

CONNECTICUT LIGHT & POWER CO
Form 10-K
February 24, 2012

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2011

OR

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

For the transition period from _____ to _____

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

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Manchester, New Hampshire 03101-1134
Telephone: (603) 669-4000

0-7624

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Registrant</u>	<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Northeast Utilities	Common Shares, \$5.00 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

<u>Registrant</u>	<u>Title of Each Class</u>
The Connecticut Light and Power Company	Preferred Stock, par value \$50.00 per share, issuable in series, of which the following series are outstanding:

\$1.90	Series	of 1947
\$2.00	Series	of 1947
\$2.04	Series	of 1949
\$2.20	Series	of 1949
3.90%	Series	of 1949
\$2.06	Series E	of 1954
\$2.09	Series F	of 1955
4.50%	Series	of 1956
4.96%	Series	of 1958
4.50%	Series	of 1963
5.28%	Series	of 1967
\$3.24	Series G	of 1968
6.56%	Series	of 1968

Public Service Company of New Hampshire and Western Massachusetts Electric Company meet the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format specified in General Instruction I(2) to Form 10-K.

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes

No

ü

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes

No

ü

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

Yes

No

ü

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

Yes

No

ü

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ü]

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer
Northeast Utilities	ü		
The Connecticut Light and Power Company			ü
Public Service Company of New Hampshire			ü
Western Massachusetts Electric Company			ü

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

	<u>Yes</u>	<u>No</u>
Northeast Utilities		ü
The Connecticut Light and Power Company		ü
Public Service Company of New Hampshire		ü
Western Massachusetts Electric Company		ü

The aggregate market value of **Northeast Utilities'** Common Shares, \$5.00 par value, held by non-affiliates, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of Northeast Utilities' most recently completed second fiscal quarter (June 30, 2011) was **\$6,218,948,649** based on a closing sales price of **\$35.17** per share for the 176,825,381 common shares outstanding on June 30, 2011. **Northeast Utilities** holds all of the 6,035,205 shares, 301 shares, and 434,653 shares of the outstanding common stock of **The Connecticut Light and Power Company, Public Service Company of New Hampshire** and **Western Massachusetts Electric Company**, respectively.

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

<u>Company - Class of Stock</u>	<u>Outstanding as of January 31, 2012</u>
Northeast Utilities Common shares, \$5.00 par value	177,203,768 shares
The Connecticut Light and Power Company Common stock, \$10.00 par value	6,035,205 shares
Public Service Company of New Hampshire Common stock, \$1.00 par value	301 shares

Western Massachusetts Electric Company
Common stock, \$25.00 par value

434,653 shares

GLOSSARY OF TERMS

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

CURRENT OR FORMER NU COMPANIES, SEGMENTS OR INVESTMENTS:

Boulos	E.S. Boulos Company
CL&P	The Connecticut Light and Power Company
HWP	HWP Company, formerly the Holyoke Water Power Company
NGS	Northeast Generation Services Company and subsidiaries
NPT	Northern Pass Transmission LLC, a jointly owned limited liability company, held by NUTV and NSTAR Transmission Ventures, Inc. on a 75 percent and 25 percent basis, respectively
NUTV	NU Transmission Ventures, Inc.
NU or the Company	Northeast Utilities and subsidiaries
NU Enterprises	NU Enterprises, Inc., the parent company of Select Energy, NGS, NGS Mechanical, Select Energy Contracting, Inc. and Boulos
NUSCO	Northeast Utilities Service Company
NU parent and other companies	NU parent and other companies is comprised of NU parent, NUSCO and other subsidiaries, including HWP, RRR (a real estate subsidiary), and the non-energy-related subsidiaries of Yankee (Yankee Energy Services Company, and Yankee Energy Financial Services Company)
PSNH	Public Service Company of New Hampshire
Regulated companies	NU's Regulated companies, comprised of the electric distribution and transmission segments of CL&P, PSNH and WMECO, the generation activities of PSNH and WMECO, Yankee Gas, a natural gas local distribution company, and NPT
RRR	The Rocky River Realty Company
Select Energy	Select Energy, Inc.
WMECO	Western Massachusetts Electric Company
Yankee	Yankee Energy System, Inc.
Yankee Gas	Yankee Gas Services Company

REGULATORS:

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

OTHER:

2010 Healthcare Act	Patient Protection and Affordable Care Act
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AOCI	Accumulated Other Comprehensive Income/(Loss)
AFUDC	Allowance For Funds Used During Construction
AMI	Advanced metering infrastructure
ARO	Asset Retirement Obligation
C&LM	Conservation and Load Management
CERLA	The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980
CfD	Contract for Differences
CO ₂	Carbon dioxide
CTA	Competitive Transition Assessment
CWIP	Construction work in progress
CYAPC	Connecticut Yankee Atomic Power Company
DOER	Massachusetts Department of Energy Resources
EIA	Energy Independence Act
EMF	Electric and Magnetic Fields
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
ES	Default Energy Service
ESOP	Employee Stock Ownership Plan
ESPP	Employee Stock Purchase Plan
Fitch	Fitch Ratings
FMCC	Federally Mandated Congestion Charge
FTR	Financial Transmission Rights

GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse Gas
GSC	Generation Service Charge
GSRP	Greater Springfield Reliability Project
GWh	Giga-watt Hours
HG&E	Holyoke Gas and Electric, a municipal department of the town of Holyoke, MA
HQ	Hydro-Québec, a corporation wholly owned by the Québec government, including its divisions that produce, transmit and distribute electricity in Québec, Canada
HVDC	High voltage direct current
Hydro Renewable Energy	H.Q. Hydro Renewable Energy, Inc., a wholly owned subsidiary of Hydro-Québec
IPP	Independent Power Producers
ISO-NE	ISO New England, Inc., the New England Independent System Operator
ISO-NE Tariff	ISO-NE FERC Transmission, Markets and Services Tariff
KV	Kilovolt
kWh	Kilowatt-Hours
LNG	Liquefied natural gas
LOC	Letter of Credit
LRS	Supplier of last resort service
MGP	Manufactured Gas Plant
Millstone	Millstone Nuclear Generating station, made up of Millstone 1, Millstone 2, and Millstone 3. All three units were sold in March 2001.
Money Pool	Northeast Utilities Money Pool
Moody's	Moody's Investors Services, Inc.
MW	Megawatt
MWh	Megawatt-Hours
MYAPC	Maine Yankee Atomic Power Company
NEEWS	New England East-West Solution
NO _x	Nitrogen oxide
Northern Pass	The high voltage direct current transmission line project from Canada into New Hampshire
NPDES	National Pollutant Discharge Elimination System
NU supplemental benefit trust	The NU Trust Under Supplemental Executive Retirement Plan
OCI	Other Comprehensive Income
PBO	Projected Benefit Obligation
PBOP	Postretirement Benefits Other Than Pension
PBOP Plan	Postretirement Benefits Other Than Pension Plan that provides certain retiree health care benefits, primarily medical and dental, and life insurance benefits
PCRBs	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PGA	Purchased Gas Adjustment
PPA	Pension Protection Act
RECs	Renewable Energy Certificates
Regulatory ROE	

	The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment
RGGI	Regional Greenhouse Gas Initiative
RNS	Regional Network Service
ROE	Return on Equity
RPS	Renewable Portfolio Standards
RRB	Rate Reduction Bond or Rate Reduction Certificate
RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plan
SO ₂	Sulfur dioxide
SS	Standard service
TCAM	Transmission Cost Adjustment Mechanism
TSA	Transmission Service Agreement
UI	The United Illuminating Company
WWL Project	The construction of a 16-mile gas pipeline between Waterbury and Wallingford, Connecticut and the increase of vaporization output of Yankee Gas' LNG plant
YAEC	Yankee Atomic Electric Company
Yankee Companies	Connecticut Yankee Atomic Power Company, Yankee Atomic Electric Company and Maine Yankee Atomic Power Company

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

2011 Form 10-K Annual Report

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NORTHEAST UTILITIES

THE CONNECTICUT LIGHT AND POWER COMPANY

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

WESTERN MASSACHUSETTS ELECTRIC COMPANY

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES

LITIGATION REFORM ACT OF 1995

References in this Annual Report on Form 10-K to NU, we, our, and us refer to Northeast Utilities and its consolidated subsidiaries.

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, financial performance or growth and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify our forward-looking statements through the use of words or phrases such as estimate, expect, anticipate, intend, plan, project, believe, forecast, should, could, and other similar terms. Forward-looking statements are based on the current expectations, estimates, assumptions or projections of management and are not guarantees of future performance. These expectations, estimates, assumptions or projections may vary materially from actual results. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause our actual results to differ materially from those contained in our forward-looking statements, including, but not limited to:

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actions or inaction by local, state and federal regulatory and taxing bodies;

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changes in business and economic conditions, including their impact on interest rates, bad debt expense, and demand for our products and services;

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changes in weather patterns;

changes in laws, regulations or regulatory policy;

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changes in levels and timing of capital expenditures;

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disruptions in the capital markets or other events that make our access to necessary capital more difficult or costly;

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developments in legal or public policy doctrines;

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technological developments;

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changes in accounting standards and financial reporting regulations;

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actions of rating agencies;

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the expected timing and likelihood of completion of the pending merger with NSTAR, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the pending merger that could reduce anticipated benefits or cause the parties to abandon the merger, the diversion of management's time and attention from our ongoing business during this time period, as well as the ability to successfully integrate the businesses, and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and

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other presently unknown or unforeseen factors.

Other risk factors are detailed in our reports filed with the SEC and updated as necessary, and we encourage you to consult such disclosures.

All such factors are difficult to predict, contain uncertainties that may materially affect our actual results and are beyond our control. You should not place undue reliance on the forward-looking statements, each speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to

predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. For more information, see Item 1A, *Risk Factors*, included in this combined Annual Report on Form 10-K. This Annual Report on Form 10-K also describes material contingencies and critical accounting policies in the accompanying *Management's Discussion and Analysis* and *Combined Notes to Consolidated Financial Statements*. We encourage you to review these items.

NORTHEAST UTILITIES

THE CONNECTICUT LIGHT AND POWER COMPANY

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

WESTERN MASSACHUSETTS ELECTRIC COMPANY

PART I

Item 1.

Business

Please refer to the Glossary of Terms for definitions of defined terms and abbreviations used in this Annual Report on Form 10-K.

PENDING MERGER WITH NSTAR

On October 18, 2010, NU and NSTAR announced that each company's Board of Trustees unanimously approved a Merger Agreement (the "agreement"), under which NSTAR will become a direct wholly owned subsidiary of NU. On October 14, 2011, NU and NSTAR extended the Termination Date of the agreement, as defined therein, from October 16, 2011 to April 16, 2012. The transaction is structured as a merger of equals in a tax-free exchange of shares.

Under the terms of the agreement, NSTAR shareholders will receive 1.312 NU common shares for each NSTAR common share that they own (the "exchange ratio"). Following the merger, NU will provide electric and natural gas energy delivery service to approximately 3.5 million electric and natural gas customers through six regulated electric and natural gas utilities in Connecticut, Massachusetts and New Hampshire. On March 4, 2011, NU shareholders approved the agreement, approved an increase in the number of NU common shares authorized for issuance by 155 million common shares to 380 million common shares and fixed the number of trustees at 14. NSTAR shareholders approved the agreement on March 4, 2011.

Subject to the conditions in the agreement, our first quarterly dividend per common share paid after the closing of the merger will be increased to an amount that is at least equal, after adjusting for the exchange ratio, to NSTAR's last quarterly dividend paid prior to the closing.

Completion of the merger is subject to various customary conditions, including, among others, receipt of all required regulatory approvals. NU and NSTAR are awaiting approvals from PURA and the DPU.

In December 2010, the Connecticut Office of Consumer Counsel, supported by the Connecticut Attorney General, petitioned PURA to reconsider its earlier conclusion that it lacked jurisdiction to review the merger. On June 1, 2011, PURA declined to change its conclusion that it lacked jurisdiction over the merger. However, on January 18, 2012, PURA issued a decision that revised its June 1, 2011 decision. The January 18, 2012 decision ruled that NU and NSTAR must seek approval from PURA pursuant to Connecticut law prior to completing the merger. NU and NSTAR filed an application with PURA seeking approval of the merger on January 19, 2012. Hearings began February 14, 2012 and PURA is scheduled to issue a final decision on April 2, 2012.

On November 24, 2010, NU and NSTAR filed a joint petition requesting the DPU's approval of the merger and filed supplemental testimony and a net benefit analysis with the DPU on April 8, 2011, in response to the DPU's revision of its merger standard to a net benefits standard. On February 15, 2012, NU and NSTAR reached comprehensive merger-related settlement agreements with both the Massachusetts DOER and the Massachusetts AG. The first settlement agreement was reached with both the AG and the DOER and covers a variety of rate-making and rate design issues, including a distribution rate freeze until 2016 for NSTAR Electric Company, NSTAR Gas Company and WMECO. The second settlement agreement was reached with the DOER and covers a variety of matters impacting the advancement of Massachusetts clean energy goals established by the Green Communities Act and Global Warming Solutions Act.

Pursuant to the terms and provisions of the settlement agreements, the parties agree that the proposed merger between NU and NSTAR is consistent with the public interest and should be approved by the DPU. However, the settlement agreements allow the Attorney General and DOER to terminate their respective agreements for any reason at any time prior to approval by the DPU. All parties have requested that the DPU approve the merger on April 4, 2012. If both the DPU and PURA issue acceptable decisions by that date, we expect the merger will be consummated by April 16, 2012.

All other approvals required to consummate the merger have been received. For further information regarding regulatory approvals on the pending merger, see *Regulatory Developments and Rate Matters* Regulatory Approvals for Pending Merger with NSTAR, in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in this Annual Report on Form 10-K.

THE COMPANY

NU, headquartered in Hartford, Connecticut, is a public utility holding company subject to regulation by FERC under the Public Utility Holding Company Act of 2005. We are engaged primarily in the energy delivery business through the following wholly owned utility subsidiaries:

The Connecticut Light and Power Company (CL&P), a regulated electric utility that serves residential, commercial and industrial customers in parts of Connecticut;

Public Service Company of New Hampshire (PSNH), a regulated electric utility that serves residential, commercial and industrial customers in parts of New Hampshire and owns generation assets used to serve customers;

Western Massachusetts Electric Company (WMECO), a regulated electric utility that serves residential, commercial and industrial customers in parts of western Massachusetts and owns solar generating assets; and

Yankee Gas Services Company (Yankee Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Connecticut.

NU also owns certain unregulated businesses through its wholly owned subsidiary, NU Enterprises, which are included in its Parent and other companies' results of operations.

Although NU, CL&P, PSNH and WMECO each report their financial results separately, we also include information in this report on a segment, or line-of-business, basis - the distribution segment (which also includes the generation businesses of PSNH and WMECO and our natural gas distribution business) and the transmission segment. Our distribution segment represented approximately 53 percent of our Regulated companies' earnings and our electric transmission segment represented approximately 47 percent.

REGULATED ELECTRIC DISTRIBUTION

General

NU's electric distribution segment consists of the distribution businesses of CL&P, PSNH and WMECO, which are engaged in the distribution of electricity to retail customers in Connecticut, New Hampshire and western Massachusetts, respectively, plus the regulated electric generation businesses of PSNH and WMECO. The following table shows the sources of 2011 electric franchise retail revenues for NU's electric distribution companies, collectively, based on categories of customers:

Sources of Revenue	% of Total Revenues
Residential	58
Commercial	33
Industrial	7
Other	2

Total 100%

A summary of changes in the electric distribution companies' retail electric sales (GWh) for 2011, as compared to 2010, on an actual and weather normalized basis (using a 30-year average) is as follows:

	2011	2010	Percentage Decrease	Weather Normalized Percentage Decrease
Residential	14,766	14,913	(1.0)%	(0.2)%
Commercial	14,301	14,506	(1.4)%	(0.3)%
Industrial	4,418	4,481	(1.4)%	(0.2)%
Other	327	330	(1.0)%	(1.0)%
Total	33,812	34,230	(1.2)%	(0.3)%

Actual retail electric sales for all three electric companies were lower in 2011 compared to 2010 due primarily to milder weather in the summer of 2011, compared to warmer than normal weather in the summer of 2010. In 2011, cooling degree days in Connecticut and western Massachusetts were 20.9 percent lower than 2010, and in New Hampshire, cooling degree days were 23.7 percent lower than 2010.

On a weather-normalized basis, total retail electric sales decreased slightly in 2011, as compared to 2010. We believe the weather-normalized commercial sales for CL&P and WMECO decreased in 2011, compared to 2010, due to the slow economic recovery in these service areas. PSNH commercial sales increased in 2011 due to one large self-generating customer who experienced multiple generation outages and relied on PSNH for energy. Industrial sales for both CL&P and WMECO decreased in 2011, compared to 2010, due in part to weak manufacturing activity in Connecticut and western Massachusetts. Our commercial and industrial electric sales continue to be negatively impacted by utilization of distributed generation and conservation programs.

Major Storms

On August 28, 2011, Tropical Storm Irene caused extensive damage to our distribution system resulting in incremental restoration costs of \$135.6 million. Approximately 800,000 of our 1.9 million electric distribution customers were without power at the peak of the outages, with approximately 670,000 of those customers in Connecticut.

On October 29, 2011, an unprecedented autumn snowstorm inundated our service territory with heavy snow, causing significant damage to our distribution and transmission systems resulting in incremental restoration costs of \$218.5 million. Approximately 1.2 million of our electric distribution customers were without power at the peak of the outages, with approximately 810,000 of those customers in Connecticut, approximately 237,000 of those customers in

New Hampshire, and approximately 140,000 of those customers in Massachusetts. In terms of customer outages, this was the most severe storm in CL&P's history, surpassing Tropical

Storm Irene; the third most severe in PSNH's history, following a December 2008 ice storm and a February 2010 winter storm; and the most severe in WMECO's history.

CL&P recorded a pre-tax charge for a storm fund reserve of \$30 million, in the fourth quarter of 2011, to provide bill credits to its residential customers who remained without power after noon on Saturday, November 5, 2011 as a result of the October snowstorm, and to provide contributions to certain Connecticut charitable organizations.

Approximately \$27 million of the storm fund reserve was used to provide a one-time credit on the February 2012 bills of approximately 192,000 CL&P customers and approximately \$3 million was paid to charitable organizations in December 2011. CL&P will not seek to recover this amount in its rates.

Estimated incremental restoratio