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NORTHEAST UTILITIES SYSTEM

Form U-9C-3

May 27, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM U-9C-3

QUARTERLY REPORT PURSUANT TO RULE 58

For the quarterly period ended March 31, 2004

Northeast Utilities

(Name of registered holding company)

107 Selden Street, Berlin, CT 06037

(Address of Principal Executive Officers)

Name and telephone number of officer to whom inquiries concerning this report should be directed:

John P. Stack, Vice President-Accounting and Controller
Telephone Number: 860-665-2333

GENERAL INSTRUCTIONS

A. Use of Form

1. A reporting company, as defined herein, shall file a report on this form within 60 days after the end of each of the first three quarters, and within 90 days after the end of the fourth quarter, of the fiscal year of the registered holding company. The period beginning on the date of effectiveness of rule 58 and ending at the end of the quarter following the quarter in which the rule becomes

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effective shall constitute the initial period for which any report shall be filed, if applicable.

2. The requirement to provide specific information by means of this form supersedes any requirement by order of the Commission to provide identical information by means of periodic certificates under rule 24; but does not so supersede and replace any requirement by order to provide information by means of an annual report on Form U-13-60.
3. Information with respect to reporting companies that is required by Form U-13-60 shall be provided exclusively on that form.
4. Notwithstanding the specific requirements of this form, this Commission may informally request such further information as, in its opinion, may be necessary or appropriate.

B. Statements of Monetary Amounts and Deficits

1. Amounts included in this form and in related financial statements may be expressed in whole dollars, thousands of dollars or hundred thousands of dollars.
2. Deficits and other similar entries shall be indicated by either brackets or parentheses. An explanation should be provided by footnote.

C. Formal Requirements

This form, including exhibits, shall be filed with Commission electronically pursuant to Regulation S-T (17 CFR 232.10 et seq.). A conformed copy of each such report shall be filed with each state commission having jurisdiction over the retail rates of a public utility company that is an associate company of a reporting company. Each report shall provide the name and telephone number of the person to whom inquiries concerning this report should be directed.

D. Definitions

As used in this form, the word "reporting company" means an energy-related company or gas-related company, as defined in rule 58(b). All other words and terms have the same meaning as in the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations there under.

ITEM 1 - ORGANIZATIONAL CHART

Instructions

1. Complete Item 1 only for the first three calendar quarters of the fiscal year of the registered holding company.
2. Under the caption "Name of Reporting Company," list each energy-related and gas-related company and each system company that directly or indirectly holds securities thereof. Add the designation "(new)" for each reporting company of which securities were acquired during the period, and the designation "(*)" for each inactive company.

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3. Under the caption "Percentage of Voting Securities Held," state the aggregate percentage of the outstanding voting securities of the reporting company held directly or indirectly by the registered holding company at the end of the quarter.
4. Provide a narrative description of each reporting company's activities during the reporting period.

| Name of Reporting Company | Energy or Gas Related | Date of Organization | State of Organization | Percentage of Voting Securities Held | Nature of Business | Acti Rep Duri Pe |
|---------------------------------------|-----------------------|----------------------|-----------------------|--------------------------------------|--|---------------------------|
| NU Enterprises, Inc. | Holding | 01/04/99 | Connecticut | 100% by Northeast Utilities | Unregulated businesses holding company | (|
| Select Energy, Inc. | Energy | 09/26/96 | Connecticut | 100% by NU Enterprises, Inc. | Energy-related activities | (|
| Northeast Generation Services Company | Energy | 01/04/99 | Connecticut | 100% by NU Enterprises, Inc. | Energy-related activities | (|
| Select Energy Services, Inc. | Energy | 06/19/90 | Massachusetts | 100% by NU Enterprises, Inc. | Energy-related activities | (|
| Reeds Ferry Supply Co., Inc. | Energy | 07/15/64 | New Hampshire | 100% by Select Energy Services, Inc. | Energy-related activities | (|
| HEC/Tobyhanna Energy Project, Inc. | Energy | 09/28/99 | Massachusetts | 100% by Select Energy Services, Inc. | Energy-related activities | (|
| Select Energy Contracting, Inc. | Energy | 10/12/94 | Massachusetts | 100% by Select Energy Services, Inc. | Energy-related activities | (|
| Yankee Energy System, Inc. | Holding | 02/15/00 | Connecticut | 100% by Northeast Utilities | Public Utility Holding Company | (|
| Yankee Energy Services Company | Energy | 07/02/93 | Connecticut | 100% by Yankee Energy System, Inc. | Energy-related activities | (|
| R. M. Services, Inc. | Energy | 11/22/94 | Connecticut | 10% by Yankee Energy | Energy-related | (|

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| | | | | System, Inc. | activities |
|------------------------------|--------|----------|---------------|---|--|
| Acumentrics Corporation | Energy | 09/13/00 | Massachusetts | 5% by NU Enterprises, Inc. | Energy-related activities |
| ERI/HEC EFA-Med, LLC | Energy | 09/30/00 | Delaware | 50% by Select Energy Services, Inc. | Energy-related activities |
| E. S. Boulos Company | Energy | 01/10/01 | Connecticut | 100% by Northeast Generation Services Company | Energy-related activities |
| NGS Mechanical, Inc. | Energy | 01/24/01 | Connecticut | 100% by Northeast Generation Services Company | Provide mechanical construction and maintenance services |
| HEC/CJTS Energy Center LLC | Energy | 03/02/01 | Delaware | 100% by Select Energy Services, Inc. | Facilitate construction financing |
| Select Energy New York, Inc. | Energy | 02/13/96 | Delaware | 100% by Select Energy, Inc. | Energy-related activities |
| Woods Electrical Co., Inc. | Energy | 07/18/02 | Connecticut | 100% by Northeast Generation Services Company | Provide electrical contracting services |
| Greenport Power, LLC | Energy | 02/13/03 | Delaware | 50% by Northeast Generation Services Company | Energy related construction activities |

(A) NU Enterprises, Inc. is not a "reporting company" but is included in this Item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.

(B) Select Energy, Inc. (Select Energy) is an integrated energy business that buys, markets and sells electricity, gas, oil and energy-related products and services to both wholesale and retail customers in the northeastern United States. Select Energy procures and delivers energy and capacity required to serve its electric, gas and oil customers. Select Energy, collectively with its affiliated businesses, provides a wide range of energy products and energy services.

Select Energy is a licensed retail electricity supplier and is registered with local electric distribution companies and is a registered gas marketer with local gas distribution companies in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New

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Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Virginia.

- (C) Northeast Generation Services Company (NGS) provides a full range of energy-related operation and maintenance services for larger industrial, institutional and power generation customers throughout the 11-state northeast area. NGS' current business segments focus on providing turnkey Manage and Operate Services (MOS), a variety of Specialty Services (SS) and full-scope mechanical, Construction and Maintenance Services (CMS).

MOS is a service that is designed for generation asset owners. Within the SS platform, its offerings include electrical maintenance and laboratory analysis. Within the CMS platform, the product and service offerings include mechanical maintenance services and engineering and environmental consulting services, with an emphasis on power plant systems.

- (D) Select Energy Services, Inc. (formerly HEC Inc.) is not a "reporting company" but is included in this Item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.
- (E) Reed's Ferry Supply Co., Inc. is an equipment wholesaler which purchases equipment on behalf of Select Energy Contracting, Inc.
- (F) HEC/Tobyhanna Energy Project, Inc. was established as a special purpose entity to manage the assets of an Energy Savings Performance Contract project at the Tobyhanna Army Depot.
- (G) Select Energy Contracting, Inc. designs, manages and directs the construction of, and/or installation of mechanical, water, and electrical systems, energy and other resource consuming equipment.
- (H) Yankee Energy System, Inc. is not a "reporting company" but is included in this Item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.
- (I) Yankee Energy Services Company has disposed of most of its assets and is winding down its energy-related business.
- (J) R. M. Services, Inc. provides consumer collection services for companies throughout the United States.
- (K) Acumentrics Corporation develops, manufactures, and distributes advanced power generation, power quality and power protection devices including a high-speed flywheel and advanced technology fuel cells.
- (L) ERI/HEC EFA-Med, LLC (ERI/HEC) is a Delaware limited liability company that was formed by Select Energy Services, Inc., and ERI Services, Inc. to enter into an indefinite delivery/indefinite quantity contract with the U.S. Navy. Under the contract, the Navy will issue Delivery Orders for energy services work at U.S. Government facilities located in Bahrain, Greece, Egypt, Italy, Spain, Turkey, and the United Kingdom. ERI/HEC will designate either ERI or Select Energy Services, Inc. to perform each of the Delivery Orders. ERI/HEC will also act as the conduit for any project-related financing. ERI Services, Inc. and Select Energy Services, Inc. each own 50% of the LLC.
- (M) E. S. Boulos Company (Boulos) is in the electrical contracting business primarily in Maine, New Hampshire and Massachusetts. Boulos is registered to do business in Connecticut, Rhode Island, Maine,

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Massachusetts, New Hampshire, New York, and Vermont.

- (N) NGS Mechanical, Inc. (NGSM) performs power plant operations, maintenance and capital project support. NGSM is registered to do business in Massachusetts, New Hampshire, Maine, Vermont, Rhode Island, and New York.
- (O) HEC/CJTS Energy Center LLC (HEC/CTJS) facilitated the construction of an energy center at the Connecticut Juvenile Training School in Middletown, Connecticut. HEC/CJTS does not have any employees nor does it conduct any activities other than those related to the lease related to such project.
- (P) Select Energy New York, Inc. is engaged in the brokering, marketing, transportation, storage, and sale of energy commodities.
- (Q) Woods Electrical Co., Inc. is in the electrical contracting business mainly in Connecticut. Woods is registered to do business in Connecticut, Massachusetts, Maine and New Hampshire.
- (R) Greenport Power LLC (Greenport) is a Delaware limited liability company that was formed by NGS and Hawkeye Electric LLC (Hawkeye Electric) to enter into an Engineering, Procurement and Construction Agreement with Global Commons LLC for the performance of design, engineering, procurement, construction and other services in connection with an electrical facility construction project in Greenport, Long Island, New York. Hawkeye Electric, which is not an affiliate of NU, and NGS each own 50% of Greenport.

ITEM 2 - ISSUANCES AND RENEWALS OF SECURITIES AND CAPITAL CONTRIBUTIONS

 Instruction

With respect to a transaction with an associate company, report only the type and principal amount of securities involved.

| Company | Type of Security | Principal Amount of Security | Issue or Renewal | Cost of Capital | Person to Whom Security Was Issued | Collateral Given With Security | Consideration Received for Each Security |
|---------------------------------------|------------------|-------------------------------|------------------|-----------------|------------------------------------|--------------------------------|--|
| Select Energy, Inc. | | No transactions this quarter. | | | | | |
| Northeast Generation Services Company | | No transactions this quarter. | | | | | |
| Select Energy Contracting, Inc. | | No transactions this quarter. | | | | | |
| Reeds Ferry Supply Co., Inc. | | No transactions this quarter. | | | | | |

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HEC/Tobyhanna
Energy
Project, Inc. No transactions this quarter.

Yankee Energy
Services
Company No transactions this quarter.

R. M.
Services, Inc. No transactions this quarter.

ERI/HEC
EFA-Med, LLC No transactions this quarter.

E.S. Boulos
Company No transactions this quarter.

NGS Mechanical,
Inc. No transactions this quarter.

HEC/CJTS
Energy
Center LLC No transactions this quarter.

Select Energy
New York, Inc. No transactions this quarter.

Woods Electrical
Co., Inc. No transactions this quarter.

Northeast
Utilities No transactions this quarter.

ITEM 3 - ASSOCIATE TRANSACTIONS

Instructions

1. This item is used to report the performance during the quarter of contracts among reporting companies and their associate companies, including other reporting companies, for service, sales and construction. A copy of any such contract not filed previously should be provided as an exhibit pursuant to Item 6.B.
2. Parts I and II concern transactions performed by reporting companies on behalf of associate companies, and transactions performed by associate companies on behalf of reporting companies, respectively.

Part I - Transactions performed by reporting companies on behalf
of associate companies.

| | | Total Amount Billed* |
|-----------|-----------|-------------------------|
| Reporting | Associate | |

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| Company Rendering Services | Company Receiving Services | Types of Services Rendered | Three Months Ended March 31, 2004 (Thousands of Dollars) |
|---|---|---------------------------------------|--|
| Northeast Generation Services Company | Northeast Generation Company | Power Plant | \$ 9,024 ===== |
| Northeast Generation Services Company | NGS Mechanical, Inc. | Miscellaneous | \$ 2 ===== |
| Northeast Generation Services Company | Woods Network Services, Inc. | Miscellaneous | \$ 9 ===== |
| Northeast Generation Services Company | The Connecticut Light and Power Company | Electrical Services | \$ 101 ===== |
| Northeast Generation Services Company | Holyoke Water Power Company | Power Plant | \$ 3,080 ===== |
| Northeast Generation Services Company | Select Energy Services, Inc. | Power Plant | \$ 920 ===== |
| Northeast Generation Services Company | Public Service Company of New Hampshire | Electrical and Mechanical Services | \$ 102 ===== |
| Northeast Generation Services Company | Yankee Energy Services Inc. | Miscellaneous | \$ 1 ===== |
| Northeast Generation Services Company | E.S. Boulos Company | Wholesale Purchasing Services | \$ 14 ===== |
| Northeast Generation Services Company | Woods Electrical Co., Inc. | Miscellaneous | \$ 4 ===== |
| Northeast Generation Services Company | Woods Network Services, Inc. | Miscellaneous | \$ 4 ===== |
| Reeds Ferry Supply Co., Inc. | Select Energy Contracting, Inc. | Wholesale Purchasing Services | \$ 295 ===== |
| E.S. Boulos Company | Northeast Generation Services Company | Electrical Services | \$ 126 ===== |
| Select Energy, Inc. | Select Energy New York, Inc. | Wholesale Purchasing Services | \$ 314 ===== |

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| | | | |
|---------------------|---|---------------|-----------------|
| Select Energy, Inc. | Northeast Generation Services Company | Miscellaneous | \$ 1 ===== |
| Select Energy, Inc. | Northeast Utilities Service Company | Miscellaneous | \$ 519 ===== |

* Total Amount Billed is for direct costs only.

Part II - Transactions performed by associate companies on behalf of reporting companies.

| Associate Company Rendering Services | Reporting Company Receiving Services | Types of Services Rendered | Total Amount Billed* Three Months Ended March 31, 2004 (Thousands of Dollars) |
|---|---|----------------------------------|---|
| ----- | ----- | ----- | ----- |
| Northeast Generation Company | Northeast Generation Services Company | Miscellaneous | \$ 368 ===== |
| Public Service Company of New Hampshire | Northeast Generation Services Company | Miscellaneous | \$ 4 ===== |
| Public Service Company of New Hampshire | Select Energy, Inc. | Miscellaneous | \$ 17 ===== |
| The Connecticut Light and Power Company | Northeast Generation Services Company | Miscellaneous | \$ 9 ===== |
| Holyoke Water Power Company | Northeast Generation Services Company | Miscellaneous | \$ 227 ===== |
| Western Massachusetts Electric Company | Northeast Generation Services Company | Miscellaneous | \$ 30 ===== |
| Northeast Utilities Service Company | Select Energy New York, Inc. | Miscellaneous | \$ 211 ===== |
| Northeast Utilities Service Company | Northeast Generation Services Company | Miscellaneous | \$ 942 ===== |
| Northeast Utilities Service Company | Select Energy, Inc. | Miscellaneous | \$ 4,526 ===== |

* Total Amount Billed is for direct costs only.

ITEM 4 - SUMMARY OF AGGREGATE INVESTMENT

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Investments in energy-related companies:

(Thousands of Dollars)

| | | | |
|---|----------|-------------|--------------------------|
| Total consolidated capitalization as of | 03/31/04 | \$6,774,469 | line 1 |
| Total capitalization multiplied by 15% (line 1 multiplied by .15) | | 1,016,170 | line 2 |
| Greater of \$50 million or line 2 | | | \$1,016,170 line 3 |
| Total current aggregate investment: | | | |
| Select Energy, Inc. | | 769,649 | |
| Northeast Generation Services Company | | 28,946 | |
| Select Energy Contracting, Inc. | | 15,379 | |
| Select Energy New York, Inc. | | 71,017 | |
| Woods Electrical Co., Inc. | | 14,815 | |
| Reeds Ferry Supply Co., Inc. | | 7 | |
| HEC/Tobyhanna Energy Project, Inc. | | - | |
| Yankee Energy Services Company | | 7,882 | |
| E.S. Boulos Company | | 11,505 | |
| R.M. Services, Inc. | | 16,033 | |
| NGS Mechanical, Inc. | | 10 | |
| Acumentrics Corporation | | 7,500 | |
| Greenport, LLC | | 501 | |
| ERI/HEC EFA-Med, LLC | | 9 | |
| HEC/CJTS Energy Center LLC | | 12 | |
| | | ----- | |
| Current aggregate investment | | | 943,265 |
| | | | ----- |
| Elimination * | | | 22,506 |
| | | | ----- |
| Total current aggregate investment | | | 920,759 line 4 |
| | | | ----- |
| Difference between the greater of \$50 million or 15% of capitalization and the total aggregate investment of the registered holding company system | | | \$95,411 line 5 ===== |

*Elimination is for capital contributions made from a parent company who is a reporting company to a subsidiary who is also a reporting company.

ITEM 5 - OTHER INVESTMENTS

Instruction

This item concerns investments in energy-related and gas-related companies that are excluded from the calculation of aggregate investment under rule 58.

| Major Line of Energy- Related Business | Other Investment in Last U-9C-3 Report | Other Investment in This U-9C-3 Report | Reason for Difference in Other Investment |
|---|---|---|--|
|---|---|---|--|

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NONE

ITEM 6 - FINANCIAL STATEMENTS AND EXHIBITS

Instructions

A. Financial Statements

1. Financial statements are required for reporting companies in which the registered holding company system has at least 50% equity or other ownership interest. For all other rule 58 companies, the registered holding company shall make available to the Commission such financial statements as are available to it.
2. For each reporting company, provide a balance sheet as of the end of the quarter and income statements for the three-month and year-to-date periods ending as of the end of the quarter, together with any notes thereto. Financial statements shall be for the first three quarters of the fiscal year of the registered holding company.
3. If a reporting company and each of its subsidiaries engage exclusively in single category of energy-related or gas-related activity, consolidated financial statements may be filed.
4. Separate financial statements need not be filed for inactive companies or for companies engaged solely in the ownership of interests in energy-related or gas-related companies.

B. Exhibits

1. Copies of contracts required to be provided by Item 3 shall be filed as exhibits.
2. A certificate stating that a copy of the report for the previous quarter has been filed with interested state commissions shall be filed as an exhibit. The certificate shall provide the names and addresses of the state commissions.

A. Financial Statements

Select Energy, Inc.:

Balance Sheet - As of March 31, 2004
Income Statement - Three months ended March 31, 2004

Northeast Generation Services Company:

Balance Sheet - As of March 31, 2004
Income Statement - Three months ended March 31, 2004

Select Energy Contracting, Inc.:

Balance Sheet - As of March 31, 2004
Income Statement - Three months ended March 31, 2004

Reeds Ferry Supply Co., Inc.:

Balance Sheet - As of March 31, 2004

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Income Statement - Three months ended March 31, 2004

HEC/Tobyhanna Energy Project, Inc.:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

Yankee Energy Services Company:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

ERI/HEC EFA-Med, LLC:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

E. S. Boulos Company:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

NGS Mechanical, Inc.:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

Select Energy New York, Inc.:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

HEC/CJTS Energy Center LLC:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

Woods Electrical Co., Inc.:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

Greenport Power, LLC:

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

Acumentrics Corporation:

Not available

R. M. Services, Inc.:

Not available

Northeast Utilities (Parent):

Balance Sheet - As of March 31, 2004

Income Statement - Three months ended March 31, 2004

B. Exhibits

| Exhibit No. | Description |
|-------------|---|
| ----- | ----- |
| 6.B.1.1 | Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.2 | Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.3 | Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b). |

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- 6.B.1.4a Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.4b Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.4c Copy of contract required by Item 3 - filed under confidential treatment pursuant to Rule 104(b).
- 6.B.2.1 The company certifies that a conformed copy of Form U-9C-3 for the previous quarter was filed with the following state commissions:
- Ms. Louise E. Rickard
Acting Executive Secretary
Department of Public Utility Control
10 Franklin Square
New Britain, CT 06051
- Ms. Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
100 Cambridge Street
Boston, MA 02202
- Mr. Thomas B. Getz
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
8 Old Suncook Road, Building One
Concord, NH 03301-7319

SELECT ENERGY, INC.
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|---|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Unrestricted cash from counterparties | \$ 65,614 |
| Special deposits | 1,637 |
| Receivables, net | 351,579 |
| Accounts receivable from affiliated companies | 130,928 |
| Unbilled revenues | 40,198 |
| Taxes receivable | 8,862 |
| Derivative assets | 260,438 |
| Prepaid option premiums | 13,061 |
| Prepayments and other | 9,051 |
| | ----- 881,368 ----- |
| Property, Plant and Equipment: | |
| Competitive Energy | 14,233 |
| Less: Accumulated depreciation and amortization | 12,019 |
| | ----- 2,214 |

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| | |
|-----------------------------------|------------|
| Construction work in progress | 6,848 |
| | ----- |
| | 9,062 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Purchased intangible assets, net | 13,524 |
| Prepaid pension | 1,146 |
| Long-term accounts receivable | 6,067 |
| Long-term contracts asset | 38,006 |
| Other | 41,771 |
| | ----- |
| | 100,514 |
| | ----- |
| Total Assets | \$ 990,944 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY, INC.
BALANCE SHEET
(Unaudited)

| | |
|---|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Notes payable to affiliated companies | \$ 23,100 |
| Accounts payable | 409,319 |
| Accounts payable to affiliated companies | 22,242 |
| Derivative liabilities | 170,064 |
| Unearned option premiums | 8,395 |
| Counterparty deposits | 65,614 |
| Other | 32,594 |
| | ----- |
| | 731,328 |
| | ----- |
| Deferred Credits and Other Liabilities: | |
| Accumulated deferred income taxes | 33,548 |
| Other | 8,370 |
| | ----- |
| | 41,918 |
| | ----- |
| Capitalization: | |
| Long-Term Debt from NU Parent | 150,000 |
| | ----- |
| Common Stockholder's Equity: | |
| Common stock, \$1 par value - Authorized 20,000 shares; 100 shares outstanding | - |
| Capital surplus, paid in | 286,210 |
| Accumulated deficit | (260,277) |
| Accumulated other comprehensive income | 41,765 |
| | ----- |
| Common Stockholder's Equity | 67,698 |

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| | |
|--------------------------------------|------------|
| Total Capitalization | 217,698 |
| Total Liabilities and Capitalization | \$ 990,944 |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY, INC.
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|--|--|
| | (Thousands of Dollars) |
| Operating Revenues | \$ 657,691 |
| Operating Expenses: | |
| Operation - | |
| Purchased power, net interchange power and capacity | 623,195 |
| Other | 17,744 |
| Depreciation and amortization | 1,769 |
| Taxes other than income taxes | 3,563 |
| Total operating expenses | 646,271 |
| Operating Income | 11,420 |
| Interest Expense, Net | 2,701 |
| Other Income, Net | 3,671 |
| Income Before Income Tax Expense | 12,390 |
| Income Tax Expense | 3,281 |
| Net Income | \$ 9,109 |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST GENERATION SERVICES COMPANY
BALANCE SHEET
(Unaudited)

March 31,
2004

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(Thousands of
Dollars)

ASSETS

Current Assets:

| | | |
|---|----|-------|
| Cash and cash equivalents | \$ | 678 |
| Receivables, net | | 3,516 |
| Accounts receivable from affiliated companies | | 4,611 |
| Unbilled revenues | | 35 |
| Materials and supplies | | 4 |
| Prepayments and other | | 646 |

9,490

Property, Plant and Equipment:

| | | |
|--------------------------------|--|-------|
| Competitive energy | | 3,642 |
| Less: Accumulated depreciation | | 1,112 |

2,530

| | | |
|-------------------------------|--|----|
| Construction work in progress | | 53 |
|-------------------------------|--|----|

2,583

Deferred Debits and Other Assets:

| | | |
|-----------------------------------|--|--------|
| Accumulated deferred income taxes | | 226 |
| Prepaid pension | | 350 |
| Other | | 21,673 |

22,249

Total Assets

\$ 34,322

=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST GENERATION SERVICES COMPANY

BALANCE SHEET

(Unaudited)

March 31,
2004

(Thousands of
Dollars)

LIABILITIES AND CAPITALIZATION

Current Liabilities:

| | | |
|--|----|-------|
| Notes payable to affiliated companies | \$ | 6,700 |
| Accounts payable | | 3,209 |
| Accounts payable to affiliated companies | | 3,509 |
| Accrued taxes | | 347 |
| Other | | 997 |

14,762

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| | |
|---|-----------|
| Deferred Credits and Other Liabilities | 1,150 |
| | ----- |
| Capitalization: | |
| Long-Term Debt from NU Parent | 5,000 |
| | ----- |
| Common Stockholder's Equity: | |
| Common stock, \$1 par value - 20,000 authorized and 100 shares outstanding | - |
| Capital surplus, paid in | 15,445 |
| Accumulated deficit | (2,022) |
| Accumulated comprehensive loss | (13) |
| | ----- |
| Common Stockholder's Equity | 13,410 |
| | ----- |
| Total Capitalization | 18,410 |
| | ----- |
| Total Liabilities and Capitalization | \$ 34,322 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST GENERATION SERVICES COMPANY
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|----------------------------------|--|
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ 12,749 |
| | ----- |
| Operating Expenses: | |
| Operation - | |
| Other | 8,215 |
| Maintenance | 3,562 |
| Depreciation and amortization | 68 |
| Taxes other than income taxes | 613 |
| | ----- |
| Total operating expenses | 12,458 |
| | ----- |
| Operating Income | 291 |
| | ----- |
| Interest Expense, Net | 133 |
| Other Income, Net | 14 |
| | ----- |
| Income Before Income Tax Expense | 172 |
| Income Tax Expense | 51 |
| | ----- |
| Net Income | \$ 121 |
| | ===== |

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Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.
BALANCE SHEET
(Unaudited)

| | | March 31, 2004 |
|-----------------------------------|----|-------------------|
| ----- | | |
| (Thousands of Dollars) | | |
| ASSETS | | |
| ----- | | |
| Current Assets: | | |
| Receivables, net | \$ | 18,935 |
| Materials and supplies | | 625 |
| Prepayments and other | | 693 |
| | | ----- |
| | | 20,253 |
| | | ----- |
| Property, Plant and Equipment: | | |
| Competitive energy | | 5,549 |
| Less: Accumulated depreciation | | 2,955 |
| | | ----- |
| | | 2,594 |
| | | ----- |
| Deferred Debits and Other Assets: | | |
| Goodwill, net | | 17,220 |
| Other | | 1,545 |
| | | ----- |
| | | 18,765 |
| | | ----- |
| Total Assets | \$ | 41,612 |
| | | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.
BALANCE SHEET
(Unaudited)

| | | March 31, 2004 |
|--|----|-------------------|
| ----- | | |
| (Thousands of Dollars) | | |
| LIABILITIES AND CAPITALIZATION | | |
| ----- | | |
| Current Liabilities: | | |
| Accounts payable | \$ | 5,182 |
| Accounts payable to affiliated companies | | 12,572 |
| Accrued taxes | | 436 |

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| | |
|---|-----------|
| Other | 4,464 |
| | ----- |
| | 22,654 |
| | ----- |
| Deferred Credits and Other Liabilities: | |
| Accumulated deferred income taxes | 1,477 |
| | ----- |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Common stock, \$1 par value - 100,000 shares authorized and 100 shares outstanding | - |
| Capital surplus, paid in | 15,075 |
| Retained earnings | 2,406 |
| | ----- |
| Common Stockholder's Equity | 17,481 |
| | ----- |
| Total Capitalization | 17,481 |
| | ----- |
| Total Liabilities and Capitalization | \$ 41,612 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.
STATEMENTS OF INCOME
(Unaudited)

| | |
|--------------------------------|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ 16,174 |
| | ----- |
| Operating Expenses: | |
| Operation | 15,882 |
| Maintenance | 108 |
| Depreciation | 286 |
| | ----- |
| Total operating expenses | 16,276 |
| | ----- |
| Operating Loss | (102) |
| Interest Expense, Net | 33 |
| Other Income, Net | 1 |
| | ----- |
| Loss Before Income Tax Benefit | (134) |
| Income Tax Benefit | (38) |
| | ----- |
| Net Loss | \$ (96) |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair

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presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

REEDS FERRY SUPPLY CO., INC.
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|--|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 5 |
| Receivables, net | 79 |
| | ----- |
| | 84 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Goodwill, net | 247 |
| | ----- |
| Total Assets | \$ 331 |
| | ===== |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Accounts payable | \$ 78 |
| Accounts payable to affiliated companies | 295 |
| | ----- |
| | 373 |
| | ----- |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Common stock, no par value - 200 shares authorized and 100 shares outstanding | 4 |
| Capital surplus, paid in | 3 |
| Accumulated deficit | (49) |
| | ----- |
| Common Stockholder's Equity | (42) |
| | ----- |
| Total Capitalization | (42) |
| | ----- |
| Total Liabilities and Capitalization | \$ 331 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

REEDS FERRY SUPPLY CO., INC.
STATEMENTS OF INCOME
(Unaudited)

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| | Three Months Ended March 31, 2004 |
|--------------------|--|
| | ----- (Thousands of Dollars) |
| Operating Revenues | \$ 208 |
| Operating Expenses | 208 |
| | ----- |
| Net Income | \$ - |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/TOBYHANNA ENERGY PROJECT, INC.
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|--|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Special deposits | \$ 4,441 |
| Receivables, net | 383 |
| | ----- |
| | 4,824 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Contracts receivable | 27,173 |
| Unamortized debt expense | 567 |
| | ----- |
| | 27,740 |
| | ----- |
| Total Assets | \$ 32,564 |
| | ===== |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Long-term debt - current portion | \$ 599 |
| Accounts payable to affiliated companies | 7,365 |
| Accrued taxes | 74 |
| Accrued interest | 234 |
| Other | 293 |
| | ----- |
| | 8,565 |
| | ----- |
| Capitalization: | |
| Long-Term Debt | 23,067 |

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| | |
|--|-----------|
| Common Stockholder's Equity: | |
| Common stock, \$1 par value - 100 shares authorized and outstanding | - |
| Retained earnings | 932 |
| Total Common Stockholder's Equity | 932 |
| Total Capitalization | 23,999 |
| Total Liabilities and Capitalization | \$ 32,564 |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/TOBYHANNA ENERGY PROJECT, INC.
STATEMENTS OF INCOME
(Unaudited)

| | |
|----------------------------------|--|
| | Three Months Ended March 31, 2004 |
| | (Thousands of Dollars) |
| Interest Expense, Net | \$ 463 |
| Other Income, Net | 568 |
| Income Before Income Tax Expense | 105 |
| Income Tax Expense | 75 |
| Net Income | \$ 30 |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

YANKEE ENERGY SERVICES COMPANY
BALANCE SHEET
(Unaudited)

| | |
|--|---------------------------|
| | March 31, 2004 |
| | (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 803 |
| Notes receivable from affiliated companies | 100 |

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| | |
|-----------------------------------|----------|
| Receivables, net | 5 |
| Taxes receivable | 2 |
| | ----- |
| | 910 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Accumulated deferred income taxes | 1,287 |
| Investments and other | 1,491 |
| | ----- |
| | 2,778 |
| | ----- |
| Total Assets | \$ 3,688 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

YANKEE ENERGY SERVICES COMPANY
BALANCE SHEET
(Unaudited)

| | |
|---|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Accounts payable to affiliated companies | \$ 455 |
| Other | 3 |
| | ----- |
| | 458 |
| | ----- |
| Deferred Credits and Other Liabilities | 5 |
| | ----- |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Common stock, \$0 par value - 10,000 shares authorized, 200 shares outstanding | 1 |
| Capital surplus, paid in | 7,881 |
| Accumulated deficit | (4,657) |
| | ----- |
| Common Stockholder's Equity | 3,225 |
| | ----- |
| Total Capitalization | 3,225 |
| | ----- |
| Total Liabilities and Capitalization | \$ 3,688 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

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YANKEE ENERGY SERVICES COMPANY
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|--------------------------------|--|
| | ----- (Thousands of Dollars) |
| Operating Revenues | \$ - |
| Operating Expenses | 2 |
| Operating Loss | ----- (2) |
| Other Loss, Net | (2,484) |
| Loss Before Income Tax Benefit | ----- (2,486) |
| Income Tax Benefit | (1,020) |
| Net Loss | ----- \$ (1,466) ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

E.S. BOULOS COMPANY
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|---|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 87 |
| Receivables, net | 9,202 |
| Accounts receivable from affiliated companies | 81 |
| Unbilled revenues | 3,787 |
| Materials and supplies | 203 |
| | ----- 13,360 ----- |
| Property, Plant and Equipment: | |
| Competitive energy | 1,204 |
| Less: Accumulated depreciation | 442 |
| | ----- 762 ----- |
| Deferred Debits and Other Assets: | |

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| | |
|----------------------------------|-----------|
| Goodwill | 6,963 |
| Purchased intangible assets, net | 30 |
| Other | 45 |
| | ----- |
| | 7,038 |
| | ----- |
| Total Assets | \$ 21,160 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

E.S. BOULOS COMPANY
BALANCE SHEET
(Unaudited)

| | |
|--|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Advance from parent, non-interest bearing | \$ 2,948 |
| Accounts payable | 2,641 |
| Accounts payable to affiliated companies | 353 |
| Accrued taxes | 307 |
| Other | 396 |
| | ----- |
| | 6,645 |
| | ----- |
| Deferred Credits and Other Liabilities | |
| Accumulated deferred income taxes | 519 |
| Other | 730 |
| | ----- |
| | 1,249 |
| | ----- |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Common stock, \$0 par value - 20,000 shares authorized and 100 shares outstanding | - |
| Capital surplus, paid in | 7,539 |
| Retained earnings | 5,727 |
| | ----- |
| Common Stockholder's Equity | 13,266 |
| | ----- |
| Total Capitalization | 13,266 |
| | ----- |
| Total Liabilities and Capitalization | \$ 21,160 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

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E.S. BOULOS COMPANY
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|----------------------------------|--|
| | ----- (Thousands of Dollars) |
| Operating Revenues | \$ 9,650 |
| Operating Expenses: | |
| Operation - | |
| Other | 347 |
| Maintenance | 8,854 |
| Depreciation | 60 |
| Total operating expenses | ----- 9,261 |
| Income Before Income Tax Expense | 389 |
| Income Tax Expense | 145 |
| Net Income | ----- \$ 244 ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NGS MECHANICAL, INC.
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|--|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 10 |
| Receivables, net | 2 |
| Total Assets | ----- \$ 12 ===== |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Accounts payable to affiliated companies | \$ 5 |
| Capitalization: | |
| Common Stockholder's Equity: | |

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| | |
|--|-------|
| Common stock, \$0 par value - authorized | - |
| 20,000 shares; outstanding 100 shares | - |
| Capital surplus, paid in | 10 |
| Retained deficit | (3) |
| | ----- |
| Common Stockholder's Equity | 7 |
| | ----- |
| Total Capitalization | 7 |
| | ----- |
| Total Liabilities and Capitalization | \$ 12 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NGS MECHANICAL, INC.
STATEMENTS OF INCOME
(Unaudited)

| | |
|--------------------|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ - |
| Operating Expenses | - |
| | ----- |
| Net Income | \$ - |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST UTILITIES (PARENT)
BALANCE SHEET
(Unaudited)

| | |
|---|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 897 |
| Notes receivable from affiliated companies | 191,300 |
| Notes and accounts receivable | 4,847 |
| Accounts receivable from affiliated companies | 2,422 |
| Taxes receivable | 1,590 |

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| | |
|--|--------------|
| Derivative assets | 5,688 |
| Prepayments | 205 |
| | ----- |
| | 206,949 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Investments in subsidiary companies, at equity | 2,615,153 |
| Other | 14,781 |
| | ----- |
| | 2,629,934 |
| | ----- |
| Total Assets | \$ 2,836,883 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST UTILITIES (PARENT)
BALANCE SHEET
(Unaudited)

March 31,
2004

(Thousands
of Dollars)

LIABILITIES AND CAPITALIZATION

Current Liabilities:

| | |
|--|-----------|
| Long-term debt - current portion | \$ 25,000 |
| Accounts payable | 72 |
| Accounts payable to affiliated companies | 87 |
| Accrued interest | 12,942 |
| Other | 327 |
| | ----- |
| | 38,428 |
| | ----- |

Deferred Credits and Other Liabilities:

| | |
|-----------------------------------|-------|
| Accumulated deferred income taxes | 4,286 |
| Other | 1,416 |
| | ----- |
| | 5,702 |
| | ----- |

Capitalization:

| | |
|----------------|---------|
| Long-Term Debt | 459,397 |
| | ----- |

Common Stockholder's Equity:

| | |
|--|-----------|
| Common shares, \$5 par value - authorized 225,000,000 shares; 150,562,489 shares issued and 127,942,036 shares outstanding | 752,812 |
| Capital surplus, paid in | 1,110,094 |
| Deferred contribution plan - employee stock ownership plan | (70,665) |
| Retained earnings | 857,197 |

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| | |
|--------------------------------------|--------------|
| Accumulated other comprehensive loss | 42,857 |
| Treasury stock | (358,939) |
| | ----- |
| Common Stockholder's Equity | 2,333,356 |
| | ----- |
| Total Capitalization | 2,792,753 |
| | ----- |
| Total Liabilities and Capitalization | \$ 2,836,883 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST UTILITIES (PARENT)
STATEMENTS OF INCOME
(Unaudited)

| | |
|------------------------------------|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ - |
| | ----- |
| Operating Expenses: | |
| Other | 2,605 |
| | ----- |
| Operating Loss | (2,605) |
| | ----- |
| Interest Expense | 5,524 |
| | ----- |
| Other Income, Net: | |
| Equity in earnings of subsidiaries | 69,776 |
| Other | 4,250 |
| | ----- |
| Other income, net | 74,026 |
| | ----- |
| Income Before Income Tax Benefit | 65,897 |
| Income Tax Benefit | 1,545 |
| | ----- |
| Net Income | \$ 67,442 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY NEW YORK, INC.
BALANCE SHEET

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(Unaudited)

| | March 31, 2004 |
|---|------------------------------------|
| | ----- (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 1,602 |
| Unrestricted cash from counterparties | 5,292 |
| Receivables, net | 55,014 |
| Accounts receivable from affiliated companies | 3,029 |
| Notes receivable from affiliated companies | 26,000 |
| Special deposits | 3,152 |
| Derivative assets | 10,158 |
| Prepaid option premiums | 2,815 |
| Prepayments and other | 5,314 |
| | ----- 112,376 ----- |
| Property, Plant and Equipment: | |
| Competitive energy | 689 |
| Less: Accumulated depreciation | 403 |
| | ----- 286 ----- |
| Construction work in progress | 21 |
| | ----- 307 ----- |
| Deferred Debits and Other Assets: | |
| Goodwill | 3,200 |
| | ----- |
| Total Assets | \$ 115,883 ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY NEW YORK, INC.
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|--|------------------------------------|
| | ----- (Thousands of Dollars) |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Accounts payable | \$ 28,803 |
| Accounts payable to affiliated companies | 9,586 |
| Accrued taxes | 5,110 |
| Derivative liabilities | 3,025 |
| Counterparty deposits | 5,292 |

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| | |
|---|------------|
| Other | 1,149 |
| | ----- |
| | 52,965 |
| | ----- |
| Deferred Credits and Other Liabilities: | |
| Accumulated deferred income taxes | 4,757 |
| Accrued pension | 1,201 |
| Other | 493 |
| | ----- |
| | 6,451 |
| | ----- |
| Capitalization: | |
| Long-Term Debt from NU Parent | 14,699 |
| | ----- |
| Common Stockholder's Equity: | |
| Common stock, \$1 par value - authorized and outstanding 10,000 shares | 10 |
| Capital surplus, paid in | 9,957 |
| Retained earnings | 26,502 |
| Accumulated other comprehensive income | 5,299 |
| | ----- |
| Common Stockholder's Equity | 41,768 |
| | ----- |
| Total Capitalization | 56,467 |
| | ----- |
| Total Liabilities and Capitalization | \$ 115,883 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY NEW YORK, INC.
STATEMENTS OF INCOME
(Unaudited)

| | |
|--|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ 129,886 |
| | ----- |
| Operating Expenses: | |
| Purchased power, net interchange power and capacity | 122,996 |
| Other | 969 |
| Taxes other than income taxes | (343) |
| | ----- |
| Total operating expenses | 123,622 |
| | ----- |
| Operating Income | 6,264 |
| | ----- |
| Interest Expense, Net | 86 |
| Other Income, Net | 61 |

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| | |
|----------------------------------|----------|
| | ----- |
| Income Before Income Tax Expense | 6,239 |
| Income Tax Expense | 2,490 |
| | ----- |
| Net Income | \$ 3,749 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/CJTS ENERGY CENTER LLC
BALANCE SHEET
(Unaudited)

| | |
|--------------------------------------|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Total Assets | \$ - |
| | ===== |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Capital surplus, paid in | \$ 12 |
| Accumulated deficit | (12) |
| | ----- |
| Common Stockholder's Equity | - |
| | - |
| Total Capitalization | - |
| | ----- |
| Total Liabilities and Capitalization | \$ - |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/CJTS ENERGY CENTER LLC
STATEMENTS OF INCOME
(Unaudited)

| | |
|--------------------|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ - |
| | ----- |

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| | |
|--------------------|-------|
| Operating Expenses | - |
| | ----- |
| Net Income | \$ - |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

WOODS ELECTRICAL CO., INC.
BALANCE SHEET
(Unaudited)

| | |
|---|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 11 |
| Receivables, net | 4,381 |
| Unbilled revenues | 416 |
| Materials and supplies | 71 |
| Prepayments and other | 4 |
| | ----- |
| | 4,883 |
| | ----- |
| Property Plant and Equipment: | |
| Competitive energy | 255 |
| Less: Accumulated depreciation and amortization | 67 |
| | ----- |
| | 188 |
| | ----- |
| Deferred Debits and Other Assets: | |
| Goodwill | 3,218 |
| Purchased intangible assets, net | 4,450 |
| | ----- |
| | 7,668 |
| | ----- |
| Total Assets | \$ 12,739 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

WOODS ELECTRICAL CO., INC.
BALANCE SHEET
(Unaudited)

March 31,

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| | 2004 |
|--|------------------------------------|
| | ----- (Thousands of Dollars) |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Notes payable to affiliated companies | \$ 950 |
| Advance from parent, non-interest bearing | 250 |
| Accounts payable | 1,624 |
| Accounts payable to affiliated companies | 57 |
| Accrued taxes | 38 |
| Other | 144 |
| | ----- 3,063 ----- |
| Deferred Credits and Other Liabilities: | |
| Accumulated deferred income taxes | 276 |
| Other | 609 |
| | ----- 885 ----- |
| Capitalization: | |
| Long-Term Debt from NU Parent | 4,450 |
| | ----- |
| Common Stockholder's Equity: | |
| Common stock, \$0 par value - 20,000 shares authorized and 100 shares outstanding | - |
| Capital surplus, paid in | 5,000 |
| Accumulated deficit | (659) |
| | ----- 4,341 ----- |
| Common Stockholder's Equity | 4,341 |
| | ----- |
| Total Capitalization | 8,791 |
| | ----- |
| Total Liabilities and Capitalization | \$ 12,739 ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

WOODS ELECTRICAL CO., INC.
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|---------------------|--|
| | ----- (Thousands of Dollars) |
| Operating Revenues | \$ 3,732 |
| | ----- |
| Operating Expenses: | |
| Other | 390 |

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| | |
|--------------------------------|----------|
| Maintenance | 3,487 |
| Depreciation | 13 |
| | ----- |
| Total operating expenses | 3,890 |
| | ----- |
| Operating Loss | (158) |
| Interest Expense, Net | 83 |
| Other Income, Net | 1 |
| | ----- |
| Loss Before Income Tax Benefit | (240) |
| Income Tax Benefit | (98) |
| | ----- |
| Net Loss | \$ (142) |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

Greenport Power, LLC
BALANCE SHEET
(Unaudited)

| | |
|--------------------------------------|---------------------------|
| | March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 533 |
| | ----- |
| Total Assets | \$ 533 |
| | ===== |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Current Liabilities: | |
| Accounts payable | \$ 154 |
| Other | 202 |
| | ----- |
| | 356 |
| | ----- |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Members equity | 177 |
| | ----- |
| Common Stockholder's Equity | 177 |
| | ----- |
| Total Capitalization | 177 |
| | ----- |
| Total Liabilities and Capitalization | \$ 533 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair

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presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

Northeast Generation Services Company has a 50 percent ownership interest in Greenport Power, LLC.

Greenport Power, LLC
STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31, 2004 |
|---------------------------|--|
| ----- | |
| (Thousands of Dollars) | |
| Operating Revenues | \$ - |
| Operating Expenses | 80 |
| ----- | |
| Net Loss | \$ (80) |
| ===== | |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

Northeast Generation Services Company has a 50 percent ownership interest in Greenport Power, LLC.

ERI/HEC EFA-Med, LLC
BALANCE SHEET
(Unaudited)

| | March 31, 2004 |
|--------------------------------|-------------------|
| ----- | |
| (Thousands of Dollars) | |
| ASSETS | |
| ----- | |
| Current Assets: | |
| Cash | \$ 2 |
| ----- | |
| Total Assets | \$ 2 |
| ===== | |
| LIABILITIES AND CAPITALIZATION | |
| ----- | |
| Capitalization: | |
| Common Stockholder's Equity: | |
| Capital surplus, paid in | \$ 18 |
| Accumulated deficit | (16) |
| ----- | |
| Common Stockholder's Equity | 2 |
| ----- | |

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| | |
|--------------------------------------|-------|
| Total Capitalization | 2 |
| | ----- |
| Total Liabilities and Capitalization | \$ 2 |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

Select Energy Services, Inc. has a 50 percent ownership interest in ERI/HEC EFA-Med, LLC.

ERI/HEC EFA-Med, LLC
STATEMENTS OF INCOME
(Unaudited)

| | |
|--------------------|--|
| | Three Months Ended March 31, 2004 |
| | ----- |
| | (Thousands of Dollars) |
| Operating Revenues | \$ - |
| Operating Expenses | ----- |
| | - |
| Net Income | \$ - |
| | ===== |

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

Select Energy Services, Inc. has a 50 percent ownership interest in ERI/HEC EFA-Med, LLC.

- Northeast Utilities (Parent)
- Select Energy, Inc.
- Select Energy New York, Inc.
- Northeast Generation Services Company
- E.S. Boulos Company
- NGS Mechanical, Inc.
- Woods Electrical Co., Inc.
- Greenport Power, LLC
- Select Energy Contracting, Inc.
- Reeds Ferry Supply Co., Inc.
- HEC/Tobyhanna Energy Project, Inc.
- HEC/CJTS Energy Center LLC
- ERI/HEC EFA-Med, LLC
- Yankee Energy Services Company

Notes to Financial Statements (Unaudited)

1. About Northeast Utilities (NU)

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Northeast Utilities Parent is the parent company of NU's subsidiaries. NU's regulated utilities furnish franchised retail electric service in Connecticut, New Hampshire and Massachusetts through three wholly owned subsidiaries: The Connecticut Light and Power Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company. Other subsidiaries include Holyoke Water Power Company, a company engaged in the production of electric power, and Yankee Energy System, Inc. (Yankee), the parent company of Yankee Gas Services Company, Connecticut's largest natural gas distribution system.

Several wholly owned subsidiaries of NU provide support services for NU's companies. Northeast Utilities Service Company provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to NU's companies. Three other subsidiaries construct, acquire or lease some of the property and facilities used by NU's companies.

NU Enterprises, Inc. (NU Enterprises) is a wholly owned subsidiary of NU and acts as the holding company for certain of NU's subsidiaries. Select Energy, Inc. (Select Energy) and its subsidiary Select Energy New York, Inc. (SENY), Northeast Generation Services Company and its subsidiaries (NGS), Select Energy Services, Inc. and its subsidiaries (SESI), Mode 1 Communications, Inc. and Woods Network Services, Inc., engage in a variety of energy-related and telecommunications activities, primarily in the competitive energy retail and wholesale commodity, marketing and services fields. Northeast Generation Company acquires generation facilities. E.S. Boulos Company (Boulos), NGS Mechanical, Inc. (NGS Mechanical) and Woods Electrical Co., Inc. (Woods Electrical) are wholly owned subsidiaries of NGS. Greenport Power, LLC (Greenport) is a joint venture that is 50 percent owned by NGS. Select Energy Contracting, Inc. (Select Energy Contracting), Reeds Ferry Supply Co., Inc. (Reeds Ferry), HEC/Tobyhanna Energy Project, Inc., (HEC/Tobyhanna), and HEC/CJTS Energy Center LLC (HEC/CJTS) are wholly owned subsidiaries of SESI. Another company, ERI/HEC EFA-Med, LLC (ERI/HEC), is 50 percent owned by SESI. Yankee maintains certain wholly owned subsidiaries, including Yankee Energy Services Company (YESCO).

NU Enterprises is grouped into two business segments: the merchant energy business segment and the energy services business segment. The merchant energy business segment is comprised of Select Energy's wholesale and retail businesses. The energy services business segment consists of the operations of NGS, SESI and Woods Network.

Select Energy, SENY, NGS, Boulos, NGS Mechanical, Woods Electrical, Greenport, Select Energy Contracting, Reeds Ferry, HEC/Tobyhanna, HEC/CJTS, ERI/HEC and YESCO are "energy-related companies" under rule 58. These footnotes are applicable to the rule 58 companies with financial statements filed in this report on Form U-9C-3 under Item 6 Section A.

2. About Select Energy

Select Energy's merchant energy business segment includes wholesale marketing and retail marketing businesses. The wholesale marketing business includes wholesale origination, portfolio management and the operation of more than 1,400 megawatts of pumped storage, hydroelectric and coal-fired generation assets. Select Energy is an integrated energy business that buys, markets and sells electricity, gas, oil and energy-related products and services to both wholesale and retail customers in the Northeastern United States. Select Energy procures and delivers energy and capacity required to serve its electric, gas and oil customers. Select Energy is a licensed retail electricity supplier and is registered with local electric distribution companies and is a registered gas marketer with local gas distribution

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companies in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Virginia.

3. About SENY

SENY is a wholly owned subsidiary of Select Energy and engages in the brokering, marketing, transportation, storage, and sale of energy commodities in the state of New York.

4. About NGS

NGS provides management, operation and maintenance services to the electric generation market, as well as to large industrial customers, in the Northeastern United States. NGS also provides consulting services which include engineering services, construction management, permitting, and compliance management.

5. About Boulos

Boulos is an electrical contracting company which specializes in high-voltage electrical construction and maintenance in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Boulos is wholly owned by NGS.

6. About NGS Mechanical

NGS Mechanical provides mechanical services in certain New England states and New York. NGS Mechanical is wholly owned by NGS.

7. About Woods Electrical

Woods Electrical is in the electrical contracting business in Connecticut and is a wholly owned subsidiary of NGS. Woods Electrical is also registered in the electrical contracting business in Maine, Massachusetts and New Hampshire. NGS acquired Woods Electrical on July 31, 2002.

8. About Greenport

Greenport is a limited liability company that was established to enter into an engineering, procurement and construction agreement with Global Common LLC for the performance of design, engineering, procurement, construction, and other services in connection with an electrical generation facility construction project in Greenport, Long Island, New York. Greenport is 50 percent owned by NGS.

9. About Select Energy Contracting

Select Energy Contracting designs, manages and directs the construction of, and/or installation of mechanical, water and electrical systems and other resource consuming equipment.

10. About Reeds Ferry

Reeds Ferry is an equipment wholesaler which purchases equipment on behalf of Select Energy Contracting.

11. About HEC/Tobyhanna

HEC/Tobyhanna is a special purpose entity established to manage the assets of an Energy Savings Performance Contract at the Tobyhanna Army Depot.

12. About HEC/CJTS

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HEC/CJTS is a special purpose entity formed to facilitate the financing of SESI's construction of an energy center at the Connecticut Juvenile Training School in Middletown, Connecticut.

13. About ERI/HEC

ERI/HEC was established on September 30, 2000, by SESI and ERI Services, Inc. to enter into an indefinite delivery/indefinite quantity contract with the United States Navy. ERI/HEC is 50 percent owned by SESI.

14. About YESCO

YESCO has disposed of most of its assets and has wound down its energy-related services for its customers.

15. Public Utility Regulation

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act), and is subject to the provisions of the 1935 Act. Arrangements among NU's companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. NU's operating subsidiaries are subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

16. Presentation

The preparation of financial statements 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

17. New Accounting Standards

Consolidation of Variable Interest Entities: In December 2003, the Financial Accounting Standards Board (FASB) issued a revised version of FASB Interpretation No. (FIN) 46, "Consolidation of Variable Interest Entities," (FIN 46R). FIN 46R was effective for NU for the first quarter of 2004 and did not have an impact on any of NU's previously identified variable interest entities (VIE). Based on management's review of NU's independent power producer (IPP) contracts, no new VIEs have been identified.

18. Derivative Instruments, Market Risk and Risk Management

A. Derivative Instruments

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 hedge and cannot be designated as being used for 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 requirements, and for the ineffective portion of contracts that meet the cash flow hedge requirements, the changes in fair value of those contracts are

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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 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.

Through the first quarter of 2004 there were no changes to interpretations of SFAS No. 133, but the FASB continues to consider changes that could affect the way Select Energy and SENY record and disclose derivative and hedging activities.

The tables below summarize Select Energy's and SENY's derivative assets and liabilities at March 31, 2004. These amounts do not include option premiums paid, which are recorded as prepayments and amounted to \$6.5 million for Select Energy related to energy trading activities and \$9.4 million (\$6.6 million for Select Energy and \$2.8 million for SENY) related to marketing activities at March 31, 2004. These amounts also do not include option premiums received by Select Energy, which are recorded as other current liabilities and amounted to \$8.4 million related to energy trading activities at March 31, 2004.

| (Millions of Dollars) | Assets | Liabilities | Total |
|-----------------------|-----------------|-------------------|----------------|
| Select Energy: | | | |
| Trading | \$ 187.4 | \$ (158.0) | \$ 29.4 |
| Non-trading | 0.3 | - | 0.3 |
| Hedging | 72.7 | (12.1) | 60.6 |
| Total | \$ 260.4 | \$ (170.1) | \$ 90.3 |

| (Millions of Dollars) | Assets | Liabilities | Total |
|-----------------------|----------------|-----------------|---------------|
| SENY: | | | |
| Trading | \$ 0.9 | \$ (2.9) | \$ (2.0) |
| Non-trading | 0.3 | (0.1) | 0.2 |
| Hedging | 9.0 | - | 9.0 |
| Total | \$ 10.2 | \$ (3.0) | \$ 7.2 |

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 and SENY manage 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 balance sheets as derivative assets or liabilities. Changes in fair value are recognized in operating revenues in the statements of income in the period of change. The net fair value positions of the trading portfolio at March 31, 2004 were assets of \$29.4 million for Select Energy and liabilities of \$2.0 million for SENY.

Select Energy's and SENY's trading portfolio includes New York Mercantile Exchange (NYMEX) futures and options, the fair value of which is based on closing exchange prices; over-the-counter forwards and options, the fair value of which is based on the mid-point of bid and ask market prices; and

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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. SENY's trading portfolio also includes transmission congestion contracts (TCCs). The fair value of TCCs included in the trading portfolio is based on published market data.

Non-trading: Non-trading derivative contracts are used for delivery of energy related to Select Energy's and SENY'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. Changes in fair value of a negative \$0.3 million of non-trading derivative contracts were recorded in revenues in the first quarter of 2004.

Market information for TCCs included in non-trading is not available, and those contracts cannot be reliably valued. Management believes the amounts paid for these contracts, which total \$2.8 million and are included in premiums paid, are equal to their fair value.

Hedging: Select Energy and SENY utilize 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 commitments to certain customers. Select Energy and SENY also utilize 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, natural gas or oil. 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 and SENY maintain natural gas service agreements with certain customers to supply gas at fixed prices for terms extending through 2006. Select Energy and SENY have 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 March 31, 2004 the NYMEX futures contracts had notional values of \$53.5 million and were recorded at fair value as derivative assets of \$13.5 million.

Select Energy maintains power swaps to hedge purchases in New England as well as financial gas contracts and gas futures to hedge electricity purchase contracts that are indexed to gas prices. These hedging contracts, which are valued at the mid-point of bid and ask market prices, were recorded as derivative assets of \$45.4 million and derivative liabilities of \$12.7 million at March 31, 2004.

To hedge the congestion price differences associated with locational marginal pricing in the New England and the Pennsylvania, New Jersey, Maryland and Delaware (PJM) regions, Select Energy holds Financial Transmission Rights (FTR) contracts recorded as a derivative asset at a fair value of \$1.1 million at March 31, 2004.

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Other hedging derivative assets, which are valued at the mid-point of bid and ask market prices, include forwards, futures, options and swaps to hedge Select Energy's basic generation service (BGS) contracts in the PJM region and were recorded at fair value as derivative assets of \$10.9 million at March 31, 2004.

SENY maintains financial power swaps to hedge its retail sales portfolio through 2004, which were also valued at the mid-point of bid and ask market prices. These contracts were recorded at fair value as derivative assets of \$7.1 million at March 31, 2004.

In the first quarter of 2004, Select Energy began hedging natural gas inventory with gas futures that qualify as fair value hedges. The changes in fair value of the futures and the hedged inventory are recorded on the balance sheets.

B. Market Risk Information

Select Energy and SENY utilize the sensitivity analysis methodology to disclose quantitative information for its commodity price risks. Sensitivity analysis provides a presentation of the potential loss of future earnings, fair values or cash flows from market risk-sensitive instruments over a selected time period due to one or more hypothetical changes in commodity prices, or other similar price changes. Under sensitivity analysis, the fair value of the portfolio is a function of the underlying commodity, contract prices and market prices represented by each derivative commodity contract. For swaps, forward contracts and options, fair value reflects management's best estimates considering over-the-counter quotations, time value and volatility factors of the underlying commitments. Exchange-traded futures and options are recorded at fair value based on closing exchange prices.

Wholesale and Retail Marketing Portfolio: When conducting sensitivity analyses of the change in the fair value of Select Energy's and SENY's electricity, natural gas and oil on the wholesale and retail marketing portfolio, which would result from a hypothetical change in the future market price of electricity, natural gas and oil, the fair values of the contracts are determined from models that take into consideration estimated future market prices of electricity, natural gas and oil, the volatility of the market prices in each period, as well as the time value factors of the underlying commitments. In most instances, market prices and volatility are determined from quoted prices on the futures exchange.

Select Energy and SENY have determined a hypothetical change in the fair value for its wholesale and retail marketing portfolio, which includes cash flow hedges and electricity, natural gas and oil contracts, assuming a 10 percent change in forward market prices. At March 31, 2004, a 10 percent change in market price would have resulted in an increase or decrease in fair value of between \$14.3 million and \$16.6 million.

The impact of a change in electricity, natural gas and oil prices on Select Energy's and SENY's wholesale and retail marketing portfolio at March 31, 2004, is not necessarily representative of the results that will be realized when these contracts are physically delivered.

Trading Contracts: At March 31, 2004, Select Energy and SENY have calculated the market price resulting from a 10 percent change in forward market prices. That 10 percent change would result in a \$0.8 million increase or decrease in the fair value of the Select Energy trading portfolio. In the normal course of business, Select Energy and SENY also face risks that are either non-financial or non-quantifiable. These risks principally include credit risk, which is not reflected in this sensitivity analysis.

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C. Other Risk Management Activities

Credit Risk Management: Credit risk relates to the risk of loss that NU would incur as a result of non-performance by counterparties pursuant to the terms of their contractual obligations. NU serves a wide variety of customers and suppliers that include IPPs, industrial companies, gas and electric utilities, oil and gas producers, financial institutions, and other energy marketers. Margin accounts exist within this diverse group, and NU realizes interest receipts and payments related to balances outstanding in these margin accounts. This wide customer and supplier mix generates a need for a variety of contractual structures, products and terms which, in turn, requires NU to manage the portfolio of market risk inherent in those transactions in a manner consistent with the parameters established by NU's risk management process.

Credit risks and market risks at NU Enterprises are monitored regularly by a Risk Oversight Council operating outside of the business lines that create or actively manage these risk exposures to ensure compliance with NU's stated risk management policies.

NU tracks and re-balances the risk in its portfolio in accordance with fair value and other risk management methodologies that utilize forward price curves in the energy markets to estimate the size and probability of future potential exposure.

NYMEX traded futures and option contracts cleared off the NYMEX exchange are ultimately guaranteed by NYMEX to Select Energy and SENY. Select Energy and SENY have established written credit policies with regard to its counterparties to minimize overall credit risk on all types of transactions. These policies require an evaluation of potential counterparties' financial condition (including credit ratings), collateral requirements under certain circumstances (including cash in advance, LOCs, and parent guarantees), and the use of standardized agreements, which allow for the netting of positive and negative exposures associated with a single counterparty. This evaluation results in establishing credit limits prior to Select Energy and SENY entering into energy contracts. The appropriateness of these limits is subject to continuing review. Concentrations among these counterparties may impact Select Energy's and SENY's overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes to economic, regulatory or other conditions.

At March 31, 2004, Select Energy and SENY maintained collateral balances from counterparties of \$70.9 million (\$65.6 million for Select Energy and \$5.3 million for SENY). These amounts are included in both unrestricted cash from counterparties and other current liabilities on the accompanying balance sheets.

19. Unrestricted Cash from Counterparties

Unrestricted cash on deposit from counterparties represents balances collected from counterparties resulting from Select Energy's and SENY's credit management activities. An offsetting liability has been recorded in other current liabilities for the amounts collected. To the extent Select Energy or SENY requires collateral from counterparties, cash is held as a part of the total collateral required. The right to hold such cash collateral in an unrestricted manner is determined by the terms of Select Energy's and SENY's agreements. Key factors affecting the unrestricted status of a portion of this cash collateral include the financial standing of Select Energy or SENY and their credit support provider.

20. Special Deposits

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Special deposits represents amounts Select Energy and SENY have on deposit with counterparties and brokerage firms in the amount of \$4.8 million.

QUARTERLY REPORT OF NORTHEAST UTILITIES

SIGNATURE CLAUSE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935 and the rules and regulations of the Securities and Exchange Commission issued there under, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

NORTHEAST UTILITIES

(Registered Holding Company)

By: /s/ John P. Stack

(Signature of Signing Officer)

John P. Stack

Vice President-Accounting and Controller

Date: May 27, 2004
