



**Northeast  
Utilities**



**CELEBRATING OUR 35TH ANNIVERSARY**

DIVERSITY FUELS OUR SUCCESS

TO THE WOMEN AND MEN OF THE  
NORTHEAST UTILITIES FAMILY:

Happy Anniversary! July 1, 2001 marks the passing of 35 years since the formation of the Northeast Utilities system. As a company with roots almost as old as our nation itself, we have much to celebrate. In this celebratory booklet, we highlight some milestones from our past which played decisive roles in our history and in developing the potential of electric power throughout our service territory.



Fittingly, we dedicate this publication to the many people who worked hard, persevered and innovated to help create an industry that has excelled in quality and service and contributed to the growth of local communities.

In recent years, our task has changed and we have adapted unfailingly to new roles as our company faces dramatic changes stemming from the deregulation of electricity across our territory. Our historic role as a monopoly provider of electric power no longer exists.

Instead, NU is a regulated utility being challenged to succeed in an ever more competitive marketplace. Today, we are challenged on two fronts: First, we must respect and embrace the past by continuing to build on our core competency of delivering power to our customers under the currently regulated environment. Second, we must add energy products and services other than electricity to our portfolio to successfully grow our competitive businesses.

# 1966

Our evolution has been a rapid one, and the only certainty as we look ahead is that we will continue to evolve in ways that benefit our customers, shareholders and employees. Adapting to this new business environment is not easy. But, I'm proud to say, it is a task we are meeting with the same zeal, competency and innovation that have distinguished the people of NU for many decades.

As we build on our past, we are leveraging our skills to jump into the exciting and challenging future. These qualities are central to our heritage. And it is that heritage — and the character of our organization — that we celebrate in this publication.

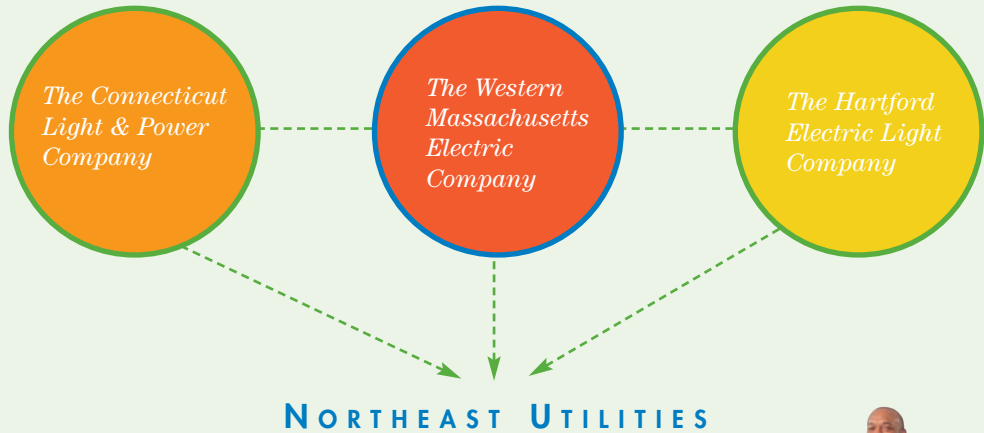


Michael G. Morris  
*Chairman, President and  
Chief Executive Officer*

# 2001

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# BUILDING ON OUR PAST,



## THE CREATION OF NU

The Northeast Utilities system was formed when three companies — The Connecticut Light and Power Company (CL&P), Western Massachusetts Electric Company (WMECO), and The Hartford Electric Light Company (HELCO) — affiliated as subsidiaries of Northeast Utilities (NU), the parent company. At the same time – July 1, 1966 – Northeast Utilities Service Company (NUSCO) was created to centralize corporate services. The NU system was the first new multistate public utility holding company system created since the enactment of the Public Utility Holding Company Act of 1935.

The formation of NU was a response to changing power technologies and increasing power demand, designed to meet the problems arising from a sharp increase in the use of electricity and an even sharper rise anticipated for the future.

Underlying the consolidation was a pervasive knowledge that dramatic economic growth in the area demanded the very best in electric and gas service at the lowest possible rates. Through consolidation, the companies hoped to achieve better coordination of services and economies of scale in the generation, distribution and sale of electricity, gas and energy-related services. By integrating their financial, technical and managerial resources into a single system, the companies sought to produce the synergies of enhanced reliability, greater efficiency and lower cost of service.





The NU system expanded in 1967 when the Holyoke Water Power Company (HWP) joined the affiliation. In March 1988, NU announced its interest in acquiring Public Service Company of New Hampshire (PSNH), as did three other New England utilities. After extensive negotiations, NU reached agreement near the end of 1989 and, in 1992, PSNH became a member of the NU system. In 2000, Yankee Energy System, Inc. (which had been the natural gas business of NU until 1989), rejoined the family.

### RAPID GROWTH

Upon its creation, the NU system became the largest utility in New England and one of the 20 largest in the nation. It had nearly one million customers (846,000 electric and 145,000 gas) and more than 6,000 employees. Its assets, valued at approximately \$1 billion, were owned by some 107,000 shareholders. It had a system capacity of 2,489 megawatts and a peak demand of 2,290 megawatts. Raymond A. Gibson, previously chairman of HELCO, was elected NU's chairman of the board. Sherman R. Knapp, chairman of CL&P, became president and chief executive. And Howard J. Cadwell, president of WMECO, became chairman of NU's Executive Committee. Today, we have more than 1.9 million customers and assets valued at more than \$10 billion.

In 1967, just a year after its formation, NU won the Edison Award, the electric industry's highest honor, for "foresight and enterprise in creating a utility corporate affiliation" and for "establishing a venture in the economies of scale in response to changing power technology for the benefit of its customers..."

### DIVERSIFICATION

By the 1960s, energy companies faced a two-fold pressure of sharply rising demand for power combined with an increase in U.S. dependency on foreign oil. Clearly, the U.S. needed to diversify its energy supplies, and nuclear power was one attractive option.

This was an area in which NU's subsidiaries had been active since the early 1950s, when CL&P, HELCO, WMECO, and several other New England electric companies had formed the Yankee Atomic Electric Company. They jointly built a nuclear plant, Yankee Rowe, which began operating in 1960 in Rowe, Massachusetts. After it ably demonstrated the feasibility of commercial nuclear power generation, CL&P, HELCO, WMECO, and other New England utilities formed a company to build Connecticut's first nuclear power plant, Connecticut Yankee. When the 590 megawatt plant entered commercial operation in 1968, it became one of the world's most productive nuclear power plants.

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# LEVERAGING OUR SKILLS,

# 1990s

The NU system subsequently undertook the construction of the three-unit Millstone nuclear station. Through its first decade, NU's nuclear operations achieved impressive results, helping to reduce U.S. reliance on foreign energy in a time of increased political turmoil.

Dramatic changes lay ahead, however, as regulators in Connecticut, Massachusetts and New Hampshire began considering ways to restructure the electric power industry. With restructuring, NU's traditional role of serving 100 percent of the customers in its service territory would undergo a fundamental and irrevocable change. The company faced the immediate challenge of finding the best approach in each state to work with legislators and regulators to achieve a workable and equitable outcome. In the long term, NU recognized that it must build on the strengths and capabilities that had served the company well in the past. These strengths included a solid customer base and close customer relationships, growing capabilities in retail marketing, and a track record of success in bulk power markets.



By the end of the 1990s, the company reached closure on a number of key restructuring issues. These included divesting most of NU's Connecticut and Massachusetts fossil fuel and hydroelectric generating plants (at prices well above book value), and auctioning the Millstone nuclear generating plants (for a record-setting price). NU also agreed to auction the Seabrook nuclear plant in New Hampshire and PSNH agreed to sell its generating plants in 2004.

NU added a new subsidiary to its roster of regulated companies when it agreed to a merger with Yankee Energy System, Inc. (YES). YES' principal operating subsidiary, Yankee Gas Services Company, is the largest natural gas distribution company in Connecticut, serving more than 187,000 customers. In 2001, Yankee Gas announced the first phase of a comprehensive multi-year expansion of its natural gas distribution system. This expansion will extend greater fuel diversity to Connecticut consumers by offering an added energy choice and will contribute to more robust business development in the state.

As a result of restructuring, NU's regulated companies now operate solely in the transmission, distribution and customer services businesses. As the foundation of the NU system, these core transmission and distribution companies are able to help the company's new competitive businesses grow substantially in emerging markets.

# 1980s





These competitive businesses include:

**Select Energy, Inc.**, which in just a few years has become New England's largest wholesale and retail energy marketer, serving businesses and institutions from Maine to Maryland;

**Select Energy Services, Inc.** (formerly HEC Inc.), providing energy efficiency and engineering design services throughout the Northeastern U.S. and beyond;

**Northeast Generation Company**, which owns 1,289 megawatts of hydroelectric and pumped storage generating assets;

**Northeast Generation Services Company**, which provides specialized generation and industrial services to manage and optimize plant assets;

**Mode 1 Communications**, which is capitalizing on the explosive growth in demand for high-speed, high-capacity digital telecommunications through its investments in NEON Communications, Inc. and a 28-mile fiber ring in downtown Hartford.

NU is entering this new era with vigor and optimism and with a clear understanding of the relationship between business goals and customer satisfaction. Simply put, NU has a commitment to reliability, dependability and safety in all aspects of its business. Its passion for customer satisfaction carries with it a recognition that the public is eager for better pricing and packaging of energy products and services. As an integrated energy company, NU stands ready to serve the public's expectation by pursuing creative, innovative initiatives and new technologies that protect the environment and are consistent with its corporate goals.

Looking ahead, NU is confident that it has all the ingredients to ensure its future success — first and foremost being its dedicated people, proven strengths, diverse capabilities and proud heritage.



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# POISED FOR AN EXCITING AND CHALLENGING FUTURE



**Northeast  
Utilities**

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