | (30) | (35,146) |
| Regulatory Over/(Under) Recoveries, Net | 6,827 | (799) |
| Amortization of Regulatory Assets/(Liabilities), Net | 12,562 | (3,051) |
| Amortization of Rate Reduction Bonds | | 14,756 |
| Other | 2,729 | (1,505) |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | (14,268) | (13,889) |
| Fuel, Materials and Supplies | 34,326 | 562 |
| Taxes Receivable/Accrued, Net | (30,254) | 23,137 |
| Accounts Payable | 3,403 | 31,257 |
| Other Current Assets and Liabilities, Net | 21,505 | 22,152 |
| Net Cash Flows Provided by Operating Activities | 129,281 | 107,203 |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (61,864) | (64,956) |
| Other Investing Activities | (76) | (17) |
| Net Cash Flows Used in Investing Activities | (61,940) | (64,973) |
| Financing Activities: | | |
| Cash Dividends on Common Stock | (16,500) | (17,000) |
| Decrease in Notes Payable to NU Parent | (46,600) | (9,900) |
| Retirements of Rate Reduction Bonds | | (14,320) |
| Other Financing Activities | (87) | (127) |
| Net Cash Flows Used in Financing Activities | (63,187) | (41,347) |
| Net Increase in Cash | 4,154 | 883 |
| Cash - Beginning of Period | 130 | 2,493 |
| Cash - End of Period | \$ 4,284 | \$ 3,376 |

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

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WESTERN MASSACHUSETTS ELECTRIC COMPANY

CONDENSED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 4,227 | \$ 49,018 |
| Receivables, Net | 54,844 | 47,607 |
| Accounts Receivable from Affiliated Companies | 5,996 | 16,562 |
| Unbilled Revenues | 16,531 | 12,845 |
| Taxes Receivable | 12,845 | 432 |
| Regulatory Assets | 49,578 | 43,024 |
| Marketable Securities | 19,194 | 26,628 |
| Prepayments and Other Current Assets | 9,663 | 10,479 |
| Total Current Assets | 172,878 | 193,750 |
| Property, Plant and Equipment, Net | 1,398,810 | 1,381,060 |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 132,181 | 146,088 |
| Marketable Securities | 38,710 | 31,243 |
| Other Long-Term Assets | 40,956 | 40,679 |
| Total Deferred Debits and Other Assets | 211,847 | 218,010 |
| Total Assets | \$ 1,783,535 | \$ 1,792,820 |

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

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WESTERN MASSACHUSETTS ELECTRIC COMPANY

CONDENSED BALANCE SHEETS

(Unaudited)

| (Thousands of Dollars) | March 31, 2014 | December 31, 2013 |
|---|---------------------|----------------------|
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable to NU Parent | \$ 37,400 | \$ 62,961 |
| Accounts Payable | 38,407 | 9,230 |
| Accounts Payable to Affiliated Companies | 18,154 | 2,837 |
| Accrued Interest | 2,837 | 7,525 |
| Regulatory Liabilities | 21,816 | 19,858 |
| Accumulated Deferred Income Taxes | 15,361 | 13,098 |
| Counterparty Deposits | 3,188 | 7,688 |
| Other Current Liabilities | 15,563 | 20,629 |
| Total Current Liabilities | 152,726 | 140,989 |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 409,493 | 396,933 |
| Regulatory Liabilities | 10,445 | 13,873 |
| Accrued SERP and PBOP | 3,850 | 3,911 |
| Other Long-Term Liabilities | 29,411 | 28,619 |
| Total Deferred Credits and Other Liabilities | 453,199 | 443,336 |
| Capitalization: | | |
| Long-Term Debt | 629,162 | 629,389 |
| Common Stockholder's Equity: | | |
| Common Stock | 10,866 | 10,866 |
| Capital Surplus, Paid In | 390,895 | 390,743 |
| Retained Earnings | 150,117 | 181,014 |
| Accumulated Other Comprehensive Loss | (3,430) | (3,517) |
| Common Stockholder's Equity | 548,448 | 579,106 |
| Total Capitalization | 1,177,610 | 1,208,495 |
| Total Liabilities and Capitalization | \$ 1,783,535 | \$ 1,792,820 |

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

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WESTERN MASSACHUSETTS ELECTRIC COMPANY

CONDENSED STATEMENTS OF INCOME

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2014 | 2013 |
| Operating Revenues | \$ 137,409 | \$ 124,953 |
| Operating Expenses: | | |
| Purchased Power and Transmission | 49,431 | 40,044 |
| Operations and Maintenance | 22,579 | 20,928 |
| Depreciation | 10,321 | 8,970 |
| Amortization of Regulatory Assets, Net | 399 | 129 |
| Amortization of Rate Reduction Bonds | | 4,689 |
| Energy Efficiency Programs | 11,865 | 8,315 |
| Taxes Other Than Income Taxes | 8,082 | 6,288 |
| Total Operating Expenses | 102,677 | 89,363 |
| Operating Income | 34,732 | 35,590 |
| Interest Expense: | | |
| Interest on Long-Term Debt | 6,062 | 6,082 |
| Other Interest | (416) | 211 |
| Interest Expense | 5,646 | 6,293 |
| Other Income, Net | 574 | 1,004 |
| Income Before Income Tax Expense | 29,660 | 30,301 |
| Income Tax Expense | 11,558 | 11,698 |
| Net Income | \$ 18,102 | \$ 18,603 |

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | | |
|--|-----------|-----------|
| Net Income | \$ 18,102 | \$ 18,603 |
| Other Comprehensive Income, Net of Tax: | | |
| Qualified Cash Flow Hedging Instruments | 85 | 85 |
| Changes in Unrealized Gains/(Losses) on Other Securities | 2 | (2) |
| Other Comprehensive Income, Net of Tax | 87 | 83 |
| Comprehensive Income | \$ 18,189 | \$ 18,686 |

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

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WESTERN MASSACHUSETTS ELECTRIC COMPANY

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

| (Thousands of Dollars) | For the Three Months Ended March 31, | |
|---|--------------------------------------|-----------|
| | 2014 | 2013 |
| Operating Activities: | | |
| Net Income | \$ 18,102 | \$ 18,603 |
| Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities: | | |
| Depreciation | 10,321 | 8,970 |
| Deferred Income Taxes | 14,688 | 16,828 |
| Regulatory Over/(Under) Recoveries, Net | 5,780 | (2,357) |
| Amortization of Regulatory Assets, Net | 399 | 129 |
| Amortization of Rate Reduction Bonds | | 4,689 |
| Other | (1,351) | (1,299) |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | 34,905 | (4,907) |
| Taxes Receivable/Accrued, Net | (17,126) | 21,600 |
| Accounts Payable | (10,516) | 17,667 |
| Other Current Assets and Liabilities, Net | (8,869) | (8,931) |
| Net Cash Flows Provided by Operating Activities | 46,333 | 70,992 |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (30,347) | (66,340) |
| Proceeds from Sales of Marketable Securities | 34,656 | 21,035 |
| Purchases of Marketable Securities | (34,804) | (21,191) |
| Other Investing Activities | | 500 |
| Net Cash Flows Used in Investing Activities | (30,495) | (65,996) |
| Financing Activities: | | |
| Cash Dividends on Common Stock | (49,000) | (10,000) |
| Increase in Notes Payable to NU Parent | 37,400 | 11,500 |
| Retirement of Rate Reduction Bonds | | (4,716) |
| Other Financing Activities | (11) | (13) |
| Net Cash Flows Used in Financing Activities | (11,611) | (3,229) |
| Net Increase in Cash | 4,227 | 1,767 |
| Cash - Beginning of Period | | 1 |
| Cash - End of Period | \$ 4,227 | \$ 1,768 |

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

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NORTHEAST UTILITIES AND SUBSIDIARIES

THE CONNECTICUT LIGHT AND POWER COMPANY

NSTAR ELECTRIC COMPANY AND SUBSIDIARY

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY

WESTERN MASSACHUSETTS ELECTRIC COMPANY

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. Basis of Presentation

NU is a public utility holding company primarily engaged through its wholly owned regulated utility subsidiaries in the energy delivery business. NU's wholly owned regulated utility subsidiaries consist of CL&P, NSTAR Electric, PSNH, WMECO, Yankee Gas and NSTAR Gas. NU provides energy delivery service to approximately 3.6 million electric and natural gas customers through these six regulated utilities in Connecticut, Massachusetts and New Hampshire.

The unaudited condensed consolidated financial statements of NU, NSTAR Electric and PSNH include the accounts of each of their respective subsidiaries. Intercompany transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements of NU, NSTAR Electric and PSNH and the unaudited condensed financial statements of CL&P and WMECO are herein collectively referred to as the financial statements.

The combined notes to the financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. The accompanying financial statements should be read in conjunction with the entirety of this combined Quarterly Report on Form 10-Q and the 2013 combined Annual Report on Form 10-K of NU, CL&P, NSTAR Electric, PSNH and WMECO, which was filed with the SEC. The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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The financial statements contain, in the opinion of management, all adjustments (including normal, recurring adjustments) necessary to present fairly NU's, CL&P's, NSTAR Electric's, PSNH's and WMECO's financial position as of March 31, 2014 and December 31, 2013, and the results of operations, comprehensive income and cash flows for the three months ended March 31, 2014 and 2013. The results of operations, comprehensive income and cash flows for the three months ended March 31, 2014 and 2013 are not necessarily indicative of the results expected for a full year. The demand for electricity and natural gas is affected by weather conditions, economic conditions, and consumer conservation (including company-sponsored energy efficiency programs). Electric energy sales and revenues are typically higher in the winter and summer months than in the spring and fall months. Natural gas sales and revenues are typically higher in the winter months than during other periods of the year.

NU consolidates CYAPC and YAEC as CL&P's, NSTAR Electric's, PSNH's and WMECO's combined ownership interest in each of these entities is greater than 50 percent. Intercompany transactions between CL&P, NSTAR Electric, PSNH and WMECO and the CYAPC and YAEC companies have been eliminated in consolidation of the NU financial statements. For CL&P, NSTAR Electric, PSNH and WMECO, the investments in CYAPC and YAEC continue to be accounted for under the equity method.

NU's utility subsidiaries are subject to the application of accounting guidance for entities with rate-regulated operations that considers the effect of regulation resulting from differences in the timing of the recognition of certain revenues and expenses from those of other businesses and industries. NU's utility subsidiaries' energy delivery business is subject to rate-regulation that is based on cost recovery and meets the criteria for application of rate-regulated accounting. See Note 2, Regulatory Accounting, for further information.

Certain reclassifications of prior period data were made in the accompanying balance sheets for NU, CL&P and PSNH, statements of income for NU, NSTAR Electric, PSNH and WMECO, and statements of cash flows for CL&P, NSTAR Electric and WMECO. These reclassifications were made to conform to the current period's presentation.

Table of Contents**B. Recently Adopted Accounting Standards**

On January 1, 2014, as required, NU prospectively adopted the Financial Accounting Standards Board's (FASB) final Accounting Standards Updates (ASU) that required presentation of certain unrecognized tax benefits as reductions to deferred tax assets. Implementation of this guidance had an immaterial impact on the balance sheets and no impact on the results of operations or cash flows of NU, CL&P, NSTAR Electric, PSNH and WMECO.

C. Provision for Uncollectible Accounts

NU, including CL&P, NSTAR Electric, PSNH and WMECO, presents its receivables at estimated net realizable value by maintaining a provision for uncollectible accounts. This provision is determined based upon a variety of factors, including the application of an estimated uncollectible percentage to each receivable aging category. The estimate is based upon historical collection and write-off experience and management's assessment of collectibility from individual customers. Management continuously assesses the collectibility of receivables, and adjusts collectibility estimates based on actual experience. 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 is included in Receivables, Net on the balance sheets, was as follows:

| (Millions of Dollars) | As of March 31, 2014 | | As of December 31, 2013 | |
|-----------------------|----------------------|-------|-------------------------|-------|
| NU | \$ | 180.0 | \$ | 171.3 |
| CL&P | | 83.4 | | 82.0 |
| NSTAR Electric | | 43.1 | | 41.7 |
| PSNH | | 7.8 | | 7.4 |
| WMECO | | 10.6 | | 10.0 |

D. Fair Value Measurements

Fair value measurement guidance is applied to derivative contracts that are not elected or designated as normal purchases or normal sales (normal) and to the marketable securities held in trusts. Fair value measurement guidance is also applied to investment valuations used to calculate the funded status of pension and PBOP plans and nonrecurring fair value measurements of nonfinancial assets such as goodwill and AROs.

Fair Value Hierarchy: In measuring fair value, NU uses observable market data when available and minimizes the use of unobservable inputs. 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.

Determination of Fair Value: The valuation techniques and inputs used in NU's fair value measurements are described in Note 4, Derivative Instruments, Note 5, Marketable Securities, and Note 9, Fair Value of Financial Instruments, to the financial statements.

E. Other Income, Net

Items included within Other Income, Net on the statements of income primarily consist of investment income/(loss), interest income, AFUDC related to equity funds, and equity in earnings. Investment income/(loss) primarily relates to debt and equity securities held in trust. For further information, see Note 5, Marketable Securities, to the financial statements. For CL&P, NSTAR Electric, PSNH and WMECO, equity in earnings relate to investments in CYAPC, YAEC and MYAPC as well as NSTAR Electric's investment in two regional transmission companies, which are all accounted for on the equity method. On an NU consolidated basis, equity in earnings relate to the investment in MYAPC and NU's investment in two regional transmission companies.

Table of Contents**F. Other Taxes**

Gross receipts taxes levied by the state of Connecticut are collected by CL&P and Yankee Gas from their respective customers. These gross receipts taxes are shown on a gross basis with collections in Operating Revenues and payments in Taxes Other Than Income Taxes on the statements of income as follows:

| (Millions of Dollars) | For the Three Months Ended | |
|-----------------------|----------------------------|----------------|
| | March 31, 2014 | March 31, 2013 |
| NU | \$ 44.4 | \$ 38.4 |
| CL&P | 35.6 | 32.0 |

Certain sales taxes are also collected by NU's companies that serve customers in Connecticut and Massachusetts as agents for state and local governments and are recorded on a net basis with no impact on the statements of income.

G. Supplemental Cash Flow Information

Non-cash investing activities include plant additions included in Accounts Payable as follows:

| (Millions of Dollars) | As of March 31, 2014 | As of March 31, 2013 |
|-----------------------|----------------------|----------------------|
| NU | \$ 108.5 | \$ 98.7 |
| CL&P | 36.2 | 28.2 |
| NSTAR Electric | 28.0 | 30.7 |
| PSNH | 14.4 | 12.9 |
| WMECO | 14.4 | 15.8 |

H. Severance Benefits

In the first quarter of 2014, NU recorded severance benefit expenses of \$4.3 million associated with the partial outsourcing of information technology functions and ongoing post-merger integration. As of March 31, 2014 and December 31, 2013, the severance accrual totaled \$17.7 million and \$14.7 million, respectively, and was included in Other Current Liabilities on the balance sheets.

I. Restricted Cash

On March 28, 2014, CYAPC and YAEC received payment of \$163.3 million of the DOE Phase II Damages proceeds. It is anticipated that in the second quarter of 2014, the Yankee Companies will complete the FERC review process and return these amounts to the member companies, including CL&P, NSTAR Electric, PSNH, and WMECO, for the benefit of their respective customers. As a result of the consolidation of CYAPC and YAEC, the cash received is included in Other Long-Term Assets on the NU consolidated balance sheet pending refund. For further information, see Note 8B, Commitments and Contingencies - Contractual Obligations - Yankee Companies.

2. REGULATORY ACCOUNTING

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The rates charged to the customers of NU's Regulated companies are designed to collect each company's costs to provide service, including a return on investment. Therefore, the accounting policies of the Regulated companies follow the application of accounting guidance for entities with rate-regulated operations and reflect the effects of the rate-making process.

Management believes it is probable that each of the Regulated companies will recover their respective investments in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to any of the Regulated companies' operations, or that management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

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

| (Millions of Dollars) | As of March 31, 2014 | | As of December 31, 2013 | |
|--|----------------------|----------------|-------------------------|----------------|
| | | NU | | NU |
| Benefit Costs | \$ | 1,205.4 | \$ | 1,240.2 |
| Derivative Liabilities | | 564.9 | | 638.0 |
| Income Taxes, Net | | 629.2 | | 626.2 |
| Storm Restoration Costs | | 580.9 | | 589.6 |
| Goodwill | | 520.8 | | 525.9 |
| Regulatory Tracker Mechanisms | | 347.4 | | 323.4 |
| Buy Out Agreements for Power Contracts | | 63.4 | | 70.2 |
| Other Regulatory Assets | | 147.6 | | 281.0 |
| Total Regulatory Assets | | 4,059.6 | | 4,294.5 |
| Less: Current Portion | | 573.0 | | 535.8 |
| Total Long-Term Regulatory Assets | \$ | 3,486.6 | \$ | 3,758.7 |

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| (Millions of Dollars) | As of March 31, 2014 | | | | As of December 31, 2013 | | | |
|---|----------------------|-------------------|----------|----------|-------------------------|-------------------|----------|----------|
| | CL&P | NSTAR Electric | PSNH | WMECO | CL&P | NSTAR Electric | PSNH | WMECO |
| Benefit Costs | \$ 287.1 | \$ 321.3 | \$ 96.7 | \$ 55.1 | \$ 297.7 | \$ 496.7 | \$ 100.6 | \$ 57.3 |
| Derivative Liabilities | 557.0 | 7.9 | | | 630.4 | 7.7 | | |
| Income Taxes, Net | 419.7 | 82.5 | 39.4 | 43.5 | 415.5 | 84.0 | 40.3 | 43.7 |
| Storm Restoration Costs | 395.3 | 109.2 | 40.3 | 36.1 | 397.8 | 109.3 | 43.7 | 38.8 |
| Goodwill | | 447.1 | | | | 451.5 | | |
| Regulatory Tracker Mechanisms | 33.3 | 182.7 | 75.2 | 31.6 | 8.0 | 169.5 | 83.3 | 32.6 |
| Buy Out Agreements for Power Contracts | | 58.3 | 5.1 | | | 64.7 | 5.5 | |
| Other Regulatory Assets | 64.1 | 55.5 | 37.8 | 15.5 | 64.6 | 55.9 | 38.1 | 16.7 |
| Total Regulatory Assets | 1,756.5 | 1,264.5 | 294.5 | 181.8 | 1,814.0 | 1,439.3 | 311.5 | 189.1 |
| Less: Current Portion | 175.9 | 222.6 | 83.8 | 49.6 | 150.9 | 204.1 | 92.2 | 43.0 |
| Total Long-Term Regulatory Assets | \$ 1,580.6 | \$ 1,041.9 | \$ 210.7 | \$ 132.2 | \$ 1,663.1 | \$ 1,235.2 | \$ 219.3 | \$ 146.1 |

Benefit Costs: For information related to the Regulated companies' pension and other postretirement benefits, see Note 7, Pension Benefits and Postretirement Benefits Other Than Pensions.

Storm Restoration Costs: From 2011 to 2013, CL&P, NSTAR Electric, PSNH and WMECO experienced several significant storm events. As a result of these storm events, each company suffered extensive damage to its distribution and transmission systems resulting in customer outages. Each company incurred significant costs to repair damage and restore customer service. The storm restoration cost regulatory asset balance at CL&P, NSTAR Electric, PSNH and WMECO reflects incremental costs incurred for major storm events. Management believes the storm restoration costs were prudent and meet the criteria for specific cost recovery in Connecticut, Massachusetts and New Hampshire and that recovery from customers is probable through the applicable regulatory recovery process.

On March 12, 2014, the PURA issued a final decision on CL&P's request to recover storm restoration costs associated with five major storms, which occurred in 2011 and 2012. The PURA approved recovery of \$365 million of deferred storm restoration costs and ordered CL&P to capitalize approximately \$18 million of the deferred storm restoration costs as utility plant, which will be recovered through depreciation expense in future rate proceedings. CL&P will recover the \$365 million with carrying charges in its distribution rates over a six-year period beginning December 1, 2014. The remaining costs were either disallowed or we believe will be recovered from other sources. These costs did not have a material impact on CL&P's financial position, results of operations or cash flows.

Regulatory Costs in Other Long-Term Assets: The Regulated companies had \$71.7 million (\$12.4 million for CL&P, \$33.7 million for NSTAR Electric, and \$10.2 million for WMECO) and \$65.1 million (\$7.3 million for CL&P, \$33.4 million for NSTAR Electric, and \$10.1 million for WMECO) of additional regulatory costs as of March 31, 2014 and December 31, 2013, respectively, that were included in Other Long-Term Assets on the balance sheets. These amounts represent incurred costs for which recovery has not yet been specifically approved by the applicable regulatory agency. However, based on regulatory policies or past precedent on similar costs, management believes it is probable that these costs will ultimately be approved and recovered from customers in rates.

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

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| (Millions of Dollars) | As of March 31, 2014 | | As of December 31, 2013 | |
|--|----------------------|-------|-------------------------|-------|
| | NU | | NU | |
| Cost of Removal | \$ | 437.3 | \$ | 435.1 |
| Regulatory Tracker Mechanisms | | 203.6 | | 151.2 |
| AFUDC - Transmission | | 67.8 | | 68.1 |
| Contractual Obligations - Yankee Companies | | 93.3 | | |
| Other Regulatory Liabilities | | 53.3 | | 52.9 |
| Total Regulatory Liabilities | | 855.3 | | 707.3 |
| Less: Current Portion | | 263.8 | | 204.3 |
| Total Long-Term Regulatory Liabilities | \$ | 591.5 | \$ | 503.0 |

| (Millions of Dollars) | As of March 31, 2014 | | | | As of December 31, 2013 | | | |
|--|----------------------|-------------------|---------|---------|-------------------------|-------------------|---------|---------|
| | CL&P | NSTAR Electric | PSNH | WMECO | CL&P | NSTAR Electric | PSNH | WMECO |
| Cost of Removal | \$ 27.5 | \$ 252.5 | \$ 49.7 | \$ | \$ 29.1 | \$ 250.0 | \$ 49.7 | \$ |
| Regulatory Tracker Mechanisms | 105.6 | 43.8 | 27.5 | 22.4 | 95.6 | 21.9 | 21.6 | 21.1 |
| AFUDC - Transmission | 54.5 | 4.0 | | 9.3 | 54.7 | 4.1 | | 9.3 |
| Other Regulatory Liabilities | 9.8 | 30.4 | 1.9 | 0.5 | 8.4 | 31.1 | 1.0 | 3.4 |
| Total Regulatory Liabilities | 197.4 | 330.7 | 79.1 | 32.2 | 187.8 | 307.1 | 72.3 | 33.8 |
| Less: Current Portion | 107.3 | 73.6 | 27.3 | 21.8 | 94.0 | 54.0 | 20.6 | 19.9 |
| Total Long-Term Regulatory Liabilities | \$ 90.1 | \$ 257.1 | \$ 51.8 | \$ 10.4 | \$ 93.8 | \$ 253.1 | \$ 51.7 | \$ 13.9 |

For further information on matters related to the Yankee Companies, see Note 8B, Commitments and Contingencies - Contractual Obligations - Yankee Companies, to the financial statements.

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3. PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The following tables summarize the investments in utility property, plant and equipment by asset category:

| (Millions of Dollars) | As of March 31, 2014 | | As of December 31, 2013 | |
|---|----------------------|-----------|-------------------------|-----------|
| | NU | | NU | |
| Distribution - Electric | \$ | 12,039.7 | \$ | 11,950.2 |
| Distribution - Natural Gas | | 2,447.9 | | 2,425.9 |
| Transmission | | 6,423.5 | | 6,412.5 |
| Generation | | 1,154.7 | | 1,152.3 |
| Electric and Natural Gas Utility | | 22,065.8 | | 21,940.9 |
| Other (1) | | 510.2 | | 508.7 |
| Property, Plant and Equipment, Gross | | 22,576.0 | | 22,449.6 |
| Less: Accumulated Depreciation Electric and Natural Gas Utility | | (5,491.7) | | (5,387.0) |
| Other | | (204.7) | | (196.2) |
| Total Accumulated Depreciation | | (5,696.4) | | (5,583.2) |
| Property, Plant and Equipment, Net | | 16,879.6 | | 16,866.4 |
| Construction Work in Progress | | 833.4 | | 709.8 |
| Total Property, Plant and Equipment, Net | \$ | 17,713.0 | \$ | 17,576.2 |

(1) These assets represent unregulated property and are primarily comprised of building improvements, computer software, hardware and equipment and telecommunications assets at NU's unregulated companies.

| (Millions of Dollars) | As of March 31, 2014 | | | | As of December 31, 2013 | | | |
|--|----------------------|-------------------|------------|------------|-------------------------|-------------------|------------|------------|
| | CL&P | NSTAR Electric | PSNH | WMECO | CL&P | NSTAR Electric | PSNH | WMECO |
| Distribution | \$ 4,979.8 | \$ 4,717.6 | \$ 1,620.3 | \$ 762.0 | \$ 4,930.7 | \$ 4,694.7 | \$ 1,608.2 | \$ 756.6 |
| Transmission | 3,074.8 | 1,769.0 | 701.7 | 831.7 | 3,071.9 | 1,772.3 | 695.7 | 826.4 |
| Generation | | | 1,133.6 | 21.1 | | | 1,131.2 | 21.1 |
| Property, Plant and Equipment, Gross | 8,054.6 | 6,486.6 | 3,455.6 | 1,614.8 | 8,002.6 | 6,467.0 | 3,435.1 | 1,604.1 |
| Less: Accumulated Depreciation | (1,838.5) | (1,664.6) | (1,040.6) | (278.4) | (1,804.1) | (1,631.3) | (1,021.8) | (271.5) |
| Property, Plant and Equipment, Net | 6,216.1 | 4,822.0 | 2,415.0 | 1,336.4 | 6,198.5 | 4,835.7 | 2,413.3 | 1,332.6 |
| Construction Work in Progress | 290.1 | 247.2 | 71.4 | 62.4 | 252.8 | 208.2 | 54.3 | 48.5 |
| Total Property, Plant and Equipment, Net | \$ 6,506.2 | \$ 5,069.2 | \$ 2,486.4 | \$ 1,398.8 | \$ 6,451.3 | \$ 5,043.9 | \$ 2,467.6 | \$ 1,381.1 |

As discussed in Note 2, Regulatory Accounting, during the first quarter of 2014, as a result of a regulatory proceeding, CL&P reclassified approximately \$18 million from Regulatory Assets to Property, Plant and Equipment, Net.

4. DERIVATIVE INSTRUMENTS

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The Regulated companies purchase and procure energy and energy-related products for their customers, which are subject to price volatility. The costs associated with supplying energy to customers are recoverable through customer rates. The Regulated companies manage the risks associated with the price volatility of energy and energy-related products through the use of derivative and nonderivative contracts.

Many of the derivative contracts meet the definition of, and are designated as, normal and qualify for accrual accounting under the applicable accounting guidance. The costs and benefits of derivative contracts that meet the definition of normal are recognized in Operating Expenses or Operating Revenues on the statements of income, as applicable, as electricity or natural gas is delivered.

Derivative contracts that are not designated as normal are recorded at fair value as current or long-term Derivative Assets or Derivative Liabilities on the balance sheets. For the Regulated companies, regulatory assets or regulatory liabilities are recorded to offset the fair values of derivatives, as costs are recovered from, or refunded to, customers in their respective energy supply rates. For NU's unregulated wholesale marketing contracts that expired on December 31, 2013, changes in fair values of derivatives were included in Net Income.

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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, on the 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 categorized by risk type and the net amount recorded as current or long-term derivative asset or liability:

| (Millions of Dollars) | As of March 31, 2014 | | Net Amount Recorded as Derivative Asset/(Liability) |
|--|---|-------------|--|
| | Commodity Supply and Price Risk Management | Netting (1) | |
| <u>Current Derivative Assets:</u> | | | |
| Level 2: | | | |
| NU (1) | \$ 1.2 | \$ (0.1) | \$ 1.1 |
| Level 3: | | | |
| NU (1) | 17.8 | (9.7) | 8.1 |
| CL&P (1) | 17.0 | (9.7) | 7.3 |
| NSTAR Electric | 0.8 | | 0.8 |
| <u>Long-Term Derivative Assets:</u> | | | |
| Level 3: | | | |
| NU, CL&P (1) | \$ 98.8 | \$ (31.7) | \$ 67.1 |
| <u>Current Derivative Liabilities:</u> | | | |
| Level 3: | | | |
| NU | \$ (93.3) | \$ | \$ (93.3) |
| CL&P | (92.0) | | (92.0) |
| NSTAR Electric | (1.3) | | (1.3) |
| <u>Long-Term Derivative Liabilities:</u> | | | |
| Level 2: | | | |
| NU | \$ (0.2) | \$ | \$ (0.2) |
| Level 3: | | | |
| NU | (546.2) | | (546.2) |
| CL&P | (539.4) | | (539.4) |
| NSTAR Electric | (6.8) | | (6.8) |

| (Millions of Dollars) | As of December 31, 2013 | | Net Amount Recorded as Derivative Asset/(Liability) |
|--|---|-------------|--|
| | Commodity Supply and Price Risk Management | Netting (1) | |
| <u>Current Derivative Assets:</u> | | | |
| Level 2: | | | |
| NU (1) | \$ 1.9 | \$ (0.3) | \$ 1.6 |
| Level 3: | | | |
| NU (1) | 18.4 | (9.8) | 8.6 |
| CL&P (1) | 17.1 | (9.8) | 7.3 |
| NSTAR Electric | 1.2 | | 1.2 |
| <u>Long-Term Derivative Assets:</u> | | | |
| Level 2: | | | |
| NU | \$ 0.2 | \$ | \$ 0.2 |
| Level 3: | | | |
| NU (1) | 116.2 | (42.2) | 74.0 |
| CL&P (1) | 113.6 | (42.2) | 71.4 |
| <u>Current Derivative Liabilities:</u> | | | |

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| | | | | |
|----------------|----|--------|----|--------|
| Level 3: | | | | |
| NU | \$ | (93.7) | \$ | (93.7) |
| CL&P | | (92.2) | | (92.2) |
| NSTAR Electric | | (1.5) | | (1.5) |

Long-Term Derivative Liabilities:

| | | | | |
|----------------|----|---------|----|---------|
| Level 3: | | | | |
| NU | \$ | (624.1) | \$ | (624.1) |
| CL&P | | (617.1) | | (617.1) |
| NSTAR Electric | | (7.0) | | (7.0) |

(1) Amounts represent derivative assets and liabilities that NU elected to record net on the balance sheets. These amounts are subject to master netting agreements or similar agreements for which the right of offset exists.

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

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Derivatives Not Designated as Hedges

Commodity Supply and Price Risk Management: As 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 of each contract allocated to CL&P and 20 percent allocated to UI. The capacity contracts extend through 2026 and obligate both CL&P and UI to make or receive payments on a monthly basis to or from the generation facilities based on the difference between a set capacity price and the forward capacity market price received in the ISO-NE capacity markets. In addition, CL&P has a contract to purchase 0.1 million MWh of energy per year through 2020.

NSTAR Electric has a renewable energy contract to purchase 0.1 million MWh of energy per year through 2018 and a capacity related contract to purchase up to 35 MW per year through 2019.

As of March 31, 2014 and December 31, 2013, NU had NYMEX future contracts in order to reduce variability associated with the purchase price of approximately 7.4 million and 9.1 million MMBtu of natural gas, respectively.

The following table presents the current change in fair value, primarily recovered through rates from customers, associated with NU's derivative contracts not designated as hedges:

| Location of Amounts Recognized on Derivatives (Millions of Dollars) | Amounts Recognized on Derivatives For the Three Months Ended March 31, | |
|---|---|---------|
| | 2014 | 2013 |
| NU | | |
| <u>Balance Sheets:</u> | | |
| Regulatory Assets and Liabilities | \$ 54.1 | \$ 28.0 |
| <u>Statements of Income:</u> | | |
| Purchased Power, Fuel and Transmission | | 0.3 |

Credit Risk

Certain of NU's derivative contracts contain credit risk contingent features. These features require NU to maintain investment grade credit ratings from the major rating agencies and to post collateral for contracts in a net liability position over specified credit limits. As of March 31, 2014 and December 31, 2013, there were no derivative contracts in a net liability position that were subject to credit risk contingent features.

Valuation of Derivative Instruments

Derivative contracts classified as Level 2 in the fair value hierarchy relate to the financial contracts for natural gas futures. Prices are obtained from broker quotes and are 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.

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The fair value of derivative contracts classified as Level 3 utilizes significant unobservable inputs. The fair value is modeled using income techniques, such as discounted cash flow valuations adjusted for assumptions relating to exit price. Significant observable inputs for valuations of these contracts include energy and energy-related product prices in future years for which quoted prices in an active market exist. Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The future power and capacity prices for periods that are not quoted in an active market or established at auction are based on available market data and are escalated based on estimates of inflation to address the full time period of the contract.

Valuations of derivative contracts using a discounted cash flow methodology include assumptions regarding the timing and likelihood of scheduled payments and also reflect non-performance 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. Valuations incorporate estimates of premiums or discounts that would be required by a market participant to arrive at an exit price, using historical market transactions adjusted for the terms of the contract.

The following is a summary of NU's, including CL&P's and NSTAR Electric's, Level 3 derivative contracts and the range of the significant unobservable inputs utilized in the valuations over the duration of the contracts:

| | As of March 31, 2014 | | As of December 31, 2013 | |
|-------------------------|------------------------------|----------------|------------------------------|----------------|
| | Range | Period Covered | Range | Period Covered |
| Energy Prices: | | | | |
| NU | \$ 57 - 60 per MWh | 2018 - 2020 | \$ 49 - 77 per MWh | 2018 - 2029 |
| CL&P | \$ 57 - 60 per MWh | 2018 - 2020 | \$ 56 - 58 per MWh | 2018 - 2029 |
| Capacity Prices: | | | | |
| NU | \$ 1.70 - 10.42 per kW-Month | 2016 - 2026 | \$ 5.07 - 11.82 per kW-Month | 2017 - 2029 |
| CL&P | \$ 5.23 - 10.42 per kW-Month | 2018 - 2026 | \$ 5.07 - 10.42 per kW-Month | 2017 - 2026 |
| NSTAR Electric | \$ 1.70 - 7.38 per kW-Month | 2016 - 2019 | \$ 5.07 - 7.38 per kW-Month | 2017 - 2019 |
| Forward Reserve: | | | | |
| NU, CL&P | \$ 3.30 - 3.30 per kW-Month | 2014 - 2024 | \$ 3.30 - 3.30 per kW-Month | 2014 - 2024 |
| REC Prices: | | | | |
| NU | \$ 38 - 70 per REC | 2014 - 2018 | \$ 36 - 87 per REC | 2014 - 2029 |
| NSTAR Electric | \$ 38 - 70 per REC | 2014 - 2018 | \$ 36 - 70 per REC | 2014 - 2018 |

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Exit price premiums of 9 percent through 26 percent are also applied on these contracts and reflect the most recent market activity available for similar type contracts.

Significant increases or decreases in future energy or capacity prices in isolation would decrease or increase, respectively, the fair value of the derivative liability. Any increases in the risk premiums would increase the fair value of the derivative liabilities. Changes in these fair values are recorded as a regulatory asset or liability and would not impact net income.

Valuations using significant unobservable inputs: The following tables present changes for the three months ended March 31, 2014 and 2013 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.

| (Millions of Dollars) | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2014 NU | 2013 NU |
| Derivatives, Net: | | |
| Fair Value as of Beginning of Period | \$ (635.2) | \$ (878.6) |
| Net Realized/Unrealized Gains Included in: | | |
| Net Income (1) | | 5.7 |
| Regulatory Assets and Liabilities | 49.2 | 26.2 |
| Settlements | 21.7 | 13.6 |
| Fair Value as of End of Period | \$ (564.3) | \$ (833.1) |

| (Millions of Dollars) | For the Three Months Ended | | | |
|---|----------------------------|----------------|----------------|----------------|
| | March 31, 2014 | | March 31, 2013 | |
| | CL&P | NSTAR Electric | CL&P | NSTAR Electric |
| Derivatives, Net: | | | | |
| Fair Value as of Beginning of Period | \$ (630.6) | \$ (7.3) | \$ (866.2) | \$ (14.9) |
| Net Realized/Unrealized Gains/(Losses) | | | | |
| Included in Regulatory Assets and Liabilities | 52.0 | (0.1) | 24.3 | 0.7 |
| Settlements | 21.6 | 0.1 | 22.3 | 0.6 |
| Fair Value as of End of Period | \$ (557.0) | \$ (7.3) | \$ (819.6) | \$ (13.6) |

(1) The Net Income impact for the three months ended March 31, 2013 related to the unregulated wholesale marketing sales contract that was offset by the gains/(losses) on the unregulated sourcing contracts classified as Level 2 in the fair value hierarchy, resulting in a total net gain of \$0.3 million as of March 31, 2013.

5. MARKETABLE SECURITIES

NU maintains trusts to fund certain non-qualified executive benefits and WMECO maintains a spent nuclear fuel trust to fund WMECO's prior period spent nuclear fuel liability, each of which hold marketable securities. These trusts are not subject to regulatory oversight by state or federal agencies. In addition, CYAPC and YAEC maintain legally restricted trusts, each of which holds marketable securities, for settling the

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decommissioning obligations of their nuclear power plants.

In accordance with applicable accounting guidance, the Company elected to record mutual funds designated as available-for-sale at fair value and certain other equity investments as trading securities, with the changes in fair values recorded in Other Income, Net on the statements of income. As of March 31, 2014, the mutual funds and equity investments were classified as Level 1 in the fair value hierarchy and totaled \$57.4 million and \$24 million, respectively. As of December 31, 2013, the mutual funds were classified as Level 1, and totaled \$57.2 million. Net gains on the mutual funds were \$0.2 million and \$4.2 million for the three months ended March 31, 2014 and 2013, respectively, and net gains on the equity investments were \$0.5 million for the three months ended March 31, 2014. Dividend income is recorded in Other Income, Net on the statements of income when dividends are declared. All other marketable securities are accounted for as available-for-sale.

Available-for-Sale Securities: The following is a summary of NU's and WMECO's available-for-sale securities. These securities are recorded at fair value and included in current and long-term Marketable Securities on the balance sheets.

| (Millions of Dollars) | As of March 31, 2014 | | | Fair Value |
|-----------------------|-----------------------------------|------------------------------------|----------|------------|
| Amortized Cost | Pre-Tax Unrealized Gains(1) | Pre-Tax Unrealized Losses(1) | | |
| NU | | | | |
| Debt Securities (2) | \$ 300.6 | \$ 4.8 | \$ (0.7) | \$ 304.7 |
| Equity Securities (2) | 163.3 | 65.6 | | 228.9 |
| WMECO | | | | |
| Debt Securities | 58.0 | | (0.1) | 57.9 |

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| (Millions of Dollars) | As of December 31, 2013 | | | |
|-----------------------|-------------------------|-----------------------------|------------------------------|------------|
| | Amortized Cost | Pre-Tax Unrealized Gains(1) | Pre-Tax Unrealized Losses(1) | Fair Value |
| NU | | | | |
| Debt Securities (2) | \$ 299.2 | \$ 2.5 | \$ (2.1) | \$ 299.6 |
| Equity Securities (2) | 163.6 | 60.5 | | 224.1 |
| WMECO | | | | |
| Debt Securities | 57.9 | | | 57.9 |

(1) Unrealized gains and losses on debt securities held by WMECO are recorded in Other Long-Term Assets on the balance sheets.

(2) NU's amounts include CYAPC's and YAEC's marketable securities held in nuclear decommissioning trusts of \$435.9 million and \$424 million as of March 31, 2014 and December 31, 2013, respectively, the majority of which are legally restricted and can only be used for the decommissioning of the nuclear power plants owned by these companies. Unrealized gains and losses for the nuclear decommissioning trusts are offset in Other Long-Term Liabilities on the balance sheets, with no impact on the statements of income. All of the equity securities accounted for as available-for-sale securities are held in these trusts.

Unrealized Losses and Other-than-Temporary Impairment: There have been no significant unrealized losses, other-than-temporary impairments or credit losses for NU or WMECO. 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 NU's benefit trust, Other Long-Term Assets for WMECO, and offset in Other Long-Term Liabilities for CYAPC and YAEC. NU utilizes the specific identification basis method for the NU benefit trust and the average cost basis method for the WMECO trust and the CYAPC and YAEC nuclear decommissioning trusts to compute the realized gains and losses on the sale of available-for-sale securities.

Contractual Maturities: As of March 31, 2014, the contractual maturities of available-for-sale debt securities are as follows:

| (Millions of Dollars) | NU | | WMECO | |
|------------------------|----------------|------------|----------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Less than one year (1) | \$ 54.5 | \$ 54.4 | \$ 19.2 | \$ 19.2 |
| One to five years | 73.3 | 73.9 | 33.2 | 33.2 |
| Six to ten years | 68.1 | 69.4 | 1.6 | 1.6 |
| Greater than ten years | 104.7 | 107.0 | 4.0 | 3.9 |
| Total Debt Securities | \$ 300.6 | \$ 304.7 | \$ 58.0 | \$ 57.9 |

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(1) Amounts in the Less than one year NU category include securities in the CYAPC and YAEC nuclear decommissioning trusts, which are restricted and are classified in long-term Marketable Securities on the balance sheets.

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:

| (Millions of Dollars) | NU As of | | WMECO As of | |
|---------------------------|----------------|-------------------|----------------|-------------------|
| | March 31, 2014 | December 31, 2013 | March 31, 2014 | December 31, 2013 |
| Level 1: | | | | |
| Mutual Funds and Equities | \$ 310.3 | \$ 281.3 | \$ 4.3 | \$ 10.9 |
| Money Market Funds | 22.5 | 32.9 | | |
| Total Level 1 | \$ 332.8 | | | |