

NORTHEAST UTILITIES  
Form 10-Q/A  
March 15, 2005  
Table of Contents

---

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q/A  
Amendment No. 1**

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

For the Quarterly Period Ended September 30, 2004

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission  
File Number**

**Registrant; State of Incorporation;  
Address; and Telephone Number**

**I.R.S. Employer  
Identification No.**

1-5324

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

04-2147929

---

---

**Table of Contents**

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

**Yes**                      **No**

ii

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

**Yes**                      **No**

ii

Northeast Utilities

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

## Edgar Filing: NORTHEAST UTILITIES - Form 10-Q/A

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

### FORM 10-Q/A EXPLANATORY NOTE

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

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

---

### Table of Contents

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

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

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

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

**Table of Contents**

**GLOSSARY OF TERMS**

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

NU COMPANIES, SEGMENTS OR INVESTMENTS:

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

THIRD PARTIES:

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

REGULATORS:

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

OTHER:

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

MW

Megawatts

i

**Table of Contents**

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

ii

**Table of Contents**

**NORTHEAST UTILITIES AND SUBSIDIARIES**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<b><u>ITEM 1</u></b> Condensed Consolidated Financial Statements	
<u>Condensed Consolidated Balance Sheets (Unaudited) - September 30, 2004 (Restated) and December 31, 2003 (Restated)</u>	2
<u>Condensed Consolidated Statements of Income (Unaudited) - Three and Nine Months Ended September 30, 2004 (Restated) and 2003</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) - Nine Months Ended September 30, 2004 (Restated) and 2003</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Restated and Unaudited - all companies)</u>	6
<b><u>ITEM 2</u></b> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)</u>	29
<b><u>ITEM 4</u></b> <u>Controls and Procedures (Restated)</u>	51
<b><u>PART II OTHER INFORMATION</u></b>	
<b><u>ITEM 6</u></b> <u>Exhibits and Reports on Form 8-K</u>	52

**Table of Contents****NORTHEAST UTILITIES AND SUBSIDIARIES****Table of Contents**

## NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2004 (Restated)*	December 31, 2003 (Restated)*
	(Thousands of Dollars)	
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 97,852	\$ 43,372
Restricted cash - LMP costs		93,630
Special deposits	101,688	79,120
Investments in securitizable assets	212,521	166,465
Receivables, less provision for uncollectible accounts of \$41,538 in 2004 and \$40,846 in 2003	656,384	704,893
Unbilled revenues	99,408	125,881
Fuel, materials and supplies, at average cost	202,760	154,076
Derivative assets	364,707	249,117
Prepayments and other	66,042	63,780
	<u>1,801,362</u>	<u>1,680,334</u>
Property, Plant and Equipment:		
Electric utility	5,792,149	5,465,854
Gas utility	776,391	743,990
Competitive energy	911,940	885,953
Other	239,663	221,986
	<u>7,720,143</u>	<u>7,317,783</u>
Less: Accumulated depreciation	2,357,086	2,244,263
	<u>5,363,057</u>	<u>5,073,520</u>
Construction work in progress	376,428	356,396
	<u>5,739,485</u>	<u>5,429,916</u>

Edgar Filing: NORTHEAST UTILITIES - Form 10-Q/A

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

\* See Note 9.

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

2

**Table of Contents**

NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2004 (Restated)*	December 31, 2003 (Restated)*
	<hr/>	<hr/>
	(Thousands of Dollars)	
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes payable to banks	\$ 1,043	\$ 105,000
Long-term debt - current portion	88,963	64,936
Accounts payable	704,559	728,463
Accrued taxes	3,111	51,598
Accrued interest	58,560	41,653
Derivative liabilities	206,557	112,612
Counterparty deposits	67,356	46,496
Other	207,878	203,080
	<hr/>	<hr/>
	1,338,027	1,353,838
	<hr/>	<hr/>
Rate Reduction Bonds	1,591,944	1,729,960
	<hr/>	<hr/>
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,404,391	1,287,354
Accumulated deferred investment tax credits	100,062	102,652
Deferred contractual obligations	423,236	469,218
Regulatory liabilities	1,163,773	1,164,288

Edgar Filing: NORTHEAST UTILITIES - Form 10-Q/A

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

\* See Note 9.

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

**Table of Contents**

NORTHEAST UTILITIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF  
INCOME  
(Unaudited)

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