

NORTHEAST UTILITIES  
Form U-13-60  
April 29, 2005

Form U-13-60

Mutual and Subsidiary Service Companies

ANNUAL REPORT

FOR THE PERIOD

Beginning January 1, 2004 and Ending December 31, 2004

TO THE

U.S. SECURITIES AND EXCHANGE COMMISSION

OF

NORTHEAST UTILITIES SERVICE COMPANY

A Subsidiary Service Company

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Date of Incorporation - September 3, 1965

State of Sovereign Power under which Incorporated or  
Organized - Connecticut

Location of Principal Executive Offices of Reporting  
Company - Selden Street, Berlin CT 06037

Name, title, and address of officer to whom correspondence  
concerning this report should be addressed:

John P. Stack, Vice President and Controller,  
P.O. Box 270, Hartford, CT 06141-0270

Name of Principal Holding Company Whose Subsidiaries  
are served by Reporting Company

NORTHEAST UTILITIES

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INSTRUCTIONS FOR USE ON FORM U-13-60

1.

TIME OF FILING

Rule 94 provides that on or before the first day of May in each calendar year, each mutual service company and each subsidiary service company as to which the Commission shall have made a favorable finding pursuant to Rule 88, and every service company whose application for approval or declaration pursuant to Rule 88 is pending shall file with the Commission an annual report on Form U-13-60 and in accordance with the instructions for that form.

2.

NUMBER OF COPIES

Each annual report shall be filed in duplicate. The company should prepare and retain at least one extra copy for itself in case correspondence with reference to the report becomes necessary.

3.

PERIOD COVERED BY REPORT

The first report filed by any company shall cover the period from the date the Uniform System of Accounts was required to be made effective as to that company under Rules 82 and 93 to the end of that calendar year. Subsequent reports should cover a calendar year.

4.

REPORT FORMAT

Reports shall be submitted on the forms prepared by the Commission. If the space provided on any sheet of such form is inadequate, additional sheets may be inserted on the same size as a sheet of the form or folded to such size.

5.

MONEY AMOUNTS DISPLAYED

All money amounts required to be shown in financial statements may be expressed in whole dollars, in thousands of dollars or hundreds thousands of dollars, as appropriate, and subject to provisions of Regulation S-X (§210.3-0.1(b)).

6.

DEFICITS DISPLAYED

Deficits and other like entries shall be indicated by the use of either brackets or a parenthesis with corresponding reference in footnotes. (Regulation S-X (§210.3-0.1(c))).

7.

MAJOR AMENDMENTS OR CORRECTIONS

Any company desiring to amend or correct a major omission or error in a report after it has been filed with the Commission shall submit an amended report including only those pages, schedules, and entries that are to be amended or corrected. A cover letter shall be submitted requesting the Commission to incorporate the amended report changes and shall be signed by a duly authorized officer of the company.

8.

DEFINITIONS

Definitions contained in Instruction 01-8 to the Uniform System of Accounts for Mutual Service Companies and Subsidiary Companies, Public Utility Holding Company Act of 1935, as amended by February 2, 1979 shall be applicable to words or terms used specifically within this Form U-13-60.

9.

ORGANIZATION CHART

The service company shall submit with each annual report a copy of its current organization chart.

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10.

**METHODS OF ALLOCATION**

The service company shall submit with each annual report a listing of the currently effective methods of allocation being used by the service company and on file with the Securities and Exchange Commission pursuant to the Public Utility Holding Company Act of 1935.

11.

**ANNUAL STATEMENT OF COMPENSATION FOR USE OF CAPITAL BILLED**

The service company shall submit with each annual report a copy of the annual statement supplied to each associate company in support of the amount of compensation for use in capital billed during the calendar year.

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LISTING OF SCHEDULES AND ANALYSIS OF ACCOUNTS

| <u>Description of Reports or Statements</u>                                      | <u>Schedule or<br/>Account Number</u> | <u>Page<br/>Number</u> |
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| COMPARATIVE BALANCE SHEET  | Schedule I                            | 4-5                    |
| SERVICE COMPANY PROPERTY   | Schedule II                           | 6-7                    |
| ACCUMULATED PROVISION FOR<br>DEPRECIATION AND<br>AMORTIZATION OF SERVICE COMPANY | Schedule III                          | 8                      |
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| STORES EXPENSE UNDISTRIBUTED   | Schedule VII                          | 12                     |
| MISCELLANEOUS CURRENT AND ACCRUED<br>ASSETS                                      | Schedule VIII                         | 13                     |
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| RESEARCH, DEVELOPMENT, OR<br>DEMONSTRATION<br>EXPENDITURES                       | Schedule X                            | 15                     |
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LISTING OF SCHEDULES AND ANALYSIS OF ACCOUNTS (continued)

| <u>Description of Reports or Statements</u> | <u>Schedule or<br/>Account Number</u> | <u>Page<br/>Number</u> |
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| SIGNATURE PAGE                              |                                       | 39                     |

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## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

## SCHEDULE I - COMPARATIVE BALANCE SHEET

Give balance sheet of the Company as of December 31 of the current and prior year.

| ACCOUNT | ASSETS AND OTHER DEBITS   | AS OF DECEMBER 31      |            |
|---------|---|------------------------|------------|
|         |   | 2004                   | 2003       |
|         |   | (Thousands of Dollars) |            |
|         | <b><u>SERVICE COMPANY PROPERTY</u></b>  |                        |            |
| 101     | Service company property (Schedule II)  | \$ 127,477             | \$ 111,450 |
| 107     | Construction work in progress (Schedule II)   | 4,866                  | 11,184     |
|         | Total Property  | 132,343                | 122,634    |
| 108     | Less accumulated provision for depreciation and amortization of service company property (Schedule III) | 84,378                 | 76,195     |
|         | Net Service Company Property  | 47,965                 | 46,439     |
|         | <b><u>INVESTMENTS</u></b>   |                        |            |
| 123     | Investments in associate companies (Schedule IV)  | -                      | -          |
| 124     | Other investments (Schedule IV)   | 49,448                 | 33,094     |
|         | Total Investments   | 49,448                 | 33,094     |
|         | <b><u>CURRENT AND ACCRUED ASSETS</u></b>  |                        |            |
| 131     | Cash  | -                      | -          |
| 134     | Special deposits  | 125                    | -          |
| 135     | Working funds   | 373                    | 450        |
| 136     | Temporary cash investments (Schedule IV)  | 575                    | 25         |
| 141     | Notes receivable  | -                      | -          |
| 143     | Accounts receivable   | 24,232                 | 37,679     |
| 144     | Accumulated provision of uncollectible accounts   | (1,001)                | -          |
| 146     | Accounts receivable from associate companies (Schedule V)   | 295,536                | 328,476    |
| 152     | Fuel stock expenses undistributed (Schedule VI)   | -                      | -          |
| 154     | Materials and supplies  | 93                     | (3)        |
| 163     | Stores expense undistributed (Schedule VII)   | -                      | -          |

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|     |   |            |            |
|-----|---|------------|------------|
| 165 | Prepayments                                 | 34,932     | 40,950     |
|     | Miscellaneous current and accrued assets    |            |            |
| 174 | (Schedule VIII)                             | -          | -          |
|     | Total Current and Accrued Assets            | 354,865    | 407,577    |
|     | <b><u>DEFERRED DEBITS</u></b>               |            |            |
| 181 | Unamortized debt expense                    | -          | -          |
| 184 | Clearing accounts                           | (14)       | 69         |
| 186 | Miscellaneous deferred debits (Schedule IX) | 26,910     | 28,113     |
| 188 | Research, development, or demonstration     |            |            |
|     | expenditures (Schedule X)                   | -          | -          |
| 190 | Accumulated deferred income taxes           | 35,579     | 1,846      |
|     | Total Deferred Debits                       | 62,475     | 30,028     |
|     | TOTAL ASSETS AND OTHER DEBITS               | \$ 514,753 | \$ 517,138 |

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## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

## SCHEDULE I - COMPARATIVE BALANCE SHEET

Give balance sheet of the Company as of December 31 of the current and prior year.

| ACCOUNT | LIABILITIES AND PROPRIETARY CAPITAL                           | AS OF DECEMBER 31      |         |
|---------|---|------------------------|---------|
|         |   | 2004                   | 2003    |
|         |   | (Thousands of Dollars) |         |
|         | <b><u>PROPRIETARY CAPITAL</u></b>                             |                        |         |
| 201     | Common stock issued (Schedule XI)                             | \$ -                   | \$ -    |
| 211     | Miscellaneous paid-in-capital (Schedule XI)                   | 2,815                  | 1,778   |
| 215     | Appropriated retained earnings (Schedule XI)                  | -                      | -       |
| 216     | Unappropriated retained earnings (Schedule XI)                | -                      | -       |
|         | Total Proprietary Capital                                     | 2,815                  | 1,778   |
|         | <b><u>LONG-TERM DEBT</u></b>                                  |                        |         |
| 223     | Advances from associate companies (Schedule XII)              | -                      | -       |
| 224     | Other long-term debt (Schedule XII)                           | -                      | -       |
| 225     | Unamortized premium on long-term debt                         | -                      | -       |
| 226     | Unamortized discount on long-term debt-debit                  | -                      | -       |
|         | Total Long-Term Debt  | -                      | -       |
|         | <b><u>CURRENT AND ACCRUED LIABILITIES</u></b>                 |                        |         |
| 231     | Notes payable   | -                      | -       |
| 232     | Accounts payable  | 49,645                 | 39,993  |
| 233     | Notes payable to associate companies (Schedule XIII)          | 211,000                | 278,100 |
| 234     | Accounts payable to associate companies (Schedule XIII)       | 118,937                | 78,995  |
| 236     | Taxes accrued   | (7,709)                | 306     |
| 237     | Interest accrued  | -                      | -       |
| 238     | Dividends declared  | -                      | -       |
| 241     | Tax collections payable                                       | 462                    | 640     |
| 242     | Miscellaneous current and accrued liabilities (Schedule XIII) | 20,202                 | 25,298  |
|         | Total Current and Accrued Liabilities                         | 392,537                | 423,332 |

DEFERRED CREDITS

|     |   |        |        |
|-----|---|--------|--------|
| 253 | Other deferred credits                      | 94,438 | 96,256 |
| 255 | Accumulated deferred investment tax credits | -      | -      |
|     | Total Deferred Credits                      | 94,438 | 96,256 |

ACCUMULATED DEFERRED INCOME

|     |   |            |            |
|-----|---|------------|------------|
| 282 | <u>TAXES</u>                              | 24,963     | (4,228)    |
|     | TOTAL LIABILITIES AND PROPRIETARY CAPITAL | \$ 514,753 | \$ 517,138 |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE II - SERVICE COMPANY PROPERTY

| ACCOUNT DESCRIPTION    | BALANCE AT BEGINNING OF YEAR                             |           | RETIREMENTS OR SALES |       | OTHER CHANGES(1) | BALANCE AT CLOSE OF YEAR |
|------------------------|--|-----------|----------------------|-------|------------------|--------------------------|
|                        |  | ADDITIONS |                      |       |                  |                          |
| (Thousands of Dollars) |  |           |                      |       |                  |                          |
| 301                    | ORGANIZATION   | \$ -      | \$ -                 | \$ -  | \$ -             | \$ -                     |
| 303                    | MISCELLANEOUS INTANGIBLE PLANT                           | 24,445    | 7,806                | -     | 1,155            | 33,406                   |
| 304                    | LAND AND LAND RIGHTS                                     | -         | -                    | -     | -                | -                        |
| 305                    | STRUCTURES AND IMPROVEMENTS                              | -         | -                    | -     | -                | -                        |
| 306                    | LEASEHOLD IMPROVEMENTS                                   | 1,361     | 20                   | -     | -                | 1,381                    |
| 307                    | EQUIPMENT (2)  | 62,530    | 10,201               | 5,638 | -                | 67,093                   |
| 308                    | OFFICE FURNITURE AND EQUIPMENT                           | 21,043    | 2,140                | 6     | -                | 23,177                   |
| 309                    | AUTOMOBILES, OTHER VEHICLES AND RELATED GARAGE EQUIPMENT | 25        | -                    | -     | -                | 25                       |
| 310                    | AIRCRAFT AND AIRPORT EQUIPMENT                           | -         | -                    | -     | -                | -                        |
| 311                    | OTHER SERVICE  |           |                      |       |                  |                          |

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|     |   |            |           |          |          |            |
|-----|---|------------|-----------|----------|----------|------------|
|     | PROPERTY (3)                            | 2,046      | 349       | -        | -        | 2,395      |
|     |   | 111,450    | 20,516    | 5,644    | 1,155    | 127,477    |
| 107 | CONSTRUCTION<br>WORK IN<br>PROGRESS (4) | 11,184     | (6,318)   | -        | -        | 4,866      |
|     | TOTAL                                   | \$ 122,634 | \$ 14,198 | \$ 5,644 | \$ 1,155 | \$ 132,343 |

(1) PROVIDE AN EXPLANATION OF THOSE  
CHANGES CONSIDERED MATERIAL:

|   |                 |
|---|-----------------|
| TRANSFER FROM WESTERN<br>MASSACHUSETTS ELECTRIC COMPANY | \$ <u>1,155</u> |
|   | \$ <u>1,155</u> |

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SCHEDULE II - CONTINUED

(2)

SUBACCOUNTS ARE REQUIRED FOR EACH CLASS OF EQUIPMENT OWNED. THE SERVICE COMPANY SHALL PROVIDE A LISTING BY SUBACCOUNT OF EQUIPMENT ADDITIONS DURING THE YEAR AND THE BALANCE AT THE CLOSE OF THE YEAR:

| SUBACCOUNT DESCRIPTION |                                     | ADDITIONS<br>(Thousands of Dollars) | BALANCE             |
|------------------------|-------------------------------------|-------------------------------------|---------------------|
|                        |                                     |                                     | AT CLOSE<br>OF YEAR |
| 307NA                  | Automatic Data Processing Equipment | \$ 6,130                            | \$ 23,515           |
| 307NB                  | Construction Equipment              | -                                   | 291                 |
| 307NC                  | Other Communication Equipment       | 4,052                               | 38,234              |
| 307NL                  | Research and Laboratory Equipment   | 69                                  | 4,492               |
| 307NM                  | Microwave Equipment                 | (25)                                | 540                 |
| 307NP                  | Printing and Stationery Equipment   | (25)                                | 21                  |
|                        |                                     | \$ 10,201                           | \$ 67,093           |

(3)

DESCRIBE OTHER SERVICE COMPANY PROPERTY:

This account includes audio, visual, cafeteria, and training equipment.

(4)

DESCRIBE CONSTRUCTION WORK IN PROGRESS:

This account includes data processing equipment and other general plant items.

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE III

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF SERVICE COMPANY  
PROPERTY

| ACCOUNT DESCRIPTION  | BALANCE<br>AT<br>BEGINNING<br>OF YEAR | ADDITIONS<br>CHARGED<br>TO<br>ACCT 403 | RETIREMENTS | OTHER<br>CHANGES (1)<br>ADD/(DEDUCT) | BALANCE<br>AT CLOSE<br>OF YEAR |
|--|---------------------------------------|--|-------------|--------------------------------------|--------------------------------|
|  |                                       |  |             |                                      | (Thousands of Dollars)         |
| 301 ORGANIZATION   | \$ -                                  | \$ -                                   | \$ -        | \$ -                                 | \$ -                           |
| 303 MISCELLANEOUS<br>INTANGIBLE PLANT                                    | 13,159                                | 5,624                                  | -           | 878                                  | 19,661                         |
| 304 LAND AND LAND<br>RIGHTS  | -                                     | -                                      | -           | -                                    | -                              |
| 305 STRUCTURES AND<br>IMPROVEMENTS                                       | -                                     | -                                      | -           | -                                    | -                              |
| 306 LEASEHOLD<br>IMPROVEMENTS  | 685                                   | 34                                     | -           | -                                    | 719                            |
| 307 EQUIPMENT  | 42,312                                | 6,559                                  | 5,638       | (80)                                 | 43,153                         |
| 308 OFFICE FURNITURE<br>AND FIXTURES                                     | 18,073                                | 646                                    | 6           | (39)                                 | 18,674                         |
| 309 AUTOMOBILES, OTHER<br>VEHICLES<br>AND RELATED<br>GARAGE<br>EQUIPMENT | 8                                     | 3                                      | -           | -                                    | 11                             |
| 310 AIRCRAFT AND AIRPORT<br>EQUIPMENT                                    | -                                     | -                                      | -           | -                                    | -                              |



|     |               |           |           |          |        |           |
|-----|---------------|-----------|-----------|----------|--------|-----------|
| 311 | OTHER SERVICE | 1,958     | 202       | -        | -      | 2,160     |
|     | COMPANY       |           |           |          |        |           |
|     | PROPERTY      |           |           |          |        |           |
|     | TOTAL         | \$ 76,195 | \$ 13,068 | \$ 5,644 | \$ 759 | \$ 84,378 |

(1) PROVIDE AN EXPLANATION OF THOSE CHANGES  
CONSIDERED MATERIAL:

Intercompany and intracompany transfer of certain equipment

|                                |        |
|--------------------------------|--------|
| TRANSFER FROM WESTERN          | \$ 731 |
| MASSACHUSETTS ELECTRIC COMPANY | \$ 731 |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE IV - INVESTMENTS

INSTRUCTIONS:

Complete the following schedule concerning investments.

Under Account 124, "Other Investments," state each investment separately, with description, including the name of issuing company, number of shares or principal amount, etc.

Under Account 136, "Temporary Cash Investments," list each investment.

| DESCRIPTION   | BALANCE AT BALANCE<br>BEGINNING AT CLOSE<br>OF YEAR OF YEAR<br>(Thousands of Dollars) |           |
|---|---|-----------|
|   |   |           |
| ACCOUNT 123 - INVESTMENT IN ASSOCIATE COMPANIES                               | \$ -  | \$ -      |
| ACCOUNT 124 - OTHER INVESTMENTS:  |   |           |
| RABBI Trust Investment<br>(Supplemental Executive<br>Retirement Savings Plan) | 33,094  | 49,448    |
| Total - ACCOUNT 124   | 33,094  | 49,448    |
| ACCOUNT 136 - TEMPORARY CASH INVESTMENTS:                                     |   |           |
| Goldman Sachs Money Market Fund,<br>due January 2, 2004                       | 25  | -         |
| Goldman Sachs Money Market Fund,<br>due January 3, 2005                       | -   | 575       |
| Total - ACCOUNT 136   | 25  | 575       |
|   | \$ 33,119   | \$ 50,023 |



## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

## SCHEDULE V - ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES

## INSTRUCTIONS:

Complete the following schedule listing accounts receivable from each associate company. Where the service company has provided accommodation or convenience payments for associate companies, a separate listing of total payments for each associate company by subaccount should be provided.

| DESCRIPTION   | BALANCE AT<br>BEGINNING<br>OF YEAR | BALANCE<br>AT CLOSE<br>OF YEAR |
|---|------------------------------------|--------------------------------|
|   | (Thousands of Dollars)             |                                |
| ACCOUNT 146 - ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES  |                                    |                                |
| <u>ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES</u>         |                                    |                                |
| Northeast Utilities   | \$ 24                              | \$ 1,035                       |
| The Connecticut Light and Power Company                     | 28,920                             | 19,028                         |
| The Rocky River Realty Company                              | 1,605                              | 1,170                          |
| Holyoke Water Power Company                                 | 729                                | 427                            |
| Holyoke Power and Electric Company                          | (12)                               | 61                             |
| Western Massachusetts Electric Company                      | 9,445                              | 10,178                         |
| Public Service Company of New Hampshire<br>Properties, Inc. | 12,494                             | 37,977                         |
| North Atlantic Energy Corporation                           | 11                                 | 169                            |
| North Atlantic Service Energy Corporation                   | (136)                              | 54                             |
| The Quinnehtuk Company                                      | 1,433                              | -                              |
| Northeast Nuclear Energy Company                            | 6                                  | 390                            |
| Charter Oak Energy, Inc.                                    | -                                  | 548                            |
| Mode 1 Communications, Inc.                                 | -                                  | 3                              |
| NU Enterprises, Inc.  | 4                                  | 2                              |
| Northeast Generation Company                                | 72                                 | 122                            |
| Northeast Generation Services Company                       | 75                                 | 1,263                          |
| NGS Mechanical, Inc.  | 2,228                              | 2,713                          |
| E.S. Boulos Company   | 2                                  | 1                              |
| Select Energy, Inc.   | 837                                | 582                            |
| Select Energy New York, Inc.                                | 3,237                              | 4,713                          |
| Select Energy Services, Inc.                                | 386                                | (10)                           |
|   | 898                                | 1,032                          |

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|  |        |        |
|--|--------|--------|
| Yankee Energy System, Inc.               | 8      | (5)    |
| Yankee Gas Services Company              | 5,085  | 650    |
| NorConn Properties, Inc.                 | 2      | 12     |
| Yankee Energy Financial Services Company | 5      | 102    |
| Yankee Energy Services Company           | -      | (6)    |
| Woods Electrical Co., Inc.               | 55     | 384    |
| Woods Network Services, Inc.             | 25     | 111    |
| CL&P Receivables Corporation             | -      | 2,405  |
|  | 67,438 | 85,111 |

NOTES RECEIVABLE (MONEY POOL) FROM ASSOCIATE COMPANIES

|  |         |         |
|--|---------|---------|
| The Connecticut Light and Power Company  | 91,125  | 90,025  |
| The Rocky River Realty Company           | 16,500  | 16,200  |
| Holyoke Water Power Company              | 1,400   | 7,100   |
| Western Massachusetts Electric Company   | 31,400  | 15,900  |
| Public Service Company of New Hampshire  | 48,900  | 23,900  |
| The Quinnehtuk Company                   | 4,000   | 3,100   |
| Northeast Generation Services Company    | 10,500  | 650     |
| Select Energy Services, Inc.             | 1,250   | 13,250  |
| Yankee Gas Services Company              | 67,500  | 29,600  |
| NorConn Properties, Inc.                 | 1,100   | 1,100   |
| Yankee Energy Financial Services Company | 3,600   | 3,600   |
| Woods Electrical Co., Inc.               | 800     | 6,000   |
|  | 278,075 | 210,425 |

ADVANCES FROM ASSOCIATE COMPANIES

|  |            |            |
|--|------------|------------|
| Western Massachusetts Electric Company | (8,513)    | -          |
| Yankee Energy System, Inc.             | (8,524)    | -          |
|  | (17,037)   | -          |
|  | \$ 328,476 | \$ 295,536 |

For the Year Ended December 31, 2004

## SCHEDULE V - ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES (CONTINUED)

## INSTRUCTIONS:

Complete the following schedule listing accounts receivable from each associate company. Where the service company has provided accommodation or convenience payments for associate companies, a separate listing of total payments for each associate company by subaccount should be provided.

|  | TOTAL PAYMENTS         |
|--|------------------------|
|  | (Thousands of Dollars) |
| ANALYSIS OF CONVENIENCE OR ACCOMMODATION PAYMENTS: |                        |
| The Connecticut Light and Power Company            | \$ 151,828             |
| Charter Oak Energy Incorporated                    | 5                      |
| CL&P Receivables Corporation                       | 10,705                 |
| E. S. Boulos Company                               | 537                    |
| Holyoke Power and Electric Company                 | (25)                   |
| Holyoke Water Power Company                        | 2,005                  |
| Mode 1 Communication, Inc.                         | 35                     |
| NorConn Properties, Inc.                           | 12                     |
| North Atlantic Energy Corporation                  | (870)                  |
| North Atlantic Service Energy Corporation          | (2,883)                |
| Northeast Generation Company                       | 10,026                 |
| Northeast Generation Services Company              | 19,211                 |
| Northeast Nuclear Energy Company                   | 1,126                  |
| Northeast Utilities                                | 3,502                  |
| NU Enterprises, Inc.                               | (154)                  |
| Properties, Inc.                                   | 457                    |
| Public Service Company of New Hampshire            | 196,259                |
| Select Energy New York, Inc.                       | 8,309                  |
| Select Energy Services, Inc.                       | 2,325                  |
| Select Energy, Inc.                                | 21,687                 |
| The Quinnehtuk Company                             | 416                    |
| The Rocky River Realty Company                     | 6,337                  |
| Western Massachusetts Electric Company             | 48,373                 |
| Woods Electrical Co., Inc.                         | 142                    |
| Yankee Energy Financial Services Company           | 46                     |

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|                                |            |
|--------------------------------|------------|
| Yankee Energy Services Company | (87)       |
| Yankee Energy System, Inc.     | (3,599)    |
| Yankee Gas Services Company    | 37,185     |
|                                | \$ 512,910 |

Convenience payments result primarily from the following items:

|   |            |
|---|------------|
| Conservation                              | \$ 1,708   |
| Employee Pensions and Benefits            | 117,440    |
| Engineering Services                      | 4,296      |
| Environmental Expenses                    | 8,008      |
| Fleet Leasing                             | 6,781      |
| Information Technology/Computers Services | 4,407      |
| Insurance                                 | 19,203     |
| Legal Services                            | 13,772     |
| Net Power Exchange                        | (35,926)   |
| Payroll Deductions                        | 15,911     |
| Payroll Funding                           | 227,427    |
| Postage - Customer Billing                | 6,218      |
| Tax Payments                              | 53,490     |
| Telecommunication Expenses                | 3,450      |
| Temporary Staffing                        | 2,176      |
| Tree Trimming                             | 1,375      |
| U.S. Department of Energy Fees            | 5,304      |
| Miscellaneous (613 items)                 | 57,870     |
|   | \$ 512,910 |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

SCHEDULE VI - FUEL STOCK EXPENSES UNDISTRIBUTED

INSTRUCTIONS:

Report the amount of labor and expenses incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company. Under the section headed "Summary" listed below, give an overall report of the fuel functions performed by the service company.

| DESCRIPTION  | LABOR                  | EXPENSES | TOTAL  |
|--|------------------------|----------|--------|
|  | (Thousands of Dollars) |          |        |
| ACCOUNT 152 - FUEL STOCK EXPENSES<br>UNDISTRIBUTED | \$ 431                 | \$ 311   | \$ 742 |

The above fuel stock expenses are billed back to each of the associated companies listed below:

|   |       |       |       |
|---|-------|-------|-------|
| Public Service Company of New Hampshire | (347) | (264) | (611) |
| Holyoke Water Power Company             | (84)  | (47)  | (131) |
| Total                                   | \$ -  | \$ -  | \$ -  |

SUMMARY:

Fuel functions performed by the Service Company consist mainly of the acquisition of fossil fuels.



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For the Year Ended December 31, 2004

SCHEDULE VII - STORES EXPENSE UNDISTRIBUTED

INSTRUCTIONS: Report the amount of labor and expenses incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

| DESCRIPTION                  | LABOR                  | EXPENSES | TOTAL  |
|------------------------------|------------------------|----------|--------|
|                              | (Thousands of Dollars) |          |        |
| ACCOUNT 163 - STORES EXPENSE |                        |          |        |
| UNDISTRIBUTED                | \$ 597                 | \$ 274   | \$ 871 |

The above stores expenses are billed back to each of the companies listed below:

|   |       |       |       |
|---|-------|-------|-------|
| The Connecticut Light and Power Company | (350) | (161) | (511) |
| Public Service Company of New Hampshire | (172) | (79)  | (251) |
| Western Massachusetts Electric Company  | (54)  | (25)  | (79)  |
| Yankee Gas Services Company             | (21)  | (9)   | (30)  |
| Total                                   | \$ -  | \$ -  | \$ -  |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
 For the Year Ended December 31, 2004

SCHEDULE VIII  
 MISCELLANEOUS CURRENT AND ACCRUED ASSETS

INSTRUCTIONS:

Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each group.

| DESCRIPTION   | BALANCE AT             |                    |
|---|------------------------|--------------------|
|   | BEGINNING<br>OF YEAR   | BALANCE<br>OF YEAR |
|   | (Thousands of Dollars) |                    |
| ACCOUNT 174 - MISCELLANEOUS CURRENT AND<br>ACCRUED ASSETS | \$ -                   | \$ -               |
|   | \$ -                   | \$ -               |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE IX  
MISCELLANEOUS DEFERRED DEBITS

INSTRUCTIONS: Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each group.

| DESCRIPTION   | BALANCE AT<br>BEGINNING<br>OF YEAR<br>(Thousands of Dollars) | BALANCE<br>AT CLOSE<br>OF YEAR |
|---|--|--------------------------------|
| ACCOUNT 186 - MISCELLANEOUS DEFERRED DEBITS                     |  |                                |
| Prepaid rent - Rocky River Realty Company                       | \$ 16,135  | \$ 14,827                      |
| Unfunded supplemental executive retirement plan                 | 3,271  | 3,944                          |
| Agents account clearing   | 1,354  | 1,255                          |
| Receivable from VEBA trust for retiree's medical/life claims    | 4,402  | 2,778                          |
| Deposit for transmission services                               | 2,890  | 4,078                          |
| Employees performance payments                                  | 23   | (17)                           |
| Unfunded fitness center activities                              | 63   | 45                             |
| Miscellaneous (3 items at beginning and 2 items at end of year) | (25)   | -                              |
|   | \$ 28,113  | \$ 26,910                      |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE X  
RESEARCH, DEVELOPMENT, OR DEMONSTRATION EXPENDITURES

INSTRUCTIONS:

Provide a description of each material research, development, or demonstration project which incurred costs by the service corporation during the year.

| DESCRIPTION  | AMOUNT<br>(Thousands<br>of Dollars) |
|--|-------------------------------------|
| ACCOUNT 188 - RESEARCH, DEVELOPMENT, OR DEMONSTRATION EXPENDITURES                   |                                     |
| EPRI dues  | \$ 580                              |
| Load Tap Changer (LTC)   | 75                                  |
| Intelligent universal transformer  | 125                                 |
| Miscellaneous, various project costs, etc.   | 279                                 |
| The above expenses are billed back to each of the associated companies listed below: |                                     |
| The Connecticut Light and Power Company  | (790)                               |
| Northeast Utilities  | (31)                                |
| Public Service Company of New Hampshire  | (92)                                |
| Western Massachusetts Electric Company   | (67)                                |
| Northeast Generation Services Company  | (12)                                |
| Select Energy, Inc.  | (26)                                |
| Select Energy Services, Inc.   | (15)                                |
| Yankee Gas Services Company  | (26)                                |
| Total  | \$ -                                |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

SCHEDULE XI  
 PROPRIETARY CAPITAL

| ACCOUNT<br>NUMBER | CLASS<br>OF STOCK             | NUMBER OF<br>SHARES<br>AUTHORIZED | PAR OR                       | OUTSTANDING CLOSE OF<br>PERIOD |                 |
|-------------------|-------------------------------|-----------------------------------|------------------------------|--------------------------------|-----------------|
|                   |                               |                                   | STATED<br>VALUE<br>PER SHARE | NO.OF SHARES                   | TOTAL<br>AMOUNT |
| 201               | COMMON<br>STOCK<br><br>ISSUED | 5,000                             | \$1.00                       | 1                              | \$1.00          |

INSTRUCTIONS:

Classify amounts in each account with brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.

| DESCRIPTION                                | AMOUNT   |
|--|----------|
| ACCOUNT 211 MISCELLANEOUS PAID-IN-CAPITAL  | \$ 1     |
| -  |          |
| - ACCUMULATED OTHER COMPREHENSIVE INCOME:  |          |
| UNREALIZED GAIN ON SECURITIES              | 2,814    |
| ACCOUNT 215 APPROPRIATED RETAINED EARNINGS | -        |
| -  |          |
| Total                                      | \$ 2,815 |

INSTRUCTIONS:

Give particular concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociated per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentage, amount of dividend, date declared and date paid.

| DESCRIPTION                              | BALANCE AT<br>BEGINNING<br>OF YEAR | INCOME<br>OR<br>(LOSS) | DIVIDENDS<br>PAID | BALANCE AT<br>CLOSE<br>OF YEAR |
|--|------------------------------------|------------------------|-------------------|--------------------------------|
| ACCOUNT 216 - UNAPPROPRIATED<br>RETAINED |                                    |                        |                   |                                |
| EARNINGS                                 | \$ -                               | \$ -                   | \$ -              | \$ -                           |
| Total                                    | \$ -                               | \$ -                   | \$ -              | \$ -                           |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE XII  
LONG-TERM DEBT

INSTRUCTIONS:

Advances from associate companies should be reported separately for advances on notes, and advances on open account. Names of associate companies from which advances were received shall be shown under the class and series of obligation column. For Account 224 -- Other long-term debt provide the name of creditor company or organization, terms of obligation, date of maturity, interest rate, and the amount authorized and outstanding.

| NAME OF CREDITOR                               | CLASSIFICATION | MATURITY DATE | INTEREST RATE | AUTHORIZED AMOUNT | BALANCE              |                  | DEDUCTIONS (1) | BALANCE              |                  |
|--|----------------|---------------|---------------|-------------------|----------------------|------------------|----------------|----------------------|------------------|
|  |                |               |               |                   | AT BEGINNING OF YEAR | AT CLOSE OF YEAR |                | AT BEGINNING OF YEAR | AT CLOSE OF YEAR |
| (Thousands of Dollars)                         |                |               |               |                   |                      |                  |                |                      |                  |
| ACCOUNT 223-ADVANCES FROM ASSOCIATE COMPANIES: |                |               |               | \$ -              | \$ -                 | \$ -             | \$ -           | \$ -                 | \$ -             |
| ACCOUNT 224-OTHER LONG-TERM DEBT:              |                |               |               | -                 | -                    | -                | -              | -                    | -                |
|  |                |               |               | Total             | \$ -                 | \$ -             | \$ -           | \$ -                 | \$ -             |

(1) GIVE AN EXPLANATION OF DEDUCTIONS:





## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

## SCHEDULE XIII - CURRENT AND ACCRUED LIABILITIES

## INSTRUCTIONS:

Provide balance of notes and accounts payable to each associate company. Give description and amount of miscellaneous current and accrued liabilities. Items less than \$10,000 may be grouped, showing the number of items in each group.

| DESCRIPTION  | BALANCE AT<br>BEGINNING<br>OF YEAR | BALANCE<br>AT CLOSE<br>OF YEAR |
|--|------------------------------------|--------------------------------|
|  | (Thousands of Dollars)             |                                |
| ACCOUNT 233 - NOTES PAYABLE TO ASSOCIATE COMPANIES |                                    |                                |
| Northeast Utilities                                | \$ 194,600                         | \$ 110,600                     |
| North Atlantic Energy Corporation                  | 5,400                              | 4,400                          |
| Northeast Nuclear Energy Company                   | 32,900                             | 31,600                         |
| NU Enterprises, Inc.                               | 16,500                             | 43,400                         |
| Northeast Generation Company                       | 10,000                             | 10,000                         |
| Mode 1 Communications, Inc.                        | 3,600                              | 1,300                          |
| Yankee Energy System, Inc.                         | 1,700                              | 4,600                          |
| Yankee Energy Services, Company                    | 100                                | 700                            |
| Select Energy, Inc.                                | 1,800                              | 900                            |
| Select Energy New York, Inc.                       | 11,000                             | -                              |
| Woods Network Services, Inc.                       | 500                                | -                              |
| Properties, Inc.                                   | -                                  | 3,500                          |
| Total  | \$ 278,100                         | \$ 211,000                     |

## ACCOUNT 234 - ACCOUNTS PAYABLE TO ASSOCIATE COMPANIES

|   |        |        |
|---|--------|--------|
| Northeast Utilities                     | \$ 831 | \$ 166 |
| The Connecticut Light and Power Company | 57,726 | 50,181 |
| The Rocky River Realty Company          | 583    | 1,080  |
| Public Service Company of New Hampshire | 11,501 | 33,969 |

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|   |           |            |
|---|-----------|------------|
| Western Massachusetts Electric Company    | 54        | 10,559     |
| Select Energy, Inc.                       | 146       | 5,475      |
| Northeast Generation Service Company      | 15        | 6          |
| Yankee Energy Services, Company           | -         | 1,558      |
| Yankee Gas Services Company               | 8,112     | 11,976     |
| Northeast Nuclear Energy Company          | 27        | 727        |
| North Atlantic Energy Service Corporation | -         | 1,619      |
| North Atlantic Energy Corporation         | -         | 1,002      |
| E.S. Boulos Company                       | -         | 608        |
| Woods Electrical Co., Inc.                | -         | 2          |
| Woods Network Services, Inc.              | -         | 9          |
| Total                                     | \$ 78,995 | \$ 118,937 |

ACCOUNT 242 - MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES

|                             |           |           |
|-----------------------------|-----------|-----------|
| Performance reward program  | \$ 17,736 | \$ 10,908 |
| Payroll accrual             | 3,229     | 4,736     |
| Payroll deductions          | 4,213     | 4,249     |
| Workforce reduction program | 120       | (80)      |
| Consulting fee              | -         | 389       |
| Total                       | \$ 25,298 | \$ 20,202 |

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**ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY**

**For the Year Ended December 31, 2004**

**SCHEDULE XIV**

**NOTES TO FINANCIAL STATEMENTS**

**INSTRUCTIONS:**

The space below is provided for important notes regarding the financial statements or any account thereof. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

**1.**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Northeast Utilities Service Company (NUSCO or the company) is a wholly owned subsidiary of Northeast Utilities (NU). The Connecticut Light and Power Company, Public Service Company of New Hampshire, Western Massachusetts Electric Company, North Atlantic Energy Corporation, Holyoke Water Power Company, and Yankee Energy System, Inc. are also wholly owned by NU. NUSCO provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to NU's companies.

All transactions among affiliated companies are on a recovery of cost basis which may include amounts representing a return on equity and are subject to approval by various federal and state regulatory agencies.

**Public Utility Regulation**

NU is registered with the Securities and Exchange Commission as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) and NU, including NUSCO, is subject to the provisions of the 1935 Act.

## **Revenues**

The company provides services to the affiliated utility companies on the basis of recovery of cost plus return on capital, as defined under the terms of the agreements, which have been approved by various federal and state regulatory commissions having jurisdiction over operations of the company and its affiliated utility companies.

## **Depreciation**

The provision for depreciation is calculated using the straight-line method based on the estimated remaining useful lives of depreciable plant-in-service, adjusted for salvage value and removal costs, as approved by the appropriate regulatory agency where applicable. Depreciation rates are applied to plant-in-service from the time they are placed in service. When plant is retired from service, the original cost of plant, including costs of removal less salvage, is charged to the accumulated provision for depreciation.

2.

## **SHORT-TERM DEBT**

Certain subsidiaries of NU are members of the NU Money Pool (Pool). The Pool provides a more efficient use of the cash resources of NU, and reduces outside short-term borrowings. NUSCO is not permitted to borrow from the Pool but administers the Pool as agent for the member companies. Short-term borrowing needs of the member companies are first met with available funds of other member companies, including funds borrowed by NU parent. NU parent may lend to the Pool but may not borrow. Funds may be withdrawn from or repaid to the Pool at any time without prior notice. Investing and borrowing subsidiaries receive or pay interest based on the average daily federal funds rate.

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3.

### **PENSION BENEFITS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

*Pension Benefits:* NUSCO participates in a uniform noncontributory defined benefit retirement plan (Pension Plan) covering substantially all regular NU employees. Benefits are based on years of service and the employees' highest eligible compensation during 60 consecutive months of employment. Pre-tax pension expense was \$5.7 million in 2004 and pension income of \$1.6 million in 2003. These amounts exclude a net special termination expense of \$0.7 million in 2004. NUSCO uses a December 31 measurement date for the Pension Plan.

*Pension Settlements, Curtailments and Special Termination Benefits:* As a result of litigation with nineteen former employees, in April 2004, NU was ordered by the court to modify its retirement plan to include special retirement benefits for fifteen of these former employees retroactive to the dates of their retirement and increased future monthly benefit payments. In the third quarter of 2004, NU withdrew its appeal of the court's ruling. As a result, NUSCO recorded \$0.7 million in special termination benefits related to this litigation in 2004.

There were no settlements, curtailments or special termination benefits in 2003.

*Market-Related Value of Pension Plan Assets:* NUSCO bases the actuarial determination of pension plan expense on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation calculation recognizes investment gains or losses over a four-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the fair value of assets. Since the market-related valuation calculation recognizes gains or losses over a four-year period, the future value of the market-related assets will be impacted as previously deferred gains or losses are recognized.

*Postretirement Benefits Other Than Pensions (PBOP):* NUSCO provides certain health care benefits, primarily medical and dental, and life insurance benefits through a benefit plan to retired employees (PBOP Plan). These benefits are available for employees retiring from NU who have met specified service requirements. For current employees and certain retirees, the total benefit is limited to two times the 1993 per retiree health care cost. These costs are charged to expense over the estimated work life of the employee. NUSCO uses a December 31 measurement date for the PBOP Plan. NUSCO annually funds postretirement costs through external trusts with amounts that are tax deductible.

*Impact of New Medicare Changes on PBOP:* On December 8, 2003, the President signed into law a bill that expands Medicare, primarily by adding a prescription drug benefit starting in 2006 for Medicare-eligible retirees as well as federal subsidy to plan sponsors of retiree health care benefit plans who provide a prescription drug benefit at least actuarially equivalent to the new Medicare benefit.

Based on the current PBOP Plan provisions, NUSCO's actuaries believe that NUSCO will qualify for this federal subsidy because the actuarial value of NUSCO's PBOP Plan is estimated to be 60 percent greater than that of the standard Medicare benefit. NUSCO will directly benefit from the federal subsidy for retirees who retired before 1991. For other retirees, management does not believe that NUSCO will benefit from the subsidy because NUSCO's cost support for these retirees is capped at a fixed dollar commitment.

Based on the most recent actuarial valuation as of January 1, 2004, the impact of the Medicare program has been revised from a \$2.6 million decrease in the PBOP benefit obligation at December 31, 2003 to \$4.2 million at January 1, 2004. The total \$4.2 million decrease consists of \$2.6 million as a direct result of the subsidy for certain non-capped retirees and \$1.6 million related to changes in participation assumptions for capped retirees and future retirees as a result of the subsidy. The total \$4.2 million decrease is currently being amortized as a reduction to PBOP expense over approximately 13 years. For the year ended December 31, 2004, this reduction in PBOP expense totaled approximately \$0.3 million, including amortization of the actuarial gain and a reduction in interest cost and service cost based on a lower PBOP benefit obligation.

*PBOP Settlements, Curtailments and Special Termination Benefits:* There were no settlements, curtailments or special termination benefits in 2004 or 2003.

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The following table represents information on the plans' benefit obligation, fair value of plan assets, and the respective plans' funded status.

| (Millions of Dollars)                       | At December 31,  |                  |                         |                 |
|---|------------------|------------------|-------------------------|-----------------|
|   | Pension Benefits |                  | Postretirement Benefits |                 |
|   | 2004             | 2003             | 2004                    | 2003            |
| <b>Change in benefit obligation</b>         |                  |                  |                         |                 |
| Benefit obligation                          |                  |                  |                         |                 |
| at beginning of year                        | \$(398.1)        | \$(354.0)        | \$(77.8)                | \$(69.5)        |
| Service cost                                | (10.3)           | (8.8)            | (1.4)                   | (1.1)           |
| Interest cost                               | (24.5)           | (23.9)           | (4.9)                   | (5.1)           |
| Medicare prescription drug benefit impact   | -                | -                | -                       | 2.6             |
| Transfers                                   | (5.8)            | (13.9)           | -                       | -               |
| Actuarial loss                              | (24.6)           | (20.3)           | (14.7)                  | (13.8)          |
| Benefits paid - excluding lump sum payments | 22.0             | 21.4             | 7.7                     | 9.1             |
| Benefits paid - lump sum payments           | -                | 1.4              | -                       | -               |
| Special termination benefits                | (0.7)            | -                | -                       | -               |
| <b>Benefit obligation</b>                   |                  |                  |                         |                 |
| <b>at end of year</b>                       | <b>\$(442.0)</b> | <b>\$(398.1)</b> | <b>\$(91.1)</b>         | <b>\$(77.8)</b> |
| <b>Change in plan assets</b>                |                  |                  |                         |                 |
| Fair value of plan assets                   |                  |                  |                         |                 |
| at beginning of year                        | \$ 362.8         | \$ 293.7         | \$ 24.2                 | \$ 22.9         |
| Actual return on plan assets                | 44.8             | 78.0             | 3.4                     | 4.9             |
| Employer contribution                       | -                | -                | 8.6                     | 5.5             |
| Benefits paid - excluding lump sum payments | (22.0)           | (21.4)           | (7.7)                   | (9.1)           |
| Benefits paid - lump sum payments           | -                | (1.4)            | -                       | -               |
| Transfers                                   | 5.8              | 13.9             | -                       | -               |
| <b>Fair value of plan assets</b>            |                  |                  |                         |                 |
| <b>at end of year</b>                       | <b>\$ 391.4</b>  | <b>\$ 362.8</b>  | <b>\$ 28.5</b>          | <b>\$ 24.2</b>  |
| Funded status at December 31,               | \$ (50.6)        | \$ (35.3)        | \$(62.6)                | \$(53.6)        |
| Unrecognized transition                     |                  |                  |                         |                 |
| (asset)/obligation                          | (0.8)            | (1.3)            | 11.9                    | 13.4            |
| Unrecognized prior service cost             | 14.7             | 16.5             | -                       | -               |
| Unrecognized net loss                       | 66.1             | 55.8             | 43.1                    | 31.1            |
| <b>Prepaid/(accrued) benefit cost</b>       | <b>\$ 29.4</b>   | <b>\$ 35.7</b>   | <b>\$(7.6)</b>          | <b>\$(9.1)</b>  |



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The accumulated benefit obligation for the Plan was \$371.3 million and \$338.6 million at December 31, 2004 and 2003, respectively.

The following actuarial assumptions were used in calculating the plans' year end funded status:

| Balance Sheets                | At December 31,  |       |                         |       |
|-------------------------------|------------------|-------|-------------------------|-------|
|                               | Pension Benefits |       | Postretirement Benefits |       |
|                               | 2004             | 2003  | 2004                    | 2003  |
| Discount rate                 | 6.00%            | 6.25% | 5.50%                   | 6.25% |
| Compensation/progression rate | 4.00%            | 3.75% | N/A                     | N/A   |
| Health care cost trend rate   | N/A              | N/A   | 8.00%                   | 9.00% |

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The components of net periodic benefit (income)/expense are:

| (Millions of Dollars)   | For the Years Ended December 31, |          |                         |        |
|---|----------------------------------|----------|-------------------------|--------|
|   | Pension Benefits                 |          | Postretirement Benefits |        |
|   | 2004                             | 2003     | 2004                    | 2003   |
| Service cost  | \$ 10.3                          | \$ 8.8   | \$ 1.4                  | \$ 1.1 |
| Interest cost   | 24.5                             | 23.9     | 4.9                     | 5.1    |
| Expected return on plan assets  | (33.1)                           | (34.2)   | (1.8)                   | (2.9)  |
| Amortization of unrecognized net transition (asset)/obligation            | (0.5)                            | (0.5)    | 1.5                     | 1.5    |
| Amortization of prior service cost  | 1.8                              | 1.8      | -                       | -      |
| Amortization of actuarial loss/(gain)                                     | 2.7                              | (1.4)    | 2.7                     | 1.2    |
| Other amortization, net   | -                                | -        | (0.1)                   | (0.1)  |
| Total - net periodic expense/(income) before special termination benefits | 5.7                              | (1.6)    | 8.6                     | 5.9    |
| Special termination benefit expense                                       | 0.7                              | -        | -                       | -      |
| Total - net periodic expense/(income)                                     | \$ 6.4                           | \$ (1.6) | \$ 8.6                  | \$ 5.9 |

For calculating pension and postretirement benefit income and expense amounts, the following assumptions were used:

| Statements of Income   | For the Years Ended December 31, |       |                         |       |
|--|----------------------------------|-------|-------------------------|-------|
|  | Pension Benefits                 |       | Postretirement Benefits |       |
|  | 2004                             | 2003  | 2004                    | 2003  |
| Discount rate  | 6.25%                            | 6.75% | 6.25%                   | 6.75% |
| Expected long-term rate of return                            | 8.75%                            | 8.75% | N/A                     | N/A   |
| Compensation/progression rate                                | 3.75%                            | 4.00% | N/A                     | N/A   |
| Expected long-term rate of return- Health assets, net of tax | N/A                              | N/A   | 6.85%                   | 6.85% |
| Life assets and non-taxable health assets                    | N/A                              | N/A   | 8.75%                   | 8.75% |

The following table represents the PBOP assumed health care cost trend rate for the next year and the assumed ultimate trend rate:

Year Following December 31,

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|  |       |       |
|--|-------|-------|
|  | 2004  | 2003  |
| Health care cost trend rate assumed for next year  | 7.00% | 8.00% |
| Rate to which health care trend rate is assumed    |       |       |
| to decline (the ultimate trend rate)               | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate | 2007  | 2007  |

The annual per capita cost of covered health care benefits was assumed to decrease by one percentage point each year through 2007.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of changing the assumed health care cost trend rate by one percentage point in each year would have the following effects:

| (Millions of Dollars)       | One Percentage<br>Point Increase | One Percentage<br>Point Decrease |
|-----------------------------|----------------------------------|----------------------------------|
| Effect on total service and |                                  |                                  |
| interest cost components    | \$0.2                            | \$(0.2)                          |
| Effect on postretirement    |                                  |                                  |
| benefit obligation          | \$2.9                            | \$(2.6)                          |

NUSCO's investment strategy for its Pension Plan and PBOP Plan is to maximize the long-term rate of return on those plans' assets within an acceptable level of risk. The investment strategy establishes target allocations, which are regularly reviewed and periodically rebalanced. NUSCO's expected long-term rates of return on

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Pension Plan assets and PBOP Plan assets are based on these target asset allocation assumptions and related expected long-term rates of return. In developing its expected long-term rate of return assumptions for the Pension Plan and the PBOP Plan, NUSCO also evaluated input from actuaries and consultants as well as long-term inflation assumptions and NUSCO's historical 20-year compounded return of approximately 11 percent. The Pension Plan's and PBOP Plan's target asset allocation assumptions and expected long-term rate of return assumptions by asset category are as follows:

| Asset Category          | Pension Benefits |            | Postretirement Benefits |         |
|-------------------------|------------------|------------|-------------------------|---------|
|                         | 2004 and 2003    |            | 2004 and 2003           |         |
|                         | Target           | Assumed    | Target                  | Assumed |
| Asset                   | Rate of          | Asset      | Rate of                 | Return  |
| Allocation              | Return           | Allocation | Return                  |         |
| Equity securities:      |                  |            |                         |         |
| United States           | 45%              | 9.25%      | 55%                     | 9.25%   |
| Non-United States       | 14%              | 9.25%      | 11%                     | 9.25%   |
| Emerging markets        | 3%               | 10.25%     | 2%                      | 10.25%  |
| Private                 | 8%               | 14.25%     | -                       | -       |
| Debt Securities:        |                  |            |                         |         |
| Fixed income            | 20%              | 5.50%      | 27%                     | 5.50%   |
| High yield fixed income | 5%               | 7.50%      | 5%                      | 7.50%   |
| Real estate             | 5%               | 7.50%      | -                       | -       |

The actual asset allocations at December 31, 2004 and 2003, approximated these target asset allocations. The plan's actual weighted-average asset allocations by asset category are as follows:

At December 31,

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| Asset Category            | Pension Benefits |             | Postretirement Benefits |             |
|---------------------------|------------------|-------------|-------------------------|-------------|
|                           | 2004             | 2003        | 2004                    | 2003        |
| <b>Equity securities:</b> |                  |             |                         |             |
| United States             | 47%              | 47%         | 55%                     | 59%         |
| Non-United States         | 17%              | 18%         | 14%                     | 12%         |
| Emerging markets          | 3%               | 3%          | 1%                      | 1%          |
| Private                   | 4%               | 3%          | -                       | -           |
| <b>Debt Securities:</b>   |                  |             |                         |             |
| Fixed income              | 19%              | 19%         | 28%                     | 25%         |
| High yield fixed income   | 5%               | 5%          | 2%                      | 3%          |
| Real estate               | 5%               | 5%          | -                       | -           |
| <b>Total</b>              | <b>100%</b>      | <b>100%</b> | <b>100%</b>             | <b>100%</b> |

*Estimated Future Benefit Payments:* The following benefit payments, which reflect expected future service, are expected to be paid for the Pension and PBOP Plans:

| Year | <i>(Thousands of Dollars)</i> |                         |                    |
|------|-------------------------------|-------------------------|--------------------|
|      | Pension Benefits              | Postretirement Benefits | Government Subsidy |
| 2005 | \$ 21,032                     | \$ 7,580                | \$ -               |
| 2006 | 21,220                        | 7,680                   | 329                |
| 2007 | 21,560                        | 7,748                   | 326                |

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|           |         |        |       |
|-----------|---------|--------|-------|
| 2008      | 21,958  | 7,553  | 319   |
| 2009      | 22,501  | 7,442  | 313   |
| 2010-2014 | 129,783 | 35,141 | 1,441 |

Government subsidy represents amounts expected to be received from the federal government for the new Medicare prescription drug benefit under the PBOP Plan.

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*Contributions:* NUSCO does not expect to make any contributions to the Pension Plan in 2005 and expects to make \$10.2 million in contributions to the PBOP Plan in 2005.

Currently, NUSCO's policy is to annually fund an amount at least equal to that which will satisfy the requirements of the Employee Retirement Income Security Act and Internal Revenue Code.

Postretirement health plan assets for non-union employees are subject to federal income taxes.

**4.**

**LEASES**

**General**

NUSCO has entered into lease agreements for the use of data processing and office equipment, vehicles, and office space. The provisions of these lease agreements generally provide for renewal options. At December 31, 2004 and 2003, NUSCO's capital lease obligations and rental payments, including interest, charged to operating expenses were not material. Operating lease rental payments charged to expense in 2004 and 2003 were \$7.2 million and \$2.9 million, respectively.

Future minimum rental payments, excluding executory costs such as property taxes, state use taxes, insurance, and maintenance, under long-term noncancelable operating leases, at December 31, 2004 are as follows (millions of dollars):

Year

2005

\$ 5.7

2006

5.6

2007

5.6

2008



5.5

2009

-

After 2009

-

Future minimum lease payments

\$22.4

#### Rocky River Realty Company

Rocky River Realty Company (RRR) provides real estate support services, including the leasing of properties and facilities used by NU's companies. During 1997, RRR repurchased certain notes that were secured by real estate leases between RRR as lessor and NUSCO as lessee. The repayment of these notes triggered the acceleration of rent paid by NUSCO to RRR. These amounts were subsequently billed by NUSCO to the applicable NU operating subsidiaries in their proportionate amounts. At December 31, 2004 and 2003, NUSCO has recorded long-term prepaid rent of \$14.8 million and \$16.1 million, respectively. The asset is being amortized on a straight-line basis and will be fully amortized in 2017.

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
FOR THE YEAR ENDED DECEMBER 31, 2004

SCHEDULE XV  
COMPARATIVE INCOME STATEMENT

| ACCOUNT<br>NUMBER | DESCRIPTION                                     | 2004                   | 2003       |
|-------------------|---|------------------------|------------|
|                   |   | (Thousands of Dollars) |            |
|                   | <u>INCOME</u>                                   |                        |            |
| 457               | Services rendered to associate companies        | \$ 272,590             | \$ 242,864 |
| 458               | Services rendered to nonassociated<br>companies | 6,330                  | 6,892      |
| 418               | Nonoperating rental income                      | (192)                  | (166)      |
| 419               | Interest and dividend income                    | 1,973                  | 153        |
| 421               | Miscellaneous income or loss                    | 551                    | (45)       |
| 456               | Other electric revenues                         | 75                     | 86         |
|                   | Total Income                                    | 281,327                | 249,784    |
|                   | <u>EXPENSE</u>                                  |                        |            |
| 500-559           | Power production                                | 5,287                  | 6,036      |
| 560-579           | Transmission                                    | 7,663                  | 6,084      |
| 580-599           | Electric distribution                           | 4,471                  | 4,546      |
| 870-894           | Gas distribution                                | 39                     | 93         |
| 901-906           | Customer accounting and collection<br>expenses  | 9,268                  | 9,712      |
| 907-910           | Customer accounts expenses                      | 7,211                  | 6,780      |
| 911-917           | Sales expenses                                  | 412                    | 390        |
| 920               | Administrative and general salaries             | 75,380                 | 76,995     |
| 921               | Office supplies and expenses                    | 20,387                 | 10,423     |
| 922               | Administrative expense transferred-credit       | -                      | -          |
| 923               | Outside services employed                       | 28,528                 | 20,759     |
| 924               | Property insurance                              | 4                      | 49         |
| 925               | Injuries and damages                            | 3,613                  | 3,634      |
| 926               | Employee pensions and benefits                  | 37,957                 | 25,665     |
| 928               | Regulatory commission expenses                  | 2,645                  | 1,601      |
| 930.1             | General advertising expenses                    | 68                     | 49         |
| 930.2             | Miscellaneous general expenses                  | 1,597                  | 821        |
| 931               | Rents   | 7,468                  | 7,052      |
| 935               | Maintenance of general plant                    | 425                    | 608        |

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|       |  |          |         |
|-------|--|----------|---------|
| 403   | Depreciation expense                         | 13,068   | 9,712   |
| 408   | Taxes other than income taxes                | 11,471   | 9,684   |
| 409   | Income taxes                                 | (12,398) | 1,311   |
| 410   | Provision for deferred income taxes          | 6,474    | 5,459   |
| 411   | Provision for deferred income taxes - credit | (6,767)  | (7,841) |
| 417.1 | Expenses of nonutility operations            | 4        | 3       |
| 426.1 | Donations                                    | 199      | 132     |
| 426.5 | Other deductions                             | 6,838    | 11,197  |
| 427   | Interest on long-term debt                   | -        | -       |
| 430   | Interest on debt to associated companies     | -        | -       |
| 431   | Other interest expense                       | 244      | 50      |
|       | Total Expense                                | 231,556  | 211,004 |

COST OF SERVICE - BALANCE SHEET

|     |  |        |         |
|-----|--|--------|---------|
| 107 | Construction work in progress                    | 36,531 | 35,185  |
| 108 | Accumulated provision for depreciation           | 370    | 278     |
| 152 | Fuel stock expenses undistributed                | 569    | 548     |
| 163 | Stores expense undistributed                     | 623    | 698     |
| 165 | Prepayments                                      | 488    | (1,286) |
| 181 | Unamortized debt expense                         | -      | 27      |
| 182 | Other regulatory assets                          | 1      | 1       |
| 184 | Clearing accounts                                | 1,122  | 1,014   |
| 186 | Miscellaneous deferred debits                    | 9,178  | 1,076   |
| 188 | Research, development and demonstration expenses | 4      | -       |
| 228 | Medical accrual                                  | -      | (215)   |
| 228 | Environmental accrual                            | 201    | 264     |
| 229 | Accumulated provision for rate refunds           | -      | (65)    |
| 232 | Accounts payable                                 | 10     | 167     |
| 236 | Taxes accrued                                    | 700    | 1,125   |
| 242 | Miscellaneous current and accrued liabilities    | (47)   | (49)    |
| 254 | Other regulatory liabilities                     | 21     | 12      |
|     | Total cost of service - balance sheet            | 49,771 | 38,780  |
|     | Net Income/(Loss)                                | \$ -   | \$ -    |

## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

ANALYSIS OF BILLING  
ASSOCIATE COMPANIES  
ACCOUNT 457

| NAME OF ASSOCIATE<br>COMPANY                 | DIRECT                 | INDIRECT | COMPENSATION | TOTAL    |
|--|------------------------|----------|--------------|----------|
|  | COSTS                  | COSTS    | FOR USE      | AMOUNT   |
|  | CHARGED                | CHARGED  | OF CAPITAL   | BILLED   |
|  | (Thousands of Dollars) |          |              |          |
|  | 457-1                  | 457-2    | 457-3        |          |
| Northeast Utilities                          | \$ 2,448               | \$ 130   | \$ -         | \$ 2,578 |
| The Connecticut Light and Power<br>Company   | 148,007                | 9,286    | -            | 157,293  |
| Public Service Company of New<br>Hampshire   | 31,782                 | 1,946    | -            | 33,728   |
| North Atlantic Energy Corporation            | 75                     | 2        | -            | 77       |
| Western Massachusetts Electric<br>Company    | 23,237                 | 1,476    | -            | 24,713   |
| Holyoke Water Power Company                  | 430                    | 36       | -            | 466      |
| Holyoke Power and Electric<br>Company        | 18                     | 1        | -            | 19       |
| Yankee Energy System, Inc.                   | 26                     | 3        | -            | 29       |
| Yankee Gas Services Company                  | 18,938                 | 1,126    | -            | 20,064   |
| NORCONN Properties, Inc.                     | 8                      | 1        | -            | 9        |
| Yankee Energy Financial Services<br>Company  | 15                     | 1        | -            | 16       |
| Northeast Nuclear Energy<br>Company          | 10                     | -        | -            | 10       |
| North Atlantic Energy Service<br>Corporation | 379                    | -        | -            | 379      |
| The Quinnehtuk Company                       | 29                     | 3        | -            | 32       |
| The Rocky River Realty Company               | 399                    | 13       | -            | 412      |
| Properties, Inc.                             | 11                     | 1        | -            | 12       |
| NU Enterprises, Inc.                         | 1,709                  | 83       | -            | 1,792    |
| Northeast Generation Company                 | 1,113                  | 85       | -            | 1,198    |

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|                                       |            |           |      |            |
|---------------------------------------|------------|-----------|------|------------|
| Northeast Generation Services Company | 4,117      | 273       | -    | 4,390      |
| Mode 1 Communications, Inc.           | 49         | 4         | -    | 53         |
| Select Energy, Inc.                   | 19,080     | 1,045     | -    | 20,125     |
| Select Energy New York, Inc.          | 830        | 48        | -    | 878        |
| Select Energy Services, Inc.          | 3,502      | 87        | -    | 3,589      |
| E.S. Boulos Company                   | 591        | 2         | -    | 593        |
| NGS Mechanical, Inc.                  | 1          | -         | -    | 1          |
| Woods Electrical Co., Inc.            | 124        | -         | -    | 124        |
| Woods Network Services, Inc.          | 10         | -         | -    | 10         |
| Total                                 | \$ 256,938 | \$ 15,652 | \$ - | \$ 272,590 |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

ANALYSIS OF BILLING  
NONASSOCIATE COMPANIES  
ACCOUNT 458

| NAME OF<br>NONASSOCIATE<br>COMPANY             | DIRECT   | INDIRECT | COMPENSATION | TOTAL    | EXCESS     | TOTAL    |
|--|----------|----------|--------------|----------|------------|----------|
|  | COSTS    | COSTS    | FOR USE      |          | OR         | AMOUNT   |
|  | CHARGED  | CHARGED  | OF CAPITAL   | COSTS    | DEFICIENCY | BILLED   |
|  | 458-1    | 458-2    | 458-3        |          | 458-4      |          |
| Connecticut Yankee Atomic<br>Power Company (2) | \$ (20)  | \$ 1     | \$ -         | \$ (19)  | \$ -       | \$ (19)  |
| Connecticut Valley Electric<br>Exchange (1)    | 5,884    | 356      | -            | 6,240    | -          | 6,240    |
| New England Power<br>Exchange (1)              | 109      | -        | -            | 109      | -          | 109      |
| Total  | \$ 5,973 | \$ 357   | \$ -         | \$ 6,330 | \$ -       | \$ 6,330 |

(Thousands of Dollars)

INSTRUCTIONS: Provide a brief description of the services rendered to each nonassociate company:

(1)

Northeast Utilities Service Company supplies centralized accounting, administrative, data processing, engineering, financial, legal, operational, planning, purchasing, and/or other services.

(2)

Northeast Utilities Service Company supplies benefits administration services.



ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

## SCHEDULE XVI

## ANALYSIS OF CHANGES FOR SERVICE

## ASSOCIATE AND NONASSOCIATE COMPANIES

| NUMBER  | DESCRIPTION OF ITEMS                        | ASSOCIATE              | NONASSOCIATE | TOTAL       |
|---------|---|------------------------|--------------|-------------|
|         |   | COMPANY                | COMPANY      | CHARGES FOR |
|         |   | CHARGES                | CHARGES      | SERVICE     |
|         |   | (Thousands of Dollars) |              |             |
| 500-559 | Power production                            | \$ (1,062)             | \$ 6,349     | \$ 5,287    |
| 560-579 | Transmission                                | 7,663                  | -            | 7,663       |
| 580-599 | Electric distribution                       | 4,471                  | -            | 4,471       |
| 870-894 | Gas distribution                            | 39                     | -            | 39          |
| 901-906 | Customer accounting and collection expenses | 9,268                  | -            | 9,268       |
| 907-910 | Customer service and informational expenses | 7,211                  | -            | 7,211       |
| 911-917 | Demonstrating and selling expenses          | 412                    | -            | 412         |
| 920     | Salaries and wages                          | 75,380                 | -            | 75,380      |
| 921     | Office supplies and expenses                | 20,387                 | -            | 20,387      |
| 922     | Administrative expense transferred-credit   | -                      | -            | -           |
| 923     | Outside services employed                   | 28,528                 | -            | 28,528      |
| 924     | Property insurance                          | 4                      | -            | 4           |
| 925     | Injuries and damages                        | 3,613                  | -            | 3,613       |
| 926     | Employee pensions and benefits              | 37,957                 | -            | 37,957      |
| 928     | Regulatory commission expense               | 2,645                  | -            | 2,645       |
| 930.1   | General advertising expenses                | 68                     | -            | 68          |
| 930.2   | Miscellaneous general expenses              | 1,597                  | -            | 1,597       |
| 931     | Rents                                       | 7,468                  | -            | 7,468       |
| 935     | Maintenance of structures and equipment     | 425                    | -            | 425         |
| 403     | Depreciation and amortization expense       | 13,068                 | -            | 13,068      |



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|       |  |          |       |          |
|-------|--|----------|-------|----------|
| 408   | Taxes other than income taxes              | 11,471   | -     | 11,471   |
| 409   | Income taxes                               | (12,398) | -     | (12,398) |
| 410   | Provision for deferred income taxes        | 6,474    | -     | 6,474    |
| 411   | Provision for deferred income taxes-credit | (6,767)  | -     | (6,767)  |
| 417.1 | Expenses of nonutility operations          | 4        | -     | 4        |
| 426.1 | Donations                                  | 199      | -     | 199      |
| 426.5 | Other deductions                           | 6,838    | -     | 6,838    |
| 427   | Interest on long-term debt                 | -        | -     | -        |
| 431   | Other interest expense                     | 244      | -     | 244      |
|       | Total Expense                              | 225,207  | 6,349 | 231,556  |

COST OF SERVICE - BALANCE SHEET

|     |  |        |      |        |
|-----|--|--------|------|--------|
| 107 | Construction work in progress                    | 36,531 | -    | 36,531 |
| 108 | Accumulated provision for depreciation           | 370    | -    | 370    |
| 152 | Fuel stock expenses undistributed                | 569    | -    | 569    |
| 163 | Stores expenses undistributed                    | 623    | -    | 623    |
| 165 | Prepayments                                      | 488    | -    | 488    |
| 182 | Other regulatory assets                          | 1      | -    | 1      |
| 184 | Clearing accounts                                | 1,122  | -    | 1,122  |
| 186 | Miscellaneous deferred debits                    | 9,197  | (19) | 9,178  |
| 188 | Research, development and demonstration expenses | 4      | -    | 4      |
| 228 | Environmental accrual                            | 201    | -    | 201    |
| 232 | Accounts payable                                 | 10     | -    | 10     |
| 236 | Taxes accrued                                    | 700    | -    | 700    |
| 242 | Miscellaneous current and accrued liabilities    | (47)   | -    | (47)   |
| 254 | Other regulatory liabilities                     | 21     | -    | 21     |
|     | Cost of service - balance sheet                  | 49,790 | (19) | 49,771 |

Compensation for use of equity capital:

|     |   |         |   |         |
|-----|---|---------|---|---------|
| 430 | Interest on debt to associate companies | -       | - | -       |
| 431 | Other interest expense                  | -       | - | -       |
|     | Total expenses                          | -       | - | -       |
| 418 | Nonoperating rental income              | 192     | - | 192     |
| 419 | Interest and dividend income            | (1,973) | - | (1,973) |

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|     |                              |            |          |            |
|-----|------------------------------|------------|----------|------------|
| 421 | Miscellaneous income or loss | (551)      | -        | (551)      |
| 456 | Other electric revenues      | (75)       | -        | (75)       |
|     | Total cost of service        | \$ 272,590 | \$ 6,330 | \$ 278,920 |

INSTRUCTION:

Total cost of service will equal, for associate and nonassociate companies, the total amount billed under their separate analysis of billing schedules.

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## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

## SCHEDULE XVII

## SCHEDULE OF EXPENSE DISTRIBUTION BY DEPARTMENT OR SERVICE FUNCTION

## DEPARTMENT OR SERVICE FUNCTION

| ACCOUNT NUMBER         | DESCRIPTION                                 | TOTAL AMOUNT | (1)  | (2)    | (3)   | (4)   | (5)      | (6)   | (7)  | (8)  | (9)   | (10)  |
|------------------------|---|--------------|------|--------|-------|-------|----------|-------|------|------|-------|-------|
| (Thousands of Dollars) |   |              |      |        |       |       |          |       |      |      |       |       |
| <u>EXPENSE</u>         |   |              |      |        |       |       |          |       |      |      |       |       |
| 500-559                | Power production                            | \$ 5,287     | \$ - | \$ 123 | \$ 13 | \$ 82 | \$ 5,013 | \$ 28 | \$ - | \$ - | \$ 19 | \$ -  |
| 560-579                | Transmission                                | 7,663        | 7    |        | 1     |       | 7,663    | 6     | 3    |      | 3     |       |
| 580-599                | Electric distribution                       | 4,471        |      | 18     | 1,927 | 2     | 121      | 1     | 6    |      | 426   |       |
| 870-894                | Gas distribution                            | 39           |      |        | 21    |       | 4        |       |      |      | 14    |       |
| 901-906                | Customer accounting and collection expenses | 9,268        |      | 1      | 8,807 | 439   |          |       |      |      | 10    |       |
| 907-910                | Customer accounts expenses                  | 7,211        |      | 1      | 6,091 |       | 5        | 399   |      |      | 2     |       |
| 911-917                | Sales expenses                              | 412          |      |        | 15    | 396   |          |       |      |      | 1     |       |
| 920                    | Administrative and general salaries         | 75,380       | 984  | 18,114 | 5,472 | 6,097 | 1,836    | 4,896 | 24   | 400  | 5,841 | 2,563 |
| 921                    | Office supplies and expenses                | 20,387       | 132  | 7,509  | 484   | 677   | 324      | 273   | 92   | 58   | 482   | 40    |
| 922                    | Administrative expense transferred-credit   | -            |      |        |       |       |          |       |      |      |       |       |
| 923                    | Outside services employed                   | 28,528       | 7    | 13,330 | 542   | 1,318 | 1,130    | 1,448 | 209  | 800  | 3,926 | 564   |
| 924                    | Property insurance                          | 4            |      |        |       |       |          | 4     |      |      |       |       |
| 925                    | Injuries and damages                        | 3,613        |      |        |       |       | 1        | 8     |      |      | 2,778 | 826   |

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|               |  |          |       |        |        |       |        |         |        |        |        |
|---------------|--|----------|-------|--------|--------|-------|--------|---------|--------|--------|--------|
| 926           | Employee pensions and benefits               | 37,957   |       | 468    | 126    |       | 6      | 113     | 23,981 | 13,193 |        |
| 928           | Regulatory commission expenses               | 2,645    |       |        |        | 147   | 1,128  | 1,370   |        |        |        |
| 930.1         | General advertising expenses                 | 68       |       |        |        |       |        | 68      |        |        |        |
| 930.2         | Miscellaneous general expenses               | 1,597    | 20    | 255    | 27     | 214   | 343    | 4827    | 357    | 73     |        |
| 931           | Rents  | 7,468    |       | 7,269  |        | 2     | 3      | 46      | 37     | 3      |        |
| 935           | Maintenance of general plant                 | 425      |       |        |        |       | 10     |         | 409    |        |        |
| 403           | Depreciation expense                         | 13,068   |       |        |        |       |        |         |        |        |        |
| 408           | Taxes other than income taxes                | 11,471   |       |        |        |       |        |         |        |        |        |
| 409           | Income taxes                                 | (12,398) |       |        |        |       |        |         |        |        |        |
| 410           | Provision for deferred income taxes          | 6,474    |       |        |        |       |        |         |        |        |        |
| 411           | Provision for deferred income taxes - credit | (6,767)  |       |        |        |       |        |         |        |        |        |
| 417.1         | Expenses of nonutility operations            | 4        |       |        |        |       | 4      |         |        |        |        |
| 426.1         | Other deductions                             | 199      | 4     |        | 119    |       |        | 3318    | 19     |        |        |
| 426.5         | Donations                                    | 6,838    | 67    |        | 80     |       | 58     | 2,45206 |        |        |        |
| 427           | Interest on long-term debt                   | -        |       |        |        |       |        |         |        |        |        |
| 430           | Interest on debt to associated companies     | -        |       |        |        |       |        |         |        |        |        |
| 431           | Other interest expense                       | 244      |       |        |        |       |        |         |        |        |        |
|               | Total Expense                                | 231,556  | 1,221 | 47,088 | 23,725 | 9,374 | 17,649 | 10,364  | 11,258 | 38,305 | 17,262 |
| BALANCE SHEET |  |          |       |        |        |       |        |         |        |        |        |
| 107           | Construction work in progress                | 36,531   | 19    | 436    | 3,346  | 1,707 | 15,706 | 23549   |        | 121    |        |
| 108           | Accumulated                                  | 370      |       | 88     |        |       | 174    |         |        | 11     |        |

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|     |   |            |          |           |           |           |           |           |              |           |           |
|-----|---|------------|----------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|-----------|
|     | provision for depreciation                        |            |          |           |           |           |           |           |              |           |           |
| 152 | Fuel stock expenses undistributed                 | 569        |          |           | 569       |           |           |           |              |           |           |
| 163 | Stores expense undistributed                      | 623        |          | 111       |           |           |           |           |              |           |           |
| 165 | Prepayments                                       | 488        |          |           |           |           |           |           |              |           |           |
| 182 | Other regulatory assets                           | 1          |          |           |           |           |           |           |              |           | 1         |
| 184 | Clearing accounts                                 | 1,122      | 4        |           | 39        |           |           | 19        |              |           | 1         |
| 186 | Miscellaneous deferred debits                     | 9,178      |          | 38        | 8,951     |           | 83        | 14        |              |           | 51        |
| 188 | Research, development, and demonstration expenses | 4          |          |           |           |           |           |           |              |           | 4         |
| 228 | Environmental accrual                             | 201        |          |           |           |           | 2         | 7         |              |           | 192       |
| 232 | Accounts payable                                  | 10         |          |           |           |           |           |           |              |           |           |
| 236 | Taxes accrued                                     | 700        |          |           |           |           |           |           |              |           |           |
| 242 | Miscellaneous current and accrued liabilities     | (47)       |          |           |           |           |           |           |              |           |           |
| 254 | Other regulatory liabilities                      | 21         |          |           |           |           |           | 8         |              |           | 13        |
|     | Total Cost of Service - Balance Sheet             | 49,771     | 23       | 673       | 12,905    | 1,707     | 15,965    | 28,349    | -            | 394       | -         |
|     | Total Expenses Distributed                        | \$ 281,327 | \$ 1,244 | \$ 47,761 | \$ 36,630 | \$ 11,081 | \$ 33,614 | \$ 10,847 | \$ 3,460,258 | \$ 38,699 | \$ 17,262 |

INSTRUCTIONS:

Indicate each department or service function. (See Instruction 01-3 General Structure of Accounting System: Uniform System of Accounts)

See page 25 for explanation of above service functions.

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE XVII  
KEYS FOR SERVICE FUNCTIONS

| <u>KEYS</u> | <u>SERVICE FUNCTION</u>                         |
|-------------|---|
| (1)         | Chairman, President and Chief Executive Officer |
| (2)         | Senior V.P. and Chief Financial Officer         |
| (3)         | President - Utility Group                       |
| (4)         | President - Competitive Group                   |
| (5)         | President - Transmission Group                  |
| (6)         | Senior V.P., Secretary and General Counsel      |
| (7)         | V.P. - Corporate Communications                 |
| (8)         | V.P. - Investor Relations                       |
| (9)         | V.P. - Human Resources                          |
| (10)        | V.P. and Treasurer                              |
| (11)        | V.P. - Governmental Affairs                     |
| (12)        | V.P. - Utility Group Services                   |
| (13)        | V.P. - Accounting and Controller                |
| (14)        | V.P. - Regulatory and Governmental Affairs      |
| (15)        | Director - Internal Audit and Security          |
| (16)        | Corporate Expenses - unallocated                |

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## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

## DEPARTMENTAL ANALYSIS OF SALARIES

| <u>NAME OF DEPARTMENT</u><br>Indicate each dept.<br>or service function. | DEPARTMENTAL SALARY EXPENSE<br>INCLUDED IN AMOUNTS BILLED TO |                   |                     |                   | NUMBER OF<br>PERSONNEL<br>END<br>OF YEAR |
|--|--|-------------------|---------------------|-------------------|--|
|  | TOTAL<br>AMOUNT  | PARENT<br>COMPANY | OTHER<br>ASSOCIATES | NON<br>ASSOCIATES |  |
|  | (Thousands of Dollars)                                       |                   |                     |                   |  |
| Chairman, President and<br>Chief Executive Officer                       | \$ 1,024   | \$ 39             | \$ 985              | \$ -              | 3  |
| Senior V.P. and Chief<br>Financial Officer                               | 21,229   | 255               | 20,974              | -                 | 355                                      |
| President - Utility Group  | 22,232   | -                 | 22,232              | -                 | 308                                      |
| President - Competitive<br>Group   | 8,307  | -                 | 8,307               | -                 | 94                                       |
| President - Transmission<br>Group  | 21,979   | 1                 | 19,051              | 2,927             | 263                                      |
| Senior V.P., Secretary and<br>General Counsel                            | 6,902  | 217               | 6,683               | 2                 | 67                                       |
| V.P. - Corporate<br>Communications                                       | 2,415  | 4                 | 2,411               | -                 | 29                                       |
| V.P. - Investor Relations  | 403  | 9                 | 394                 | -                 | 4  |
| V.P. - Human Resources   | 8,183  | -                 | 8,183               | -                 | 93                                       |
| V.P. and Treasurer   | 2,572  | 264               | 2,308               | -                 | 28                                       |
| V.P. - Governmental Affairs  | 573  | -                 | 573                 | -                 | 5  |
| V.P. - Utility Group Services  | 19,008   | 7                 | 19,000              | 1                 | 144                                      |
| V.P. - Accounting and<br>Controller                                      | 8,301  | 77                | 8,218               | 6                 | 110                                      |
| V.P. - Regulatory and<br>Governmental Affairs                            | 6,112  | -                 | 6,112               | -                 | 72                                       |
| Director - Internal Audit and<br>Security                                | 1,421  | 23                | 1,398               | -                 | 19                                       |
| Total  | \$ 130,661   | \$ 896            | \$ 126,829          | \$ 2,936          | 1,594                                    |





## ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

## OUTSIDE SERVICES EMPLOYED

## INSTRUCTIONS:

Provide a breakdown by subaccount of outside services employed. If the aggregate amounts paid to any one payee and included within one subaccount is less than \$100,000, only the aggregate number and amount of all such payments included within the subaccount need be shown. Provide a subtotal for each type of service.

| FROM WHOM PURCHASED                  | RELATIONSHIP<br>"A"-ASSOCIATE<br>"NA"-NON<br>ASSOCIATE | AMOUNT<br>(Thousands<br>of Dollars) |
|--------------------------------------|--|-------------------------------------|
| <u>ADVERTISING SERVICES</u>          |  |                                     |
| MISCELLANEOUS (9 PAYEES)             | NA   | \$ 196                              |
| TOTAL ADVERTISING SERVICES           |  | \$ 196                              |
| <u>AUDITING SERVICES</u>             |  |                                     |
| DELOITTE & TOUCHE                    | NA   | \$ 115                              |
| TOTAL AUDITING SERVICES              |  | \$ 115                              |
| <u>COMPUTER SERVICES</u>             |  |                                     |
| GE CAPITAL TECHNOLOGY                | NA   | \$ 178                              |
| IBM CORPORATION                      | NA   | 5,105                               |
| INTELLIGENT TECHNOLOGY SYSTEMS, INC. | NA   | 368                                 |
| WOODS NETWORK SERVICES, INC.         | A  | 454                                 |
| MISCELLANEOUS (12 PAYEES)            | NA   | 256                                 |
| TOTAL COMPUTER SERVICES              |  | \$ 6,361                            |
| <u>ENGINEERING SERVICES</u>          |  |                                     |
| ABB, INC.                            | NA   | \$ 117                              |
| MISCELLANEOUS (5 PAYEES)             | NA   | 55                                  |
| TOTAL ENGINEERING SERVICES           |  | \$ 172                              |
| <u>LEGAL SERVICES</u>                |  |                                     |

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|  |    |    |       |
|--|----|----|-------|
| CARMODY & TORRANCE LLP                   | NA | \$ | 178   |
| DAY, BARRY & HOWARD                      | NA |    | 237   |
| STEPTOE & JOHNSON LLP                    | NA |    | 1,461 |
| MISCELLANEOUS (8 PAYEES)                 | NA |    | 194   |
| TOTAL LEGAL SERVICES                     |    | \$ | 2,070 |
| <br><u>PRINTING SERVICES</u>             |    |    |       |
| ALLIED PRINTING SERVICES, INC.           | NA | \$ | 276   |
| MISCELLANEOUS (4 PAYEES)                 | NA |    | 216   |
| TOTAL PRINTING SERVICES                  |    | \$ | 492   |
| <br><u>TEMPORARY EMPLOYMENT SERVICES</u> |    |    |       |
| COMENSURA, INC.                          | NA | \$ | 9,850 |
| ROBERT HALF INTERNATIONAL, INC.          | NA |    | 109   |
| MISCELLANEOUS (3 PAYEES)                 | NA |    | 27    |
| TOTAL TEMPORARY EMPLOYMENT SERVICES      |    | \$ | 9,986 |
| <br><u>TRANSFER AGENT FEES</u>           |    |    |       |
| THE BANK OF NEW YORK                     | NA | \$ | 714   |
| TOTAL TRANSFER AGENT FEES                |    | \$ | 714   |
| <br><u>OTHER SERVICES</u>                |    |    |       |
| ACCENTURE LLP                            | NA | \$ | 422   |
| AVALONE DIBELLA & ASSOCIATES             | NA |    | 104   |
| BERENSON & COMPANY                       | NA |    | 248   |
| BOND AND COMPANY, INC.                   | NA |    | 202   |
| BRUCE D. KENYON                          | NA |    | 244   |
| CAMINUS CORPORATION                      | NA |    | 144   |
| CITIBANK NA                              | NA |    | 591   |
| COGNISA SECURITY, INC.                   | NA |    | 514   |
| COUNTERPANE INTERNET SECURITY, INC.      | NA |    | 101   |
| CREDIT UNION NATIONAL ASSOCIATION        | NA |    | 135   |
| DIGITAL INSPECTIONS                      | NA |    | 207   |
| DUPONT SYSTEMS                           | NA |    | 408   |
| EMC CORP                                 | NA |    | 508   |

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|   |    |           |
|---|----|-----------|
| ERGONOMIC GROUP                           | NA | 1,149     |
| ERNST & YOUNG LLP                         | NA | 295       |
| GARTNER GROUP, INC.                       | NA | 116       |
| THE GELFOND GROUP, INC.                   | NA | 118       |
| HEIDRICK & STRUGGLES, INC.                | NA | 294       |
| HEWITT ASSOCIATES                         | NA | 286       |
| HEWLETT PACKARD                           | NA | 123       |
| INFOSYS TECHNOLOGIES LIMITED              | NA | 415       |
| IOS CAPITAL                               | NA | 246       |
| ISSUES MANAGEMENT                         | NA | 141       |
| THE KALEEL JAMISON CONSULTING GROUP, INC. | NA | 243       |
| KPMG PEAT MARWICK                         | NA | 387       |
| LAZARD FRERES & CO LLC                    | NA | 537       |
| MERCER MANAGEMENT CONSULTING              | NA | 1,026     |
| META GROUP, INC.                          | NA | 240       |
| MILLETTE ASSOCIATES PC                    | NA | 168       |
| MYSTIC AIR QUALITY CONSULTANTS            | NA | 131       |
| OBVIENT STRATEGIES, INC.                  | NA | 282       |
| PAMELA E. SEARLE                          | NA | 115       |
| PATTERSON PRUDEN LLC                      | NA | 137       |
| PEARL MEYER & PARTNERS                    | NA | 295       |
| PINNACLE CALL CENTER SOLUTIONS            | NA | 1,908     |
| PLATTS                                    | NA | 110       |
| PRICEWATERHOUSE COOPERS LLP               | NA | 141       |
| PRO FITNESS                               | NA | 838       |
| ROCKWELL INTERNATIONAL                    | NA | 197       |
| RYAN BUSINESS SYSTEMS, INC.               | NA | 162       |
| SELECT ENERGY NEW YORK, INC.              | A  | 181       |
| SUMTOTAL SYSTEMS, INC.                    | NA | 231       |
| TOWERS PERRIN                             | NA | 576       |
| WATSON WYATT & CO                         | NA | 175       |
| MISCELLANEOUS (349 payees)                | NA | 4,679     |
| TOTAL OTHER SERVICES                      |    | \$ 19,770 |
| TOTAL OUTSIDE SERVICES EMPLOYED           |    | \$ 39,876 |



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For the Year Ended December 31, 2004

OUTSIDE SERVICES EMPLOYED

| VENDOR NAME                          | DESCRIPTION OF SERVICES RENDERED   |
|--------------------------------------|--|
| <u>AUDITING SERVICES</u>             |  |
| DELOITTE & TOUCHE                    | Provide professional services pertaining to Northeast Utilities Service Companies retirement plan                                |
| <u>COMPUTER SERVICES</u>             |  |
| GE CAPITAL TECHNOLOGY                | Provide design, creation and management of IT infrastructure<br>Furnish integrated services including both hardware and software |
| IBM CORPORATION                      | for the Asset Management system  |
| INTELLIGENT TECHNOLOGY SYSTEMS, INC. | Provide production server support services   |
| WOODS NETWORK SERVICES, INC.         | Provide software and maintenance support services  |
| <u>ENGINEERING SERVICES</u>          |  |
| ABB, INC.                            | Provide consulting services pertaining to proposed transmission line   |
| <u>LEGAL SERVICES</u>                |  |
| CARMODY & TORRANCE LLP               | Provide legal services on a requested basis  |
| DAY, BERRY & HOWARD                  | Provide legal services on a requested basis  |
| STEPTOE & JOHNSON LLP                | Provide legal services on a requested basis  |
| <u>PRINTING SERVICES</u>             |  |
| ALLIED PRINTING SERVICES, INC.       | Printing of Northeast Utilities annual reports   |
| <u>TEMPORARY EMPLOYMENT SERVICES</u> |  |
| COMENSURA, INC.                      | Temporary labor services   |
| ROBERT HALF INTERNATIONAL, INC.      | Temporary labor services   |
| <u>TRANSFER AGENT FEES</u>           |  |
| THE BANK OF NEW YORK                 | Provide agent fee services   |
| <u>OTHER SERVICES</u>                |  |
| ACCENTURE LLP                        | Provide consulting integration services  |
| AVALLONE DIBELLA & ASSOCIATES        | Provide lobbying services  |
| BERESON & COMPANY                    | Provide professional services  |

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|   |  |
|---|--|
| BOND AND COMPANY, INC.                    | Provide consulting services related to government affairs and strategic planning   |
| BRUCE D. KENYON                           | Provide consulting services  |
| CAMINUS CORPORATION                       | Provide professional services  |
| CITIBANK NA                               | Furnish insurance imprest fund   |
| COGNISA SECURITY, INC.                    | Provide uniformed security guard services  |
| COUNTERPANE INTERNET SECURITY, INC.       | Provide standard managed security monitoring                                       |
| CREDIT UNION NATIONAL ASSOCIATION         | Provide rental space for government affairs  |
| DIGITAL INSPECTIONS                       | Provide professional services pertaining to transmission line thermal capabilities |
| DUPONT SYSTEMS, INC.                      | Provide professional services pertaining to real estate mapping                    |
| EMC CORPORATION                           | Provide professional services relating to disaster recovery plan                   |
| THE ERGONOMIC GROUP                       | Provide desktop support services   |
| ERNST & YOUNG LLP                         | Provide professional services pertaining to real estate                            |
| GARTNER GROUP, INC.                       | Provide research/advisory services   |
| THE GELFOND GROUP, INC.                   | Provide professional services pertaining to employee survey                        |
| HEIDRICK & STRUGGLES, INC.                | Provide professional services for executive search                                 |
| HEWITT ASSOCIATES                         | Furnish consulting and actuarial services related to company pension plans         |
| HEWLETT PACKARD                           | Provide computer relocation service  |
| INFOSYS TECHNOLOGIES LIMITED              | Provide services for customer services integration workstation project             |
| IOS CAPITAL                               | Provide computer maintenance services  |
| ISSUES MANAGEMENT                         | Provide consulting and lobbying services   |
| THE KALEEL JAMISON CONSULTING GROUP, INC. | Provide consulting services  |
| KPMG PEAT MARWICK                         | Provide services primarily relating to Sarbanes-Oxley                              |
| LAZARD FRERES & CO LLC                    | Provide professional services  |
| MERCER MANAGEMENT CONSULTING              | Provide consulting services relating to corporate and support services             |
| META GROUP                                | Provide research services  |
| MILLETTE ASSOCIATES P.C.                  | Provide onsite physician services to NU  |
| MYSTIC AIR QUALITY CONSULTANTS            | Provide consulting services related to air quality                                 |
| OBVIENT STRATEGIES, INC.                  | Provide a comprehensive project scheduling and financial management system         |
| PAMELA E. SEARLE                          | Provide consulting services pertaining to human resource process                   |
| PATTERSON PRUDEN LLC                      | Provide IT consulting services for the CS DEX project                              |
| PEARLE MEYER & PARTNERS                   | Provide consulting services on senior management compensation                      |
| PINNACLE CALL CENTER SOLUTIONS            | Provide call center business process consulting services                           |
| PLATTS                                    | Provide RDI services   |

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|                             |  |
|-----------------------------|--|
| PRICEWATERHOUSE COOPERS LLP | Provide professional services rendered in connection with risk reporting project |
| PRO FITNESS                 | Furnish consulting services to develop the WellAware Program                     |
| ROCKWELL INTERNATIONAL      | Provide maintenance support services to customer service centers                 |
| RYAN BUSINESS SYSTEM, INC.  | Provide copier/MFD equipment and service   |
| SELECT ENERGY NEW YORK, INC | Provide IT contractors and advertising   |
| SUMTOTAL SYSTEMS, INC.      | Provide professional services  |
| TOWERS PERRIN               | Provide actuarial services   |
| WATSON WYATT & CO           | Provide consulting services related to pension calculation system                |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

EMPLOYEE PENSIONS AND BENEFITS

ACCOUNT 926

INSTRUCTIONS:

Provide a listing of each pension plan and benefit program provided by the service company. Such listing should be limited to \$25,000.

| DESCRIPTION  | AMOUNT<br>(Thousands<br>of Dollars) |
|--|-------------------------------------|
| Pension Plan   | \$ 13,394                           |
| Supplemental Retirement and Savings Plan                                     | 3,234                               |
| Group Life, Long-term Disability, Hospital<br>and Medical Insurance Expenses | 11,404                              |
| Post Retirement Medical Benefit - FAS 106                                    | 9,012                               |
| Other Employee Benefits Expenses   | 913                                 |
| Total  | \$ 37,957                           |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

GENERAL ADVERTISING EXPENSES

ACCOUNT 930.1

INSTRUCTIONS:

Provide a listing of the amount included in Account 930.1, "General Advertising Expenses," classifying the items according to the nature of the advertising and as defined in the account definition. If a particular class includes an amount in excess of \$3,000 applicable to a single payee, show separately the name of the payee and the aggregate amount applicable thereto.

| DESCRIPTION/NAME OF PAYEE       | AMOUNT<br>(Thousands<br>of Dollars) |
|---------------------------------|-------------------------------------|
| <u>PRINTING SERVICES</u>        |                                     |
| BORDEAUX COMPANY                | \$ 19                               |
| COLE GROUP DESIGN, INC.         | 30                                  |
| THE E R HITCHCOCK COMPANY, INC. | 6                                   |
| <u>OTHER SERVICES</u>           |                                     |
| SBC SNET                        | 3                                   |
| VERIZON                         | 7                                   |
| MISCELLANEOUS (4 PAYEES)        | 3                                   |
| Total                           | \$ 68                               |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

MISCELLANEOUS GENERAL EXPENSES

ACCOUNT 930.2

INSTRUCTIONS:

Provide a listing of the amount included in Account 930, "Miscellaneous General Expenses," classifying such expenses according to their nature. Payments and expenses permitted by Section 321(b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. Section 441(b)(2)) shall be separately classified.

| DESCRIPTION                             | AMOUNT<br>(Thousands<br>of Dollars) |
|---|-------------------------------------|
| Information technology                  | \$ 236                              |
| Shareholder reports and meetings        | 63                                  |
| Research and development                | 392                                 |
| Employee development                    | 15                                  |
| Other miscellaneous expenses (44 items) | 891                                 |
| Total                                   | \$ 1,597                            |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

RENTS

INSTRUCTIONS:

Provide a listing of "Rents," classifying such expenses by major groupings of property, as defined in the account definition of the Uniform System of Accounts.

| TYPE OF PROPERTY          | AMOUNT<br>(Thousands<br>of Dollars) |
|---------------------------|-------------------------------------|
| Buildings/office space    | \$ 6,326                            |
| Computer/office equipment | 6,156                               |
| Total                     | \$ 12,482                           |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

For the Year Ended December 31, 2004

TAXES OTHER THAN INCOME TAXES

ACCOUNT 408

INSTRUCTIONS:

Provide an analysis of Account 408, "Taxes Other Than Income Taxes." Separate the analysis into two groups: (1) Other than U.S. Government taxes, and (2) U.S. Government taxes. Specify each of the various kinds of taxes and show the amounts thereof. Provide a subtotal for each class of tax.

| KIND OF TAX                           | AMOUNT<br>(Thousands<br>of Dollars) |
|---------------------------------------|-------------------------------------|
| (1) Other Than U.S. Government Taxes: |                                     |
| Connecticut unemployment              | \$ 753                              |
| Massachusetts unemployment            | 1                                   |
| Local property                        | 654                                 |
| Connecticut sales tax                 | 107                                 |
| Other                                 | 32                                  |
|                                       | 1,547                               |
| (2) U.S. Government Taxes:            |                                     |
| Federal Insurance Contribution Act    | 7,458                               |
| Medicare tax                          | 2,367                               |
| Federal unemployment                  | 99                                  |
|                                       | 9,924                               |
| Total                                 | \$ 11,471                           |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

DONATIONS  
ACCOUNT 426.1

## INSTRUCTIONS:

Provide a listing of the amount included in Account 426.1, "Donations," classifying such expenses by its purpose. The aggregate number and amount of all items of less than \$3,000 may be shown in lieu of details.

| NAME OF RECIPIENT                                 | PURPOSE OF DONATION  | AMOUNT |
|---|--|--------|
| Carol E. MacDonald                                | In-kind Services   | \$ 20  |
| New England Legal Foundation                      | In-kind Services   | 18     |
| H. W. Graphics                                    | In-kind Services   | 18     |
| United Negro College Fund                         | Educational Grant  | 17     |
| Rensselaer Polytechnic Institute                  | Educational Grant  | 10     |
| Brooks Design                                     | In-kind Services   | 10     |
| Eurest Dining Services                            | In-kind Services   | 9      |
| Conn. Minority Supplier Development Council, Inc. | In-kind Services   | 6      |
| Hartford Education Foundation Inc.                | Educational Grant  | 5      |
| The Connecticut Lawyers Group, Inc.               | In-kind Services   | 5      |
| Connecticut Urban Legal Initiative, Inc.          | In-kind Services   | 5      |
| Albany Law School                                 | Educational Grant  | 4      |
| Marriott International                            | In-kind Services   | 3      |
| GE Capital Technology                             | In-kind Services   | 3      |
| Hartford Postmaster                               | In-kind Services   | 3      |
| Miscellaneous (66 payees)                         | Charitable Contributions, In-kind Services<br>and Educational Grants | 63     |
| Total   |  | \$ 199 |

ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

OTHER DEDUCTIONS  
ACCOUNT 426.5

## INSTRUCTIONS:

Provide a listing of the amount included in Account 426.5, "Other Deductions," classifying such expenses according to their nature.

| DESCRIPTION                              | NAME OF PAYEE                         | AMOUNT<br>(Thousands<br>of Dollars) |
|--|---------------------------------------|-------------------------------------|
| Executive incentive<br>compensation plan | Various NUSCO Officers                | \$ 4,283                            |
| Government relation<br>expenditures      | Bond & Company                        | 202                                 |
|  | Gaffney, Bennett and Associates, Inc. | 186                                 |
|  | Issues Management                     | 162                                 |
|  | Price Waterhouse Coopers LLP          | 143                                 |
|  | Avallone Dibella & Associates         | 104                                 |
|  | Levy & Droney, PC                     | 104                                 |
|  | Miscellaneous (46 items)              | 1,379                               |
| Contributions                            | Miscellaneous (100 items)             | 198                                 |
| Communication services                   | Miscellaneous (15 items)              | 77                                  |
| Total                                    |                                       | \$ 6,838                            |

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY  
For the Year Ended December 31, 2004

SCHEDULE XVIII  
NOTES TO STATEMENTS OF INCOME

INSTRUCTIONS:

The space below is provided for important notes regarding the statement of income or any account thereof. Furnish particulars as to any significant increases in services rendered or expenses incurred during the year. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

See Notes to Financial Statements on pages 19 through 19G.

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

ORGANIZATION CHART (AS OF DECEMBER 31, 2004)

Chairman, President and Chief Executive Officer

- Senior Vice President and Chief Financial Officer

- Vice President and Treasurer

- Vice President - Investor Relations

- Vice President - Accounting and Controller

- President - Competitive Group

- President - Utility Group

- Vice President - Utility Group Services

- Senior Vice President, Secretary and General Counsel

- Vice President - Corporate Communications

- Vice President - Regulatory and Governmental Affairs

- Vice President - Governmental Affairs

- Vice President - Human Resources

- President - Transmission Group

- Director - Internal Audit and Security



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For the year ended December 31, 2004

METHODS OF ALLOCATION

- 1) Conservation and Load Management Programs, Labor and Expenditures
- 2) Customers
- 3) Direct Charged Costs
- 4) Employees
- 5) Facilities Floor Space
- 6) Forecasted Departments' Work Plan
- 7) Fuel Purchased
- 8) Gross Plant Assets
- 9) Invoices Processed
- 10) Materials and Supplies
- 11) Megawatt Hour Sales
- 12) Operating Revenues
- 13) Payroll
- 14) PC Counts
- 15) Peak Load
- 16) Software Applications
- 17) Vehicles
- 18) Work Order Back Log

NOTE: Allocations may include a combination of the above factors.

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

ANNUAL STATEMENT OF COMPENSATION FOR USE OF CAPITAL BILLED

During 2004, there was no compensation for use of capital billed to the associated companies.

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ANNUAL REPORT OF NORTHEAST UTILITIES SERVICE COMPANY

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 thereunder, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

NORTHEAST UTILITIES SERVICE COMPANY

(Name of Reporting Company)

By: /s/John P. Stack

(Signature of Signing Officer)

John P. Stack, Vice President - Accounting and Controller

(Printed Name and Title of Signing Officer)

Date: April 29, 2005