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July 27, 2010

Northeast Utilities

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Northeast Utilities

Major Rating Factors

Corporate Credit Rating

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BBB/Stable/NR

Strengths:

- Low-operating-risk electric transmission and distribution operations dominate the consolidated business risk profile;
- Material contribution from transmission investments that are FERC-regulated;
- Minimal competition; and
- Operating and regulatory diversity with operations in three states and combination of electric distribution and transmission operations.

Weaknesses:

- Regulated utilities are challenged to earn their allowed return on equity;
- New Hampshire electric operations are integrated although customers can select alternative electric supply providers;
- Large proposed capital spending program; and
- Aggressive consolidated financial profile.

Rationale

The ratings on Northeast Utilities (NU) reflect the consolidated credit profiles of its operating subsidiaries, Connecticut Light & Power Co. (CL&P), Public Service Co. of New Hampshire (PSNH), Western Massachusetts Electric Co. (WMECO), and Yankee Gas Services Co. (Yankee Gas).

NU's business risk profile is 'excellent' and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Un-regulated operations are not material to the consolidated credit profile and the company has no plans to expand them. CL&P and WMECO are electric transmission and distribution companies. PSNH remains a fully integrated electric utility even though customers can select alternative electric supply providers, an arrangement that can lead to recovery of fixed costs over a smaller customer base. Yankee Gas is a natural gas distribution company. NU serves about 2.1 million customers in Connecticut, Massachusetts, and New Hampshire, achieving a measure of regulatory and operating diversity. Residential and commercial customers contribute the majority of sales (76%) and revenues (75%), although the customer base demonstrates no meaningful growth. However, about two-thirds of CL&P's and WMECO's distribution revenues and about one half of PSNH's distribution revenues are recovered through fixed charges, somewhat mitigating the lack of customer and load growth. We view the regnlatory environments as modestly supportive of credit quality, and while the subsidiaries can recover fuel costs on a timely basis, they are challenged to earn their allowed returns on equity (ROE). Both CL&P and PSNH received base rate increases in mid-2010, which should provide a measure of support to the consolidated financial profile. NU has been investing significantly in the transmission business, which now contributes more than half of consolidated operating income, and is regulated by the FERC which provides for attractive allowed ROEs and recovery of financing costs for some of the major projects during the construction period. NU's capital spending program is significant at about $6.35

billion for 2010-2014, with about 46% targeted for new transmission projects. The balance is for company-specific projects, including environmental compliance projects at PSNH, necessitating timely recovery of the investment through rates in order to provide ongoing support to the financial profile. Overall, the proposed capital spending program will meaningfully increase the consolidated rate base.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended March 31, 2010, were $823.3 million, while adjusted total debt was $5.72 billion, leading to adjusted FFO to interest coverage of 4x and adjusted FFO to total debt of 14.4%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 60.8% as of March 31, 2010.

Short-term credit factors

NU's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $482.3 million revolving credit facility maturing in November 2010 and which had $332.4 million undrawn as of March 31, 2010. The subsidiaries have a combined $361.8 million revolving credit facility maturing in November 2010, and had the entire amounts available as of March 31, 2010, subject to each individual company's borrowing limit. NU is currently in the process of renewing the existing revolving credit facilities. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $30 million of cash on hand.

Outlook

The stable outlook on NU reflects the company's low-operating risk regulated transmission and distribution operations that are expected to continue to dominate the consolidated business risk profile. In addition, the stable outlook reflects the recent rate case decisions which should provide a measure of support to the consolidated financial profile. As a result, Standard & Poor's base case projections for NU on a consolidated basis incorporate an 'aggressive' financial profile such that adjusted FFO interest coverage is at least 3.0x, adjusted FFO to total debt exceeds 12% and adjusted debt leverage does not exceed 65%. Absent the ability to consistently demonstrate such credit metrics, credit quality will erode and the ratings will be lowered. Given the large capital spending program, the still weak local economies in the service territories and aggressive financial risk profile, a higher rating for NU and its subsidiaries is currently not under consideration.

Accounting

NU's financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

NU issued rate reduction bonds (RRBs) in 2001 which Standard & Poor's views as securitized debt, and adjusts the

year-end 2009 financial statements by removing:

- $442.4 million of securitized debt from total reported debt,
- $244.1 million of securitization-related principal from revenues and depreciation, and
- $36.5 million of securitization-related interest expense from revenues and interest expense.

In addition, Standard & Poor's adjusts NU's financial statements for certain off-balance-sheet obligations. For fiscal 2009, Standard & Poor's adds $686.5 million as a debt-like obligation for tbe pension and other post-retirement funding sbortfall, $52.7 million relating to operating leases, $38.6 million relating to PPAs, $32.9 million to account for asset-retirement obligations, and $83.8 million in accrued interest not reported as debt. These figures represent about 16% of the NU's adjusted total debt.

Standard & Poor's views NU's $116.2 million of non-redeemable preferred stock as of Dec. 31, 2009, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expauded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Table 1.

Northeast Utilities -- Peer Comparison*

Industry Sector: Energy

	Northeast Utilities	NSTAR	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of July 26, 2010	BBB/Stable/--	A+/Stable/A-1	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,392.9	3,037.7	13,245.0	1,153.7
Net income from cont. oper.	282.6	234.4	908.7	37.4
Funds from operations (FFO)	637.1	533.2	1,635.7	107.5
Capital expenditures	1,080.3	393.8	2,148.9	99.7
Cash and short-term investments	92.2	66.5	181.3	36.0
Debt	5,128.0	3,055.6	12,424.2	590.2
Preferred stock	58.1	21.5	106.5	21.0
Equity	3,228.8	1,809.7	9,591.9	549.1
Debt and equity	8,356.7	4,865.3	22,016.2	1,139.4
Adjusted ratios				
EBIT interest coverage (x)	2.7	3.6	3.1	3.9
FFO int. cov. (X)	3.6	4.3	3.6	4.5
FFO/debt (%)	12.4	17.5	13.2	18.2
Discretionary cash flow/debt (%)	(15.8)	(3.2)	(8.9)	(6.6)
Net cash flow / capex (%)	46.3	97.5	48.3	73.3

Table 1.

Northeast Utilities -- Peer Comparison* (cont.)				
Total debt/debt plus equity (%)	61.4	62.8	56.4	51.8
Return on common equity (%)	8.1	13.3	9.5	7.1
Common dividend payout ratio (un-adj.) (%)	49.3	65.1	69.2	91.8

*Fully adjusted (including postretirement obligations).

Table 2.

Northeast Utilities -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	5,158.8	5,518.9	5,500.9	6,621.9	7,133.6
Net income from continuing operations	335.6	260.8	251.5	131.7	(229.2)
Funds from operations (FFO)	845.0	560.4	506.0	27.2	346.5
Capital expenditures	902.2	1,237.6	1,101.0	893.3	798.9
Cash and short-term investments	93.2	168.3	15.1	481.9	45.8
Debt	5,612.0	5,738.4	4,033.5	3,362.2	3,649.2
Preferred stock	58.1	58.1	58.1	116.2	116.2
Equity	3,636.0	3,078.4	2,971.9	2,914.4	2,079.7
Debt and equity	9,248.0	8,816.8	7,005.4	6,276.6	5,729.0
Adjusted ratios					
EBIT interest coverage (x)	3.1	2.3	2.6	1.5	1.6
FFO int. cov. (x)	4.2	3.1	3.3	1.2	2.6
FFO/debt (%)	15.1	9.8	12.5	0.8	9.5
Discretionary cash flow/debt (%)	(5.4)	(16.1)	(29.8)	(17.9)	(16.2)
Net Cash Flow / Capex (%)	75.3	35.1	35.2	(9.6)	32.4
Debt/debt and equity (%)	60.7	65.1	57.6	53.6	63.7
Return on common equity (%)	9.5	7.0	7.6	4.0	(10.6)
Common dividend payout ratio (un-adj.) (%)	49.3	50.5	47.9	85.2	(38.2)

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Northeast Utilities reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	5,102.0	3,694.1	5,439.4	1,292.2	1,292.2	751.4	273.6	989.1	989.1	167.9	908.1
Standard & Poor's adjustments											
Operating leases	52.7	--	--	20.6	3.3	3.3	3.3	17.3	17.3	--	--

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Intermediate hybrids reported as equity	58.1	(58.1)	--	--	--	--	2.8	(2.8)	(2.8)	(2.8)	--
Postretirement benefit obligations	686.5	--	--	27.5	27.5	27.5	--	10.1	10.1	--	--
Accrued interest not included in reported debt	83.8	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	5.9	(5.9)	(5.9)	--	(5.9)
Share-based compensation expense	--	--	--	--	8.8	--	--	--	--	--	--
Securitized utility cost recovery	(442.4)	--	(280.6)	(280.6)	(280.6)	(36.5)	(36.5)	(244.1)	(244.1)	--	--
Power purchase agreements	38.6	--	--	2.0	2.0	2.0	2.0	--	--	--	--
Asset retirement obligations	32.9	--	--	3.3	3.3	3.3	3.3	(0.7)	(0.7)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	37.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	81.8	--	--
Total adjustments	510.0	(58.1)	(280.6)	(227.2)	(235.7)	37.4	(19.2)	(226.0)	(144.2)	(2.8)	(5.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,612.0	3,636.0	5,158.8	1,065.0	1,056.6	788.8	254.4	763.1	845.0	165.2	902.2

*Northeast Utilities reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of July 27, 2010)*

Northeast Utilities	
Corporate Credit Rating	
Foreign Currency	BBB/Stable/--
Local Currency	BBB/Stable/NR
Senior Unsecured (3 Issues)	BBB-

Ratings Detail (As Of July 27, 2010)* (cont.)

Corporate Credit Ratings History		
27-May-2005	*Foreign Currency*	BBB/Stable/--
14-Apr-2004		BBB+/Negative/--
08-Nov-2001		BBB+/Stable/--
27-May-2005	*Local Currency*	BBB/Stable/NR
14-Apr-2004		BBB+/Negative/NR
08-Nov-2001		BBB+/Stable/NR
Business Risk Profile		Excellent
Financial Risk Profile		Aggressive
Related Entities		
Connecticut Light & Power Co.		
Issuer Credit Rating		BBB/Stable/NR
Preferred Stock (8 Issues)		BB+
Senior Secured (18 Issues)		BBB+
Senior Unsecured (5 Issues)		BBB
Public Service Co. of New Hampshire		
Issuer Credit Rating		BBB/Stable/--
Senior Secured (2 Issues)		BBB
Senior Secured (5 Issues)		BBB+
Senior Unsecured (4 Issues)		A/Developing
Senior Unsecured (1 Issue)		AAA
Senior Unsecured (1 Issue)		BBB
Western Massachusetts Electric Co.		
Issuer Credit Rating		BBB/Stable/NR
Senior Unsecured (6 Issues)		BBB
Yankee Gas Services Co.		
Issuer Credit Rating		BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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October 18, 2010

Research Update:

Northeast Utilities Placed On Watch Positive And NSTAR On Watch Negative On Planned Merger

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Research Update:

Northeast Utilities Placed On Watch Positive And NSTAR On Watch Negative On Planned Merger

Overview

- New England-based utility companies Northeast Utilities (NU) and NSTAR have agreed to merge through an all-stock transaction.
- We are placing the 'BBB' ratings on Northeast Utilities on CreditWatch with positive implications to reflect a likely upgrade following the transaction.
- We are placing the 'A+' ratings on NSTAR on CreditWatch with negative implications to reflect a likely downgrade.
- The combined company is expected to have an excellent business risk profile with a focus on low-risk electric and natural gas transmission and distribution operations.

Rating Action

On Oct. 18, 2010, Standard & Poor's Ratings Services placed its 'BBB' ratings on Northeast Utilities and its subsidiaries, Connecticut Light & Power Co., Public Service Co. of New Hampshire, Western Massachusetts Electric Co., and Yankee Gas Services Co., on CreditWatch with positive implications. In addition, we placed the 'A+' ratings on NSTAR and its subsidiaries, NSTAR Electric and NSTAR Gas, on CreditWatch with negative implications. The rating actions follow the announcement that NU has entered into an agreement to merge with NSTAR. Completion of the merger is planned in 9-12 months, with the necessary approvals from The Federal Energy Regulatory Commission, the Nuclear Regulatory Commission, the Securities and Exchange Commission, and Massachusetts regulators.

The positive CreditWatch listing on NU reflects that the company's credit quality will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The negative CreditWatch listing on NSTAR reflects that its ratings will be lowered once the transaction is completed, owing to the combination with an entity that has a weaker financial risk profile. NSTAR's business risk profile will similarly benefit from a combination with a company with low-risk operations, but with a considerably weaker financial risk profile.

Standard & Poor's expects to resolve the CreditWatch listing on NU and NSTAR as the transaction nears completion and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, published April 15, 2008.

Ratings List

Ratings Affirmed; CreditWatch Action	To	From
Northeast Utilities		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
Connecticut Light & Power Co.		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
Western Massachusetts Electric Co.		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
Public Service Co. of New Hampshire		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
Yankee Gas Services Co.		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Stable/--
NSTAR		
NSTAR Electric Co.		
NSTAR Gas Co.		
Corporate credit rating	A+/Watch Neg/--	A+/Stable/--

Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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October 25, 2010

Summary:
Northeast Utilities

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Rationale

CreditWatch

Related Criteria And Research

Summary:
Northeast Utilities

	Local Currency	Foreign Currency
Credit Rating:	BBB/Watch Pos/NR	BBB/Watch Pos/--

Rationale

The ratings on Northeast Utilities (NU) and its operating subsidiaries, Connecticut Light & Power Co. (CL&P), Public Service Co. of New Hampshire (PSNH), Western Massachusetts Electric Co. (WMECO), and Yankee Gas Services Co. are on CreditWatch with positive implications as a result of the company's plan to merge with NSTAR. The CreditWatch listing reflects that the company's credit quality will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The ratings on NU reflect the consolidated credit profiles of its operating subsidiaries, CL&P, PSNH, WMECO, and Yankee Gas Services Co.

NU's business risk profile is excellent aud reflects primarily the low-risk operations of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Unregulated operations are not material to the consolidated credit profile and the company has no plans to expand them. CL&P and WMECO are electric transmission and distribution companies. PSNH remains a fully integrated electric utility even though customers can select alternative electric supply providers, an arrangement that can lead to recovery of fixed costs over a smaller customer base. Yankee Gas is a natural gas distribution company. NU serves about 2.1 million customers in Connecticut, Massachusetts, and New Hampshire, achieving a measure of regulatory and operating diversity. Residential and commercial customers contribute the majority of sales (76%) and revenues (75%), although the customer base demonstrates no meaningfnl growth. However, about two-thirds of CL&P's and WMECO's distribution revenues and about one half of PSNH's distribution revenues are recovered through fixed charges, somewhat mitigating the lack of customer and load growth. We view the regulatory environments as modestly supportive of credit quality, and while the subsidiaries can recover fuel costs on a timely basis, they are challenged to earn their allowed returns on equity (ROE). Both CL&P and PSNH received base rate increases in mid-2010, which should provide a measure of support to the consolidated financial profile. NU has been investing significantly in the transmission hnsiness, which now contributes more than half of consolidated operating income, and is regulated by the FERC which provides for attractive allowed ROEs and recovery of financing costs for some of the major projects during the construction period. NU's capital spending program is significant at about $6.35 billion for 2010-2014, with about 46% targeted for new transmission projects. The balance is for company-specific projects, including environmental compliance projects at PSNH, necessitating timely recovery of the investment through rates in order to provide ongoing support to the financial profile. Overall, the proposed capital spending program will meaningfully increase the consolidated rate base.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended June 30, 2010, were $783.3 million, while adjusted total debt was $5.82 billion, leading to adjusted FFO to interest coverage of 3.8x and adjusted FFO to total debt of 13.5%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 61% as of June 30, 2010. Credit protection measures have weakened modestly for twelve months ending June 30, 2010 compared to December 31, 2009, while still remaining adequate for the ratings, given the company's overall excellent business risk profile.

Short-term credit factors

NU's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2x. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as adequate.

NU has a $500 million revolving credit facility maturing in September 2013. As of June 30, 2010, $300 million was available under the facility after accounting for borrowings and outstanding letters of credit. The subsidiaries have a combined $400 million revolving credit facility maturing in September 2013 which was fully available as of June 30, 2010. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $89 million of cash on hand as of June 30, 2010.

CreditWatch

Standard & Poor's expects to resolve the CreditWatch listing on NU and its subsidiaries as the merger with NSTAR nears completion (expected to be in late 2011) and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

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July 27, 2010

Public Service Co. of New Hampshire

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Public Service Co. of New Hampshire

Major Rating Factors

Corporate Credit Rating
BBB/Stable/--

Strengths:

- Low-operating-risk electric transmission and distribution operations dominate the consolidated bnsiness risk profile;
- Material contribution from transmission investments that is FERC-regulated;
- Minimal competition; and
- Operating and regulatory diversity with operations in three states and combination of electric distribution and transmission operations.

Weaknesses:

- Regulated utilities are challenged to earn their allowed return on equity;
- New Hampshire electric operations are integrated although customers can select alternative providers;
- Large proposed capital spending program; and
- Aggressive consolidated financial profile.

Rationale

The ratings on Public Service Co. of New Hampshire (PSNH) reflect the consolidated credit profile of its parent, Northeast Utilities (NU). NU has an 'excellent' business risk profile that reflects primarily the low operating risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments.

PSNH is NU's second-largest operating subsidiary, contributing about 20% of revenues and assets. PSNH has an 'excellent' business risk profile. The company provides service to 490,000 mostly residential and commercial customers with these customers contributing 82% of revenues and 77% of sales in 2009. The service territory has demonstrated little meaningful growth. The regulatory environment incorporates elements that are supportive of credit quality such as the ability to recover fuel costs on a timely basis. Unlike its affiliate companies, PSNH is an integrated utility serving its customer base with 1,200 MW of owned generation capacity and market purchases. Nevertheless, PSNH's customers can select alternative electric supply providers, an arrangement that can lead to recovery of fixed costs over a smaller customer base. Currently, about one half of PSNH's distribution revenues are recovered through fixed charges, somewhat mitigating the lack of customer and load growth. On June 28, 2010, the New Hampshire Public Utility Commission (NHPUC) adopted PSNH's distribution rate case settlement which was reached with intervenors in April 2010. PSNH filed the distribution rate case with the NHPUC in June 2009 and bad requested for a permanent increase of $51 million for 2009 and $17 million in 2010. The terms of the settlement provide for a net distribution rate increase of $45.5 million, effective July 1, 2010 reflecting an allowed ROE of 9.67%, with the increase being incremental to the $25.6 million temporary increase currently in place. In addition, the rate case settlement provides for approval of projected base rate increases of $9.5 million in 2012 and $11.1 million in 2013, based on additional distribution investments. Importantly, under the terms of the settlement, PSNH has agreed not to pursue additional distribution base rate increases until June 30, 2015, unless its earned ROE falls below 7% for two consecutive quarters. PSNH is also pnrsuing the completion of the Merrimack Station

Clean Air Project which includes the installation of scrubbers at a cost of $457 million. The project is about 48% complete and is expected to be on line by 2012. The regulatory framework does not provide for a cash return on construction work in progress and the project will enter rate base subject to a traditional prudence review.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended March 31, 2010, were $823.3 million, while adjusted total debt was $5.72 billion, leading to adjusted FFO to interest coverage of 4x and adjusted FFO to total debt of 14.4%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 60.8% as of March 31, 2010.

Short-term credit factors

PSNH's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is 'adequate' under Staudard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound hank relationships, its solid stauding in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $482.3 million revolving credit facility maturing in November 2010 and which had $332.4 million undrawn as of March 31, 2010. The subsidiaries have a combined $361.8 million revolving credit facility maturing in November 2010, and had the entire amounts available as of March 31, 2010, subject to each individual company's borrowing limit. NU is currently in the process of renewing the existing revolving credit facilities. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $30 million of cash on hand.

Outlook

The stable outlook on PSNH reflects the outlook of its parent, NU. The stable outlook on NU reflects the company's low-operating risk regulated transmission and distribution operations that are expected to continue to dominate the consolidated business risk profile. In addition, the stable outlook reflects the recent rate case decisions which should provide a measure of support to the consolidated financial profile. As a result, Standard & Poor's base case projections for NU on a consolidated basis incorporate an 'aggressive' financial profile such that adjusted FFO interest coverage is at least 3.0x, adjusted FFO to total debt exceeds 12% and adjusted debt leverage does not exceed 65%. Absent the ability to consistently demonstrate such credit metrics, credit quality will erode and the ratings will be lowered. Given the large capital spending program, the still weak local economies in the service territories and aggressive financial risk profile, a higher rating for NU and its subsidiaries is currently not under consideration.

Accounting

NU's financial statements are iu accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

NU issued rate reduction bonds (RRBs) in 2001 which Staudard & Poor's views as securitized debt, and adjusts the year-end 2009 financial statements by removing:

- $442.4 million of securitized debt from total reported debt,
- $244.1 million of securitization-related principal from revenues and depreciation, and
- $36.5 million of securitization-related interest expense from revenues and interest expense.

In addition, Standard & Poor's adjusts NU's financial statements for certain off-balance-sheet obligations. For fiscal 2009, Standard & Poor's adds $686.5 million as a debt-like obligation for the pension and other post-retirement funding shortfall, $52.7 million relating to operating leases, $38.6 million relating to PPAs, $32.9 million to account for asset-retirement obligations, and $83.8 million in accrued interest not reported as debt. These figures represent about 16% of the NU's adjusted total debt.

Standard & Poor's views NU's $116.2 million of non-redeemable preferred stock as of Dec. 31, 2009, as having intermediate eqnity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

Table 1.

Northeast Utilities -- Peer Comparison*

Industry Sector: Energy

	Northeast Utilities	NSTAR	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of July 26, 2010	BBB/Stable/--	A+/Stable/A-1	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,392.9	3,037.7	13,245.0	1,153.7
Net income from cont. oper.	282.6	234.4	908.7	37.4
Funds from operations (FFO)	637.1	533.2	1,635.7	107.5
Capital expenditures	1,080.3	393.8	2,148.9	99.7
Cash and short-term investments	92.2	66.5	181.3	36.0
Debt	5,128.0	3,055.6	12,424.2	590.2
Preferred stock	58.1	21.5	106.5	21.0
Equity	3,228.8	1,809.7	9,591.9	549.1
Debt and equity	8,356.7	4,865.3	22,016.2	1,139.4
Adjusted ratios				
EBIT interest coverage (x)	2.7	3.6	3.1	3.9
FFO int. cov. (X)	3.6	4.3	3.6	4.5
FFO/debt (%)	12.4	17.5	13.2	18.2
Discretionary cash flow/debt (%)	(15.8)	(3.2)	(8.9)	(6.6)
Net cash flow / capex (%)	46.3	97.5	48.3	73.3
Total debt/debt plus equity (%)	61.4	62.8	56.4	51.8

Table 1.

Northeast Utilities -- Peer Comparison* (cont.)				
Return on common equity (%)	8.1	13.3	9.5	7.1
Common dividend payout ratio (un-adj.) (%)	49.3	65.1	69.2	91.8

*Fully adjusted (including postretirement obligations).

Table 2.

Northeast Utilities -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	5,158.8	5,518.9	5,500.9	6,621.9	7,133.6
Net income from continuing operations	335.6	260.8	251.5	131.7	(229.2)
Funds from operations (FFO)	845.0	560.4	506.0	27.2	346.5
Capital expenditures	902.2	1,237.6	1,101.0	893.3	798.9
Cash and short-term investments	93.2	168.3	15.1	481.9	45.8
Debt	5,612.0	5,738.4	4,033.5	3,362.2	3,649.2
Preferred stock	58.1	58.1	58.1	116.2	116.2
Equity	3,636.0	3,078.4	2,971.9	2,914.4	2,079.7
Debt and equity	9,248.0	8,816.8	7,005.4	6,276.6	5,729.0
Adjusted ratios					
EBIT interest coverage (x)	3.1	2.3	2.6	1.5	1.6
FFO int. cov. (x)	4.2	3.1	3.3	1.2	2.6
FFO/debt (%)	15.1	9.8	12.5	0.8	9.5
Discretionary cash flow/debt (%)	(5.4)	(16.1)	(29.8)	(17.9)	(16.2)
Net Cash Flow / Capex (%)	75.3	35.1	35.2	(9.6)	32.4
Debt/debt and equity (%)	60.7	65.1	57.6	53.6	63.7
Return on common equity (%)	9.5	7.0	7.6	4.0	(10.6)
Common dividend payout ratio (un-adj.) (%)	49.3	50.5	47.9	85.2	(38.2)

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Northeast Utilities reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before O&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	5,102.0	3,694.1	5,439.4	1,292.2	1,292.2	751.4	273.6	989.1	989.1	167.9	908.1
Standard & Poor's adjustments											
Operating leases	52.7	--	--	20.6	3.3	3.3	3.3	17.3	17.3	--	--

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Intermediate hybrids reported as equity	58.1	(58.1)	--	--	--	--	2.8	(2.8)	(2.8)	(2.8)	--
Postretirement benefit obligations	686.5	--	--	27.5	27.5	27.5	--	10.1	10.1	--	--
Accrued interest not included in reported debt	83.8	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	5.9	(5.9)	(5.9)	--	(5.9)
Share-based compensation expense	--	--	--	--	8.8	--	--	--	--	--	--
Securitized utility cost recovery	(442.4)	--	(280.6)	(280.6)	(280.6)	(36.5)	(36.5)	(244.1)	(244.1)	--	--
Power purchase agreements	38.6	--	--	2.0	2.0	2.0	2.0	--	--	--	--
Asset retirement obligations	32.9	--	--	3.3	3.3	3.3	3.3	(0.7)	(0.7)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	37.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	81.8	--	--
Total adjustments	510.0	(58.1)	(280.6)	(227.2)	(235.7)	37.4	(19.2)	(226.0)	(144.2)	(2.8)	(5.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,612.0	3,636.0	5,158.8	1,065.0	1,056.6	788.8	254.4	763.1	845.0	165.2	902.2

*Northeast Utilities reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Ratings Detail (As of July 27, 2010)

Public Service Co. of New Hampshire	
Corporate Credit Rating	BBB/Stable/--
Senior Secured (2 Issues)	BBB
Senior Secured (5 Issues)	BBB+
Senior Unsecured (4 Issues)	A/Developing

Ratings Detail (As Of July 27, 2010)*(cont.)	
Senior Unsecured (1 Issue)	AAA
Senior Unsecured (1 Issue)	BBB
Corporate Credit Ratings History	
31-May-2005	BBB/Stable/--
14-Apr-2004	BBB+/Negative/--
08-Nov-2001	BBB+/Stable/--
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Connecticut Light & Power Co.	
Issuer Credit Rating	BBB/Stable/NR
Preferred Stock (8 Issues)	BB+
Senior Secured (18 Issues)	BBB+
Senior Unsecured (5 Issues)	BBB
Northeast Utilities	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--
Local Currency	BBB/Stable/NR
Senior Unsecured (3 Issues)	BBB-
Western Massachusetts Electric Co.	
Issuer Credit Rating	BBB/Stable/NR
Senior Unsecured (6 Issues)	BBB
Yankee Gas Services Co.	
Issuer Credit Rating	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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October 25, 2010

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Rationale

CreditWatch

Related Criteria And Research

Summary:
Public Service Co. of New Hampshire

Credit Rating: BBB/Watch Pos/--

Rationale

The ratings on Public Service Co. of New Hampshire (PSNH) are on CreditWatch with positive implications as a result of parent company's, Northeast Utilities (NU), plan to merge with NSTAR. The ratings on NU are also on CreditWatch with positive implications. The CreditWatch listing reflects that the company's credit quality will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The ratings on PSNH reflect the consolidated credit profile of NU. NU has an excellent business risk profile that reflects primarily the low operating risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments.

PSNH is NU's second-largest operating subsidiary, contributing about 20% of revenues and assets. PSNH has an excellent business risk profile. The company provides service to 490,000 mostly residential and commercial customers with these customers contributing 82% of revenues and 77% of sales in 2009. The service territory has demonstrated little meaningful growth. The regulatory environment incorporates elements that are supportive of credit quality such as the ability to recover fuel costs on a timely basis. Unlike its affiliate companies, PSNH is an integrated utility serving its customer base with 1,200 MW of owned generation capacity and market purchases. Nevertheless, PSNH's customers can select alternative electric supply providers, an arrangement that can lead to recovery of fixed costs over a smaller customer base. Currently, about one half of PSNH's distribution revenues are recovered through fixed charges, somewhat mitigating the lack of customer and load growth. On June 28, 2010, the New Hampshire Public Utility Commission (NHPUC) adopted PSNH's distribution rate case settlement which was reached with intervenors in April 2010. PSNH filed the distribution rate case with the NHPUC in June 2009 and had requested for a permanent increase of $51 million for 2009 and $17 million in 2010. The terms of the settlement provide for a net distribution rate increase of $45.5 million, effective July 1, 2010 reflecting an allowed ROE of 9.67%, with the increase being incremental to the $25.6 million temporary increase currently in place. In addition, the rate case settlement provides for approval of projected base rate increases of $9.5 million in 2012 and $11.1 million in 2013, based on additional distribution investments. Importantly, under the terms of the settlement, PSNH has agreed not to pursue additional distribution base rate increases until June 30, 2015, unless its earned ROE falls below 7% for two consecutive quarters. PSNH is also pursuing the completion of the Merrimack Station Clean Air Project which includes the installation of scrubbers at a cost of $457 million. The project is about 67% complete as of July 2010 and is expected to be on line by 2012. The regulatory framework does not provide for a cash return on construction work in progress and the project will enter rate base subject to a traditional prudence review.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended June 30, 2010, were $783.3 million, while adjusted total debt was $5.82 billion, leading to adjusted FFO to interest coverage of 3.8x and adjusted FFO to total debt of 13.5%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 61% as of June 30, 2010. Credit protection measures have weakened modestly for 12 months ended June 30, 2010 compared with the same period ended Dec. 31, 2009, while still remaining adequate for the ratings, given the company's overall excellent business risk profile.

Short-term credit factors

PSNH's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2x. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as adequate.

NU has a $500 million revolving credit facility maturing in September 2013. As of June 30, 2010, $300 million was available under the facility after accounting for borrowings and outstanding letters of credit. The subsidiaries have a combined $400 million revolving credit facility maturing in September 2013 which was fully available as of June 30, 2010. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $89 million of cash on hand as of June 30, 2010.

CreditWatch

Staudard & Poor's expects to resolve the CreditWatch listing on NU and its subsidiaries as the merger with NSTAR nears completion (expected to be in late 2011) and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

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July 27, 2010

Western Massachusetts Electric Co.

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Western Massachusetts Electric Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/NR

Strengths:

- Low-operating-risk electric transmission and distribution operations dominate the consolidated business risk profile;
- Material contribution from transmission investments that is FERC-regulated;
- Minimal competition; and
- Operating and regulatory diversity with operations in three states and combination of electric distribution and transmission operations.

Weaknesses:

- Regulated utilities are challenged to earn allowed return on equity;
- New Hampshire electric operations are integrated although customers can select alternative providers;
- Large proposed capital spending program; and
- Aggressive consolidated financial profile.

Rationale

The ratings on Western Massachusetts Electric Company (WMECO) reflect the consolidated credit profile of its parent, Northeast Utilities (NU). NU's business risk profile is 'excellent' and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Un-regulated operations are not material to the consolidated credit profile and the company has no plans to expand them.

WMECO contributes about 8% of NU's total revenues and assets. WMECO is a transmission and distribution utility delivering electricity to about 205,000 customers in Massachusetts and has an 'excellent' business risk profile. The customer base is mostly residential and commercial witb these customers contributing 85% of revenues and 77% of sales iu 2009. Tbe customer base is relatively small and has demonstrated only modest growth. The regulatory environment incorporates elements that are supportive of credit quality such as the ability to recover fuel and transmission costs on a timely basis. On July 16, 2010, WMECO filed a request with the Massachusetts Department of Public Utilities (MDPU) for an increase in the distribution rates by $28.0 million, reflecting the need to recover investment in infrastructure. WMECO has also requested the adoption of a revenue decoupling mecbanism and expects the new rates to go into effect from Feb. 1, 2011. Currently, WMECO is operating under a settlement agreement which provided for a $1 million base rate increase in January 2007 and a $3 million base rate increase in January 2008. The settlement agreement allows WMECO to retain 50% of earnings above a 12% ROE and absorb 50% of earnings below an 8% ROE.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended March 31, 2010, were $823.3 million, while adjusted total debt was $5.72 billion, leading to adjusted FFO to interest coverage of 4x and adjusted FFO to total debt of 14.4%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures,

including debt to capital, will remain aggressive. Adjusted total debt to total capital was 60.8% as of March 31, 2010.

Short-term credit factors

WMECO's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and commou dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $482.3 million revolving credit facility maturing in November 2010 and which had $332.4 million undrawn as of March 31, 2010. The subsidiaries have a combined $361.8 million revolving credit facility maturing in November 2010, and had the entire amounts available as of March 31, 2010, subject to each individual company's borrowing limit. NU is currently in the process of renewing the existing revolving credit facilities. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $30 million of cash on hand.

Outlook

The stable outlook on WMECO reflects the outlook of its parent, NU. The stable outlook on NU reflects the company's low-operating risk regulated transmission and distribution operations that are expected to continue to dominate the consolidated business risk profile. In addition, the stable outlook reflects the recent rate case decisions which should provide a measure of support to the consolidated financial profile. As a result, Standard & Poor's base case projections for NU on a consolidated basis incorporate an 'aggressive' financial profile such that adjusted FFO interest coverage is at least 3.0x, adjusted FFO to total debt exceeds 12% and adjusted debt leverage does not exceed 65%. Absent the ability to consistently demonstrate such credit metrics, credit quality will erode and the ratings will be lowered. Given the large capital spending program, the still weak local economies in the service territories and aggressive financial risk profile, a higher rating for NU and its subsidiaries is currently not under consideration.

Accounting

NU's financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

NU issued rate reduction bonds (RRBs) in 2001 which Standard & Poor's views as securitized debt, and adjusts the year-end 2009 financial statements by removing:

- $442.4 million of securitized debt from total reported debt,
- $244.1 million of securitization-related principal from revenues and depreciation, and
- $36.5 million of securitization-related interest expense from revenues and interest expense.

In addition, Standard & Poor's adjusts NU's financial statements for certain off-balance-sheet obligations. For fiscal 2009, Standard & Poor's adds $686.5 million as a debt-like obligation for the pension and other post-retirement

funding shortfall, $52.7 million relating to operating leases, $38.6 million relating to PPAs, $32.9 million to account for asset-retirement obligations, and $83.8 million in accrued interest not reported as debt. These figures represent about 16% of the NU's adjusted total debt.

Standard & Poor's views NU's $116.2 million of non-redeemable preferred stock as of Dec. 31, 2009, as having intermediate equity coutent, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

Table 1.

Northeast Utilities -- Peer Comparison*

Industry Sector: Energy

	Northeast Utilities	NSTAR	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of July 26, 2010	BBB/Stable/--	A+/Stable/A-1	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,392.9	3,037.7	13,245.0	1,153.7
Net income from cont. oper.	282.6	234.4	908.7	37.4
Funds from operations (FFO)	637.1	533.2	1,635.7	107.5
Capital expenditures	1,080.3	393.8	2,148.9	99.7
Cash and short-term investments	92.2	66.5	181.3	36.0
Debt	5,128.0	3,055.6	12,424.2	590.2
Preferred stock	58.1	21.5	106.5	21.0
Equity	3,228.8	1,809.7	9,591.9	549.1
Debt and equity	8,356.7	4,865.3	22,016.2	1,139.4
Adjusted ratios				
EBIT interest coverage (x)	2.7	3.6	3.1	3.9
FFO int. cov. (X)	3.6	4.3	3.6	4.5
FFO/debt (%)	12.4	17.5	13.2	18.2
Discretionary cash flow/debt (%)	(15.8)	(3.2)	(8.9)	(6.6)
Net cash flow / capex (%)	46.3	97.5	48.3	73.3
Total debt/debt plus equity (%)	61.4	62.8	56.4	51.8
Return on common equity (%)	8.1	13.3	9.5	7.1
Common dividend payout ratio (un-adj.) (%)	49.3	65.1	69.2	91.8

*Fully adjusted (including postretirement obligations).

Table 2.

Northeast Utilities -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	5,158.8	5,518.9	5,500.9	6,621.9	7,133.6
Net income from continuing operations	335.6	260.8	251.5	131.7	(229.2)
Funds from operations (FFO)	845.0	560.4	506.0	27.2	346.5
Capital expenditures	902.2	1,237.6	1,101.0	893.3	798.9
Cash and short-term investments	93.2	168.3	15.1	481.9	45.8
Debt	5,612.0	5,738.4	4,033.5	3,362.2	3,649.2
Preferred stock	58.1	58.1	58.1	116.2	116.2
Equity	3,636.0	3,078.4	2,971.9	2,914.4	2,079.7
Debt and equity	9,248.0	8,816.8	7,005.4	6,276.6	5,729.0
Adjusted ratios					
EBIT interest coverage (x)	3.1	2.3	2.6	1.5	1.6
FFO int. cov. (x)	4.2	3.1	3.3	1.2	2.6
FFO/debt (%)	15.1	9.8	12.5	0.8	9.5
Discretionary cash flow/debt (%)	(5.4)	(16.1)	(29.8)	(17.9)	(16.2)
Net Cash Flow / Capex (%)	75.3	35.1	35.2	(9.6)	32.4
Debt/debt and equity (%)	60.7	65.1	57.6	53.6	63.7
Return on common equity (%)	9.5	7.0	7.6	4.0	(10.6)
Common dividend payout ratio (un-adj.) (%)	49.3	50.5	47.9	85.2	(38.2)

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Northeast Utilities reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	5,102.0	3,694.1	5,439.4	1,292.2	1,292.2	751.4	273.6	989.1	989.1	167.9	908.1
Standard & Poor's adjustments											
Operating leases	52.7	--	--	20.6	3.3	3.3	3.3	17.3	17.3	--	--
Intermediate hybrids reported as equity	58.1	(58.1)	--	--	--	--	2.8	(2.8)	(2.8)	(2.8)	--
Postretirement benefit obligations	686.5	--	--	27.5	27.5	27.5	--	10.1	10.1	--	--

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Accrued interest not included in reported debt	83.8	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	5.9	(5.9)	(5.9)	--	(5.9)
Share-based compensation expense	--	--	--	--	8.8	--	--	--	--	--	--
Securitized utility cost recovery	(442.4)	--	(280.6)	(280.6)	(280.6)	(36.5)	(36.5)	(244.1)	(244.1)	--	--
Power purchase agreements	38.6	--	--	2.0	2.0	2.0	2.0	--	--	--	--
Asset retirement obligations	32.9	--	--	3.3	3.3	3.3	3.3	(0.7)	(0.7)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	37.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	81.8	--	--
Total adjustments	510.0	(58.1)	(280.6)	(227.2)	(235.7)	37.4	(19.2)	(226.0)	(144.2)	(2.8)	(5.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,612.0	3,636.0	5,158.8	1,065.0	1,056.6	788.8	254.4	763.1	845.0	165.2	902.2

*Northeast Utilities reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Ratings Detail (As Of July 27, 2010)

Western Massachusetts Electric Co.	
Corporate Credit Rating	BBB/Stable/NR
Senior Unsecured (6 Issues)	BBB
Corporate Credit Ratings History	
31-May-2005	BBB/Stable/NR
14-Apr-2004	BBB+/Negative/NR
08-Nov-2001	BBB+/Stable/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive

Ratings Detail (As Of July 27, 2010) (cont.)

Related Entities	
Connecticut Light & Power Co.	
Issuer Credit Rating	BBB/Stable/NR
Preferred Stock (8 Issues)	BB+
Senior Secured (18 Issues)	BBB+
Senior Unsecured (5 Issues)	BBB
Northeast Utilities	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--
Local Currency	BBB/Stable/NR
Senior Unsecured (3 Issues)	BBB-
Public Service Co. of New Hampshire	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (2 Issues)	BBB
Senior Secured (5 Issues)	BBB+
Senior Unsecured (4 Issues)	A/Developing
Senior Unsecured (1 Issue)	AAA
Senior Unsecured (1 Issue)	BBB
Yankee Gas Services Co.	
Issuer Credit Rating	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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October 25, 2010

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Rationale

CreditWatch

Related Criteria And Research

Summary:

Western Massachusetts Electric Co.

Credit Rating: BBB/Watch Pos/NR

Rationale

The ratings on Western Massachusetts Electric Company (WMECO) are on CreditWatch with positive implications as a result of parent company's, Northeast Utilities (NU), plan to merge with NSTAR. The ratings on NU are also on CreditWatch with positive implications. The CreditWatch listing reflects the company's credit quality that will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The ratings on WMECO reflect the consolidated credit profile of NU. NU's business risk profile is excellent and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Unregulated operations are not material to the consolidated credit profile and the company has no plans to expand them.

WMECO contributes about 8% of NU's total revenues and assets. WMECO is a transmission and distribution utility delivering electricity to about 205,000 customers in Massachusetts and has an 'excellent' business risk profile. The customer base is mostly residential and commercial with these customers contributing 85% of revenues and 77% of sales in 2009. The customer base is relatively small and has demonstrated only modest growth. The regulatory environment incorporates elements that are supportive of credit quality such as the ability to recover fuel and transmission costs on a timely basis. On July 16, 2010, WMECO filed a request with the Massachusetts Department of Public Utilities (MDPU) for an increase in the distribution rates by $28.4 million based on a 10.5% allowed ROE, reflecting the need to recover investment in infrastructure. WMECO has also requested the adoption of a revenue decoupling mechanism and expects the new rates to go into effect from Feb. 1, 2011. Currently, WMECO is operating under a settlement agreement which provided for a $1 million base rate increase in January 2007 and a $3 million base rate increase in January 2008 and under which the company is not earning its currently allowed ROE. The settlement agreement allows WMECO to retain 50% of earnings above a 12% ROE and absorb 50% of earnings below an 8% ROE.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended June 30, 2010, were $783.3 million, while adjusted total debt was $5.82 billion, leading to adjusted FFO to interest coverage of 3.8x and adjusted FFO to total debt of 13.5%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 61% as of June 30, 2010. Credit protection measures have weakened modestly for 12 months ended June 30, 2010 compared with the same period ended Dec. 31, 2009, while still remaining adequate for the ratings, given the company's overall excellent business

risk profile.

Short-term credit factors

WMECO's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2x. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound hank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as adequate.

NU has a $500 million revolving credit facility maturing in September 2013. As of June 30, 2010, $300 million was available under the facility after accounting for horrowings and outstanding letters of credit. The subsidiaries have a combined $400 million revolving credit facility maturing in September 2013 which was fully available as of June 30, 2010. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $89 million of cash on hand as of June 30, 2010.

CreditWatch

Standard & Poor's expects to resolve the CreditWatch listing on NU and its subsidiaries as the merger with NSTAR nears completion (expected to be in late 2011) and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

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Related Criteria And Research

Connecticut Light & Power Co.

Major Rating Factors

Corporate Credit Rating

BBB/Stable/NR

Strengths:

- Low-operating-risk electric transmission and distribution operations dominate the consolidated business risk profile;
- Material contribution from transmission investments that is FERC-regulated;
- Minimal competition; and
- Operating and regulatory diversity with operations in three states and combination of electric distribution and transmission operations.

Weaknesses:

- Regulated utilities are challenged to earn allowed return on equity;
- New Hampshire electric operations are integrated although customers can select alternative providers;
- Large proposed capital spending program; and
- Aggressive consolidated financial profile.

Rationale

The ratings on Connecticut Light & Power Co. (CL&P) reflect the consolidated credit profile of its parent, Northeast Utilities (NU). NU's business risk profile is 'excellent' and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Un-regulated operations are not material to the consolidated credit profile and the company has no plans to expand them.

CL&P is NU's largest operating subsidiary, contributing about 60% of revenues and assets, and delivering electricity to about 1.2 million customers in Connecticut. CL&P has au 'excellent' business risk profile. The customer base is mostly residential and commercial with these customers contributing 81% of revenues and 76% of sales in 2009. While the customer base is large, it has demonstrated little meaningful growth. The regulatory environment incorporates elements that are supportive of credit quality such as the ability to recover fuel costs on a timely basis. However, CL&P has been challenged to earn its allowed return on equity (ROE) of 9.4%. On June 30, 2010, the Connecticut Department of Public Utility Control (DPUC) issued its final decision in CL&P's distribution rate case, filed by the company in early 2010. The decision provides for a base rate increase of $63.4 million in the first year (compared to a requested increase of $129 million) and an additional increase of $38.5 million in the second year (compared to a requested increase of $41.4 million), reflecting an allowed ROE of 9.4% (compared with a requested ROE of 10.5%). Furthermore, as proposed by the company, the base rate increase will take effect on Jan. 1, 2011, coinciding with the elimination of a competitive transition charge. The rate increase approved by the DPUC will effectively allow CL&P to collect a two-year revenue requirement of $111.1 million over 18 months beginning Jan. 1, 2011 and ending June 30, 2012, including the deferred amounts as of July 2010. The final rate case decision did not approve the company's request for establishing a revenue decoupling mechanism or a pension tracking proposal.

In addition to investing in regulated utility rate base, CL&P has also been pursuing various transmission projects, including tbe completion of four different projects from 2005 to 2008 at a total cost of about $1.6 billion. As part

of the transmission investment strategy, CL&P is pursuing the construction of three new transmission projects under the New England East West Solutions umbrella. Of these, the Greater Springfield Reliability Project is the furthest along, with construction expected to commence in late-2010 and an in-service date of 2013 at a total cost of about $714 million, for both CL&P and affiliate Western Massachnsetts Electric Company (WMECO).

NU's consolidated financial profile is aggressive. Adjusted fnnds from operations (FFO) for the 12 months ended March 31, 2010, were $823.3 million, while adjusted total debt was $5.72 billion, leading to adjusted FFO to interest coverage of 4x and adjusted FFO to total debt of 14.4%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 60.8% as of March 31, 2010.

Short-term credit factors

CL&P's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditnres, debt maturities, and common dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $482.3 million revolving credit facility maturing in November 2010 and which had $332.4 million undrawn as of March 31, 2010. The subsidiaries have a combined $361.8 million revolving credit facility maturing in November 2010, and had the entire amounts available as of March 31, 2010, subject to each individual company's borrowing limit. NU is currently in the process of renewing the existing revolving credit facilities. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $30 million of cash on hand.

Outlook

The stable outlook on CL&P reflects the outlook of its parent, NU. The stable outlook on NU reflects the company's low-operating risk regulated transmission and distribution operations that are expected to continue to dominate the consolidated business risk profile. In addition, the stable outlook reflects the recent rate case decisions which should provide a measure of support to the consolidated financial profile. As a result, Standard & Poor's base case projections for NU on a consolidated basis incorporate an 'aggressive' financial profile such that adjusted FFO interest coverage is at least 3.0x, adjusted FFO to total debt exceeds 12% and adjusted debt leverage does not exceed 65%. Absent the ability to consistently demonstrate such credit metrics, credit quality will erode and the ratings will be lowered. Given the large capital spending program, the still weak local economies in the service territories and aggressive financial risk profile, a higher rating for NU and its snbsidiaries is currently not under consideration.

Accounting

NU's financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

NU issued rate reduction bonds (RRBs) in 2001 which Standard & Poor's views as securitized debt, and adjusts the year-end 2009 financial statements by removing:

- $442.4 million of securitized debt from total reported debt,
- $244.1 million of securitization-related principal from revenues and depreciation, and
- $36.5 million of securitization-related interest expense from revenues and interest expense.

In addition, Standard & Poor's adjusts NU's financial statements for certain off-balance-sheet obligations. For fiscal 2009, Standard & Poor's adds $686.5 million as a debt-like obligation for the pension and other post-retirement funding shortfall, $52.7 million relating to operating leases, $38.6 million relating to PPAs, $32.9 million to account for asset-retirement obligations, and $83.8 million in accrued interest not reported as debt. These figures represent about 16% of the NU's adjusted total debt.

Standard & Poor's views NU's $116.2 million of non-redeemable preferred stock as of Dec. 31, 2009, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

Table 1.

Northeast Utilities -- Peer Comparison*

Industry Sector: Energy

	Northeast Utilities	NSTAR	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of July 26, 2010	BBB/Stable/--	A+/Stable/A-1	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,392.9	3,037.7	13,245.0	1,153.7
Net income from cont. oper.	282.6	234.4	908.7	37.4
Funds from operations (FFO)	637.1	533.2	1,635.7	107.5
Capital expenditures	1,080.3	393.8	2,148.9	99.7
Cash and short-term investments	92.2	66.5	181.3	36.0
Debt	5,128.0	3,055.6	12,424.2	590.2
Preferred stock	58.1	21.5	106.5	21.0
Equity	3,228.8	1,809.7	9,591.9	549.1
Debt and equity	8,356.7	4,865.3	22,016.2	1,139.4
Adjusted ratios				
EBIT interest coverage (x)	2.7	3.6	3.1	3.9
FFO int. cov. (X)	3.6	4.3	3.6	4.5
FFO/debt (%)	12.4	17.5	13.2	18.2
Discretionary cash flow/debt (%)	(15.8)	(3.2)	(8.9)	(6.6)
Net cash flow / capex (%)	46.3	97.5	48.3	73.3
Total debt/debt plus equity (%)	61.4	62.8	56.4	51.8

Table 1.

Northeast Utilities -- Peer Comparison* (cont.)				
Return on common equity (%)	8.1	13.3	9.5	7.1
Common dividend payout ratio (un-adj.) (%)	49.3	65.1	69.2	91.8

*Fully adjusted (including postretirement obligations).

Table 2.

Northeast Utilities -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	5,158.8	5,518.9	5,500.9	6,621.9	7,133.6
Net income from continuing operations	335.6	260.8	251.5	131.7	(229.2)
Funds from operations (FFO)	845.0	560.4	506.0	27.2	346.5
Capital expenditures	902.2	1,237.6	1,101.0	893.3	798.9
Cash and short-term investments	93.2	168.3	15.1	481.9	45.8
Debt	5,612.0	5,738.4	4,033.5	3,362.2	3,649.2
Preferred stock	58.1	58.1	58.1	116.2	116.2
Equity	3,636.0	3,078.4	2,971.9	2,914.4	2,079.7
Debt and equity	9,248.0	8,816.8	7,005.4	6,276.6	5,729.0
Adjusted ratios					
EBIT interest coverage (x)	3.1	2.3	2.6	1.5	1.6
FFO int. cov. (x)	4.2	3.1	3.3	1.2	2.6
FFO/debt (%)	15.1	9.8	12.5	0.8	9.5
Discretionary cash flow/debt (%)	(5.4)	(16.1)	(29.8)	(17.9)	(16.2)
Net Cash Flow / Capex (%)	75.3	35.1	35.2	(9.6)	32.4
Debt/debt and equity (%)	60.7	65.1	57.6	53.6	63.7
Return on common equity (%)	9.5	7.0	7.6	4.0	(10.6)
Common dividend payout ratio (un-adj.) (%)	49.3	50.5	47.9	85.2	(38.2)

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Northeast Utilities reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	5,102.0	3,694.1	5,439.4	1,292.2	1,292.2	751.4	273.6	989.1	989.1	167.9	908.1
Standard & Poor's adjustments											
Operating leases	52.7	--	--	20.6	3.3	3.3	3.3	17.3	17.3	--	--

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Intermediate hybrids reported as equity	58.1	(58.1)	--	--	--	--	2.8	(2.8)	(2.8)	(2.8)	--
Postretirement benefit obligations	686.5	--	--	27.5	27.5	27.5	--	10.1	10.1	--	--
Accrued interest not included in reported debt	83.8	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	5.9	(5.9)	(5.9)	--	(5.9)
Share-based compensation expense	--	--	--	--	8.8	--	--	--	--	--	--
Securitized utility cost recovery	(442.4)	--	(280.6)	(280.6)	(280.6)	(36.5)	(36.5)	(244.1)	(244.1)	--	--
Power purchase agreements	38.6	--	--	2.0	2.0	2.0	2.0	--	--	--	--
Asset retirement obligations	32.9	--	--	3.3	3.3	3.3	3.3	(0.7)	(0.7)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	37.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	81.8	--	--
Total adjustments	510.0	(58.1)	(280.6)	(227.2)	(235.7)	37.4	(19.2)	(226.0)	(144.2)	(2.8)	(5.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,612.0	3,636.0	5,158.8	1,065.0	1,056.6	788.8	254.4	763.1	845.0	165.2	902.2

*Northeast Utilities reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Ratings Detail (As Of July 27, 2010)*

Connecticut Light & Power Co.	
Corporate Credit Rating	BBB/Stable/NR
Preferred Stock (8 Issues)	BB+
Senior Secured (18 Issues)	BBB+
Senior Unsecured (5 Issues)	BBB

Ratings Detail (As Of July 27, 2010) (cont.)

Corporate Credit Ratings History	
27-May-2005	BBB/Stable/NR
14-Apr-2004	BBB+/Negative/NR
08-Nov-2001	BBB+/Stable/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Northeast Utilities	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--
Local Currency	BBB/Stable/NR
Senior Unsecured (3 Issues)	BBB-
Public Service Co. of New Hampshire	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (2 Issues)	BBB
Senior Secured (5 Issues)	BBB+
Senior Unsecured (4 Issues)	A/Developing
Senior Unsecured (1 Issue)	AAA
Senior Unsecured (1 Issue)	BBB
Western Massachusetts Electric Co.	
Issuer Credit Rating	BBB/Stable/NR
Senior Unsecured (6 Issues)	BBB
Yankee Gas Services Co.	
Issuer Credit Rating	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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October 25, 2010

Summary:

Connecticut Light & Power Co.

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Rationale

CreditWatch

Related Criteria And Research

Summary:

Connecticut Light & Power Co.

Credit Rating: BBB/Watch Pos/NR

Rationale

The ratiugs on Connecticut Light & Power Co. (CL&P) are on CreditWatch with positive implications as a result of parent company's, Northeast Utilities (NU), plan to merge with NSTAR. The ratings on NU are also on CreditWatch with positive implications. The positive CreditWatch listing on NU reflects that the company's credit quality will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The ratings on CL&P reflect the consolidated credit profile of its parent, Northeast Utilities (NU). NU's business risk profile is 'excellent' and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Un-regulated operations are not material to the consolidated credit profile and the company has no plans to expand them.

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$714 million, for both CL&P and affiliate Western Massachusetts Electric Company (WMECO).

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Short-term credit factors

CL&P's liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $500 million revolving credit facility maturing in September 2013. As of June 30, 2010, $300 million was available under the facility after accounting for borrowings and outstanding letters of credit. The subsidiaries have a combined $400 million revolving credit facility maturing in September 2013 which was fully available as of June 30, 2010. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $89 million of cash on hand as of June 30, 2010.

CreditWatch

Standard & Poor's expects to resolve the CreditWatch listing on NU and its subsidiaries as the merger with NSTAR nears completion (expected to be in late 2011) and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

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July 27, 2010

Yankee Gas Services Co.

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Major Rating Factors

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Related Criteria And Research

Yankee Gas Services Co.

Major Rating Factors

Corporate Credit Rating

BBB/Stable/--

Strengths:

- Low-operating-risk electric transmission and distribution operations dominate the consolidated business risk profile;
- Material contribution from transmission investments that is FERC-regulated;
- Minimal competition; and
- Operating and regulatory diversity with operations in three states and combination of electric distribution and transmission operations.

Weaknesses:

- Regulated utilities are challenged to earn their allowed return on equity;
- New Hampshire electric operations are integrated although customers can select alternative providers;
- Large proposed capital spending program; and
- Aggressive consolidated financial profile.

Rationale

The ratings on Yankee Gas Services Co. (Yankee Gas) reflect the consolidated credit profile of its parent, Northeast Utilities (NU). NU's business risk profile is 'excellent' and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Un-regulated operations are not material to the consolidated credit profile and the compauy has no plans to expand them.

Yankee Gas contributes about 10% of NU's total revenues and assets. Yankee Gas is a gas distribution utility delivering natural gas to about 205,000 customers in Connecticut and bas an 'excellent' business risk profile. The customer base is mostly residential and commercial with these customers contributing 79% of revenues and 65% of sales. The customer base is relatively small and has demonstrated only modest growth. Yankee Gas reached a settlement agreement witb the Department of Public Utility and Control in Connecticut (DPUC) in 2007 that provided for a $22.1 million base rate increase and a 10.1% return on equity (ROE). The settlement also provided for an earnings cap such that all earnings above the cap are refunded to customers. Importantly, gas costs are recovered on a monthly basis. Yankee Gas is likely to file for a new base rate increase by 2011 in order to address the low earned ROE. In January 2010, the DPUC approved Yankee Gas' request to sell its remaining propane plants which were used to meet demand during peak periods. In order to cover the shortfall, Yankee Gas commenced the construction of a 16-mile gas pipeline between Waterbury and Wallingford, Connecticut (WWL Project) and to also increase of the vaporization output of its existing LNG plant. These projects are estimated to cost about $67 million.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended March 31, 2010, were $823.3 million, while adjusted total debt was $5.72 billion, leading to adjusted FFO to interest coverage of 4x and adjusted FFO to total debt of 14.4%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 60.8% as of March 31,

2010.

Short-term credit factors

Yankee Gas' liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's 'adequate' liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2 times. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its souud bank relationships, its solid standing in the credit markets, and prudent risk management further support our description of liquidity as 'adequate'.

NU has a $482.3 million revolving credit facility maturing in November 2010 and which had $332.4 million undrawn as of March 31, 2010. The subsidiaries have a combined $361.8 million revolving credit facility maturing in November 2010, and had the entire amounts available as of March 31, 2010, subject to each individual company's borrowing limit. NU is currently in the process of renewing the existing revolving credit facilities. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, euhancing financial flexibility. In addition, NU had about $30 million of cash on hand.

Outlook

The stable outlook on Yankee Gas reflects the outlook of its parent, NU. The stable outlook on NU reflects the company's low-operating risk regulated transmission and distribution operations that are expected to continue to dominate the consolidated business risk profile. In addition, tbe stable outlook reflects the recent rate case decisions which should provide a measure of support to the consolidated financial profile. As a result, Standard & Poor's base case projections for NU on a consolidated basis incorporate an 'aggressive' financial profile such that adjusted FFO interest coverage is at least 3.0x, adjusted FFO to total debt exceeds 12% and adjusted debt leverage does uot exceed 65%. Absent the ability to consistently demonstrate such credit metrics, credit quality will erode and the ratings will be lowered. Given the large capital spending program, the still weak local economies in the service territories and aggressive financial risk profile, a higher rating for NU and its subsidiaries is currently not under consideration.

Accounting

NU's financial statements are in accordance with U.S. GAAP aud are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and iuternal controls for 2009.

NU issued rate reduction bonds (RRBs) in 2001 which Standard & Poor's views as securitized debt, and adjusts the year-end 2009 financial statements by removing:

- $442.4 milliou of securitized debt from total reported debt,
- $244.1 million of securitization-related principal from revenues and depreciation, and
- $36.5 million of securitization-related interest expense from revenues aud interest expense.

In addition, Standard & Poor's adjusts NU's financial statements for certain off-balance-sheet obligations. For fiscal 2009, Standard & Poor's adds $686.5 million as a debt-like obligation for the pension and other post-retirement funding shortfall, $52.7 million relatiug to operating leases, $38.6 million relating to PPAs, $32.9 million to account

for asset-retirement obligations, and $83.8 million in accrued interest not reported as debt. These figures represent about 16% of the NU's adjusted total debt.

Standard & Poor's views NU's $116.2 million of non-redeemable preferred stock as of Dec. 31, 2009, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

Table 1.

Northeast Utilities -- Peer Comparison*

Industry Sector: Energy

	Northeast Utilities	NSTAR	Consolidated Edison Inc.	CH Energy Group Inc.
Rating as of July 26, 2010	BBB/Stable/--	A+/Stable/A-1	A-/Stable/A-2	-/-/-
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,392.9	3,037.7	13,245.0	1,153.7
Net income from cont. oper.	282.6	234.4	908.7	37.4
Funds from operations (FFO)	637.1	533.2	1,635.7	107.5
Capital expenditures	1,080.3	393.8	2,148.9	99.7
Cash and short-term investments	92.2	66.5	181.3	36.0
Debt	5,128.0	3,055.6	12,424.2	590.2
Preferred stock	58.1	21.5	106.5	21.0
Equity	3,228.8	1,809.7	9,591.9	549.1
Debt and equity	8,356.7	4,865.3	22,016.2	1,139.4
Adjusted ratios				
EBIT interest coverage (x)	2.7	3.6	3.1	3.9
FFO int. cov. (X)	3.6	4.3	3.6	4.5
FFO/debt (%)	12.4	17.5	13.2	18.2
Discretionary cash flow/debt (%)	(15.8)	(3.2)	(8.9)	(6.6)
Net cash flow / capex (%)	46.3	97.5	48.3	73.3
Total debt/debt plus equity (%)	61.4	62.8	56.4	51.8
Return on common equity (%)	8.1	13.3	9.5	7.1
Common dividend payout ratio (un-adj.) (%)	49.3	65.1	69.2	91.8

*Fully adjusted (including postretirement obligations).

Table 2.

Northeast Utilities -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	5,158.8	5,518.9	5,500.9	6,621.9	7,133.6
Net income from continuing operations	335.6	260.8	251.5	131.7	(229.2)
Funds from operations (FFO)	845.0	560.4	506.0	27.2	346.5
Capital expenditures	902.2	1,237.6	1,101.0	893.3	798.9
Cash and short-term investments	93.2	168.3	15.1	481.9	45.8
Debt	5,612.0	5,738.4	4,033.5	3,362.2	3,649.2
Preferred stock	58.1	58.1	58.1	116.2	116.2
Equity	3,636.0	3,078.4	2,971.9	2,914.4	2,079.7
Debt and equity	9,248.0	8,816.8	7,005.4	6,276.6	5,729.0
Adjusted ratios					
EBIT interest coverage (x)	3.1	2.3	2.6	1.5	1.6
FFO int. cov. (x)	4.2	3.1	3.3	1.2	2.6
FFO/debt (%)	15.1	9.8	12.5	0.8	9.5
Discretionary cash flow/debt (%)	(5.4)	(16.1)	(29.8)	(17.9)	(16.2)
Net Cash Flow / Capex (%)	75.3	35.1	35.2	(9.6)	32.4
Debt/debt and equity (%)	60.7	65.1	57.6	53.6	63.7
Return on common equity (%)	9.5	7.0	7.6	4.0	(10.6)
Common dividend payout ratio (un-adj.) (%)	49.3	50.5	47.9	85.2	(38.2)

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Northeast Utilities reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	5,102.0	3,694.1	5,439.4	1,292.2	1,292.2	751.4	273.6	989.1	989.1	167.9	908.1
Standard & Poor's adjustments											
Operating leases	52.7	--	--	20.6	3.3	3.3	3.3	17.3	17.3	--	--
Intermediate hybrids reported as equity	58.1	(58.1)	--	--	--	--	2.8	(2.8)	(2.8)	(2.8)	--
Postretirement benefit obligations	686.5	--	--	27.5	27.5	27.5	--	10.1	10.1	--	--

Table 3.

Reconciliation Of Northeast Utilities Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Accrued interest not included in reported debt	83.8	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	5.9	(5.9)	(5.9)	--	(5.9)
Share-based compensation expense	--	--	--	--	8.8	--	--	--	--	--	--
Securitized utility cost recovery	(442.4)	--	(280.6)	(280.6)	(280.6)	(36.5)	(36.5)	(244.1)	(244.1)	--	--
Power purchase agreements	38.6	--	--	2.0	2.0	2.0	2.0	--	--	--	--
Asset retirement obligations	32.9	--	--	3.3	3.3	3.3	3.3	(0.7)	(0.7)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	37.8	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	81.8	--	--
Total adjustments	510.0	(58.1)	(280.6)	(227.2)	(235.7)	37.4	(19.2)	(226.0)	(144.2)	(2.8)	(5.9)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,612.0	3,636.0	5,158.8	1,065.0	1,056.6	788.8	254.4	763.1	845.0	165.2	902.2

*Northeast Utilities reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Ratings Detail (As Of July 27, 2010)

Yankee Gas Services Co.	
Corporate Credit Rating	BBB/Stable/--
Corporate Credit Ratings History	
31-May-2005	BBB/Stable/--
14-Apr-2004	BBB+/Negative/--
01-Jul-2003	BBB+/Stable/--
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive

Ratings Detail (As Of July 27, 2010)* **(cont.)**

Related Entities	
Connecticut Light & Power Co.	
Issuer Credit Rating	BBB/Stable/NR
Preferred Stock (8 Issues)	BB+
Senior Secured (18 Issues)	BBB+
Senior Unsecured (5 Issues)	BBB
Northeast Utilities	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--
Local Currency	BBB/Stable/NR
Senior Unsecured (3 Issues)	BBB-
Public Service Co. of New Hampshire	
Issuer Credit Rating	BBB/Stable/--
Senior Secured (2 Issues)	BBB
Senior Secured (5 Issues)	BBB+
Senior Unsecured (4 Issues)	A/Developing
Senior Unsecured (1 Issue)	AAA
Senior Unsecured (1 Issue)	BBB
Western Massachusetts Electric Co.	
Issuer Credit Rating	BBB/Stable/NR
Senior Unsecured (6 Issues)	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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October 25, 2010

Summary:
Yankee Gas Services Co.

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CreditWatch

Related Criteria And Research

Summary:
Yankee Gas Services Co.

Credit Rating: BBB/Watch Pos/--

Rationale

The ratings on Yankee Gas Services Co. are on CreditWatch with positive implications as a result of parent company's, Northeast Utilities (NU), plan to merge with NSTAR. The ratings on NU are also on CreditWatch with positive implications. The CreditWatch listing reflects that the company's credit quality will benefit from the merger with the higher rated NSTAR. Because NSTAR is also focused on electric and gas transmission and distribution operations, we expect the combined entity to have an excellent business risk profile. In addition, the merger will provide regulatory diversity, with the combined entity generating about 70% of operating income from Massachusetts, Connecticut, and New Hampshire while the balance will be FERC-regulated. Finally, the transaction is expected to be completed in an all stock manner without the need for additional external debt financing which could weaken the pro forma financial risk profile.

The ratings on Yankee Gas reflect the consolidated credit profile of NU. NU's business risk profile is excellent and reflects primarily the low-operating-risk nature of its regulated utility subsidiaries and the increasing contribution of its transmission investments. Unregulated operations are not material to the consolidated credit profile and the company has no plans to expand them.

Yankee Gas contributes about 10% of NU's total revenues and assets. Yankee Gas is a gas distribution utility delivering natural gas to about 205,000 customers in Connecticut and has an excellent business risk profile. The customer base is mostly residential and commercial with these customers contributing 79% of revenues and 65% of sales. The customer base is relatively small and has demonstrated only modest growth. Yankee Gas reached a settlement agreement with the Department of Public Utility and Control in Connecticut (DPUC) in 2007 that provided for a $22.1 million base rate increase and a 10.1% return on equity (ROE). The settlement also provided for an earnings cap such that all earnings above the cap are refunded to customers. Importantly, gas costs are recovered on a monthly basis. Yankee Gas is likely to file for a new base rate increase by 2011 in order to address the low earned ROE. In January 2010, the DPUC approved Yankee Gas' request to sell its remaining propane plants which were used to meet demand during peak periods. In order to cover the shortfall, Yankee Gas commenced the construction of a 16-mile gas pipeline between Waterbury and Wallingford, Connecticut (WWL Project) and to also increase of the vaporization output of its existing LNG plant. These projects are estimated to cost about $67 million.

NU's consolidated financial profile is aggressive. Adjusted funds from operations (FFO) for the 12 months ended June 30, 2010, were $783.3 million, while adjusted total debt was $5.82 billion, leading to adjusted FFO to interest coverage of 3.8x and adjusted FFO to total debt of 13.5%. Given the large capital spending program of about $6.35 billion during the next five years which will only be partly internally funded, credit protection measures, including debt to capital, will remain aggressive. Adjusted total debt to total capital was 61% as of June 30, 2010. Credit protection measures have weakened modestly for 12 months ended June 30, 2010 compared with the same period ended Dec. 31, 2009, while still remaining adequate for the ratings, given the company's overall excellent business risk profile.

Short-term credit factors

Yankee Gas' liquidity is viewed on a consolidated basis with that of parent NU. NU's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. NU's liquidity supports its 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by over 1.2x. NU's ability to absorb high-impact, low-probability events with a limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in the credit markets, and prudent risk management further support onr description of liquidity as adequate.

NU has a $500 million revolving credit facility maturing in September 2013. As of June 30, 2010, $300 million was available under the facility after accounting for borrowings and outstanding letters of credit. The subsidiaries have a combined $400 million revolving credit facility maturing in September 2013 which was fully available as of June 30, 2010. Debt maturities are modest and total about $66.3 million in 2010 and $4.3 million in 2011, enhancing financial flexibility. In addition, NU had about $89 million of cash on hand as of June 30, 2010.

CreditWatch

Standard & Poor's expects to resolve the CreditWatch listing on NU and its subsidiaries as the merger with NSTAR nears completion (expected to be in late 2011) and there is additional information regarding the combined company's financial policies, which in turn will dictate the consolidated financial risk profile.

Meet Vora of Standard & Poor's/CRISIL contributed to this article.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.

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