



**Northeast
Utilities System**

Morgan Stanley Conference

New York

APRIL 3, 2008



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Topics For Today



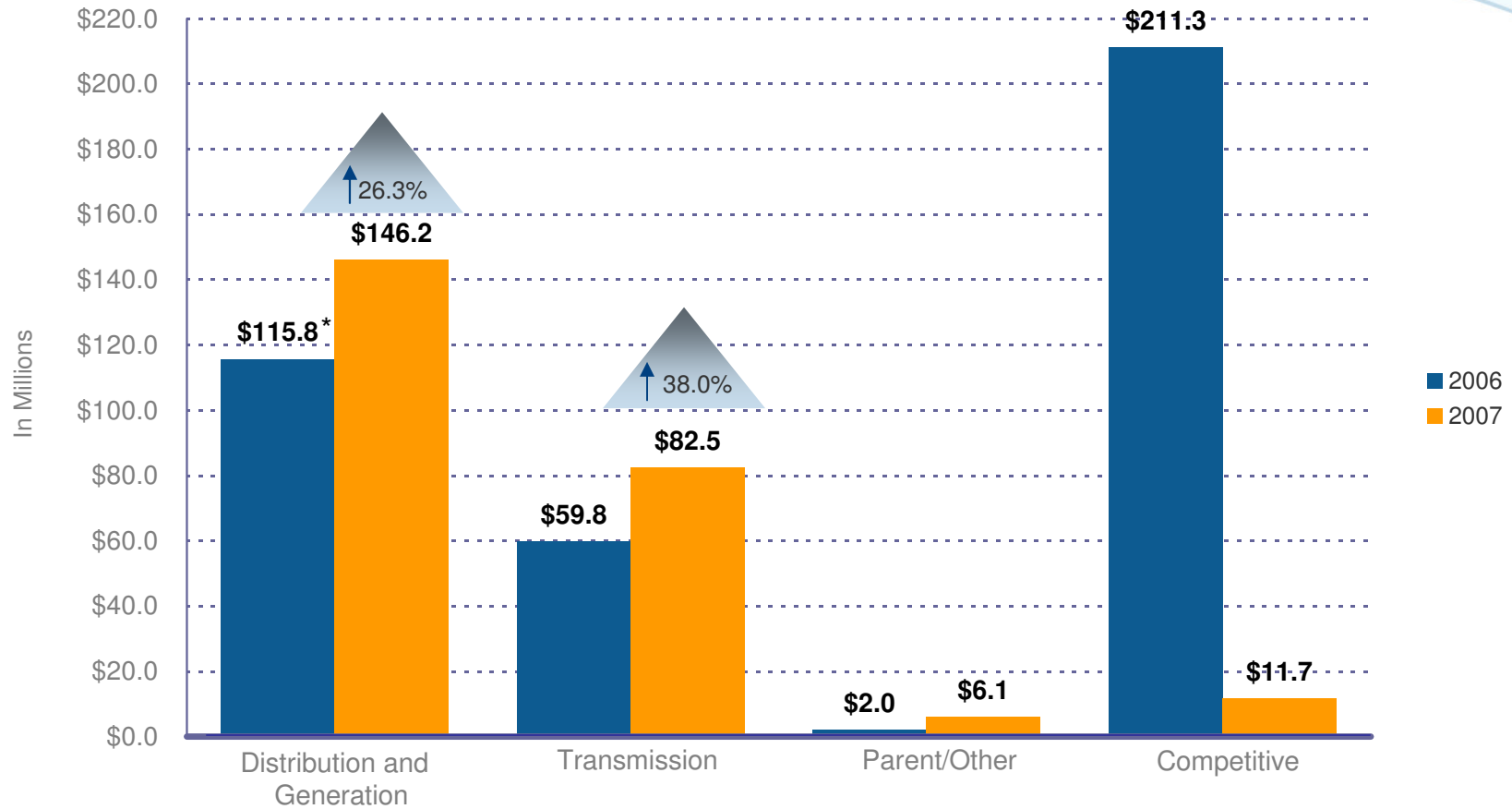
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- 2007 results and 2008 guidance
- Transmission opportunities
- Regulated generation initiatives
- Financial flexibility

2007 Earnings

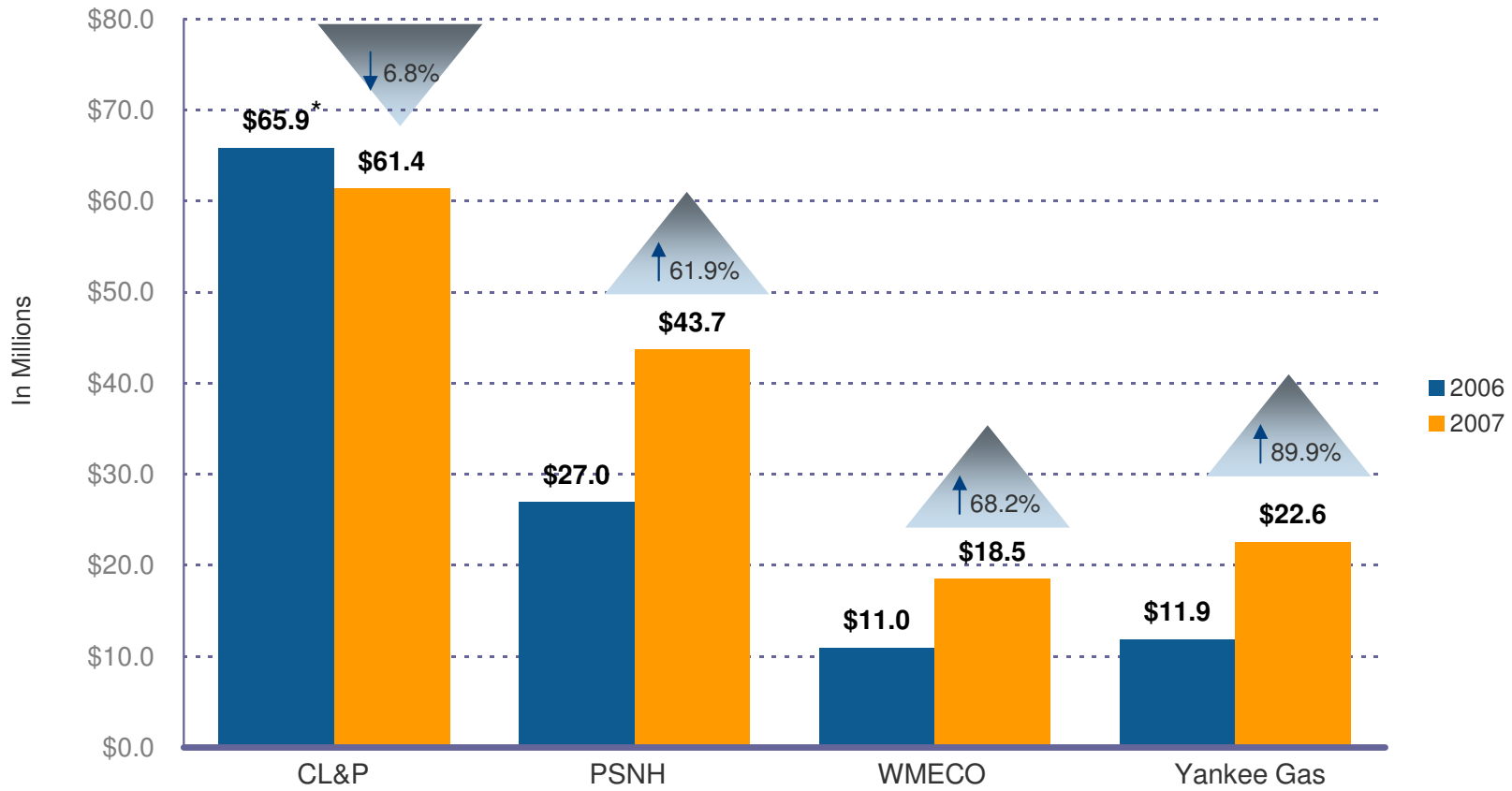


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*Excludes one-time \$74 million benefit to CL&P from 2006 tax reduction and \$7.7 million benefit to CL&P from generation sale

2007 Distribution and Generation Earnings



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EPS: 2006 – 2007 Results and Guidance



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	2006 Actual	2007 Actual	2008 Projected
Distribution/Generation	\$0.75*	\$0.94	\$1.05 - \$1.15
Transmission	\$0.39	\$0.53	\$0.75 - \$0.85
NU Parent/Other	\$0.02	\$0.04	(\$0.15) - (\$0.10)**
Competitive	N/A	\$0.08	Breakeven
NU Consolidated	\$1.16*	\$1.59	\$1.65 - \$1.90**

*Excludes one-time benefits to CL&P from 2006 tax reduction and impact of generation sales





**Excludes \$0.19 charge from settlement of Con Ed litigation

2008 Earnings Drivers






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HIGHER

Transmission		Increased investment, particularly SW Connecticut
CL&P distribution		2/1/08 \$78 million rate increase
PSNH distribution		7/1/07, 1/1/08, 7/1/08 rate changes
Yankee Gas		7/1/07 rate increase

LOWER

Distribution companies		Higher capital, operating costs
Parent company		Lower interest income, higher interest costs, Con Ed settlement
Competitive segment		Breakeven results

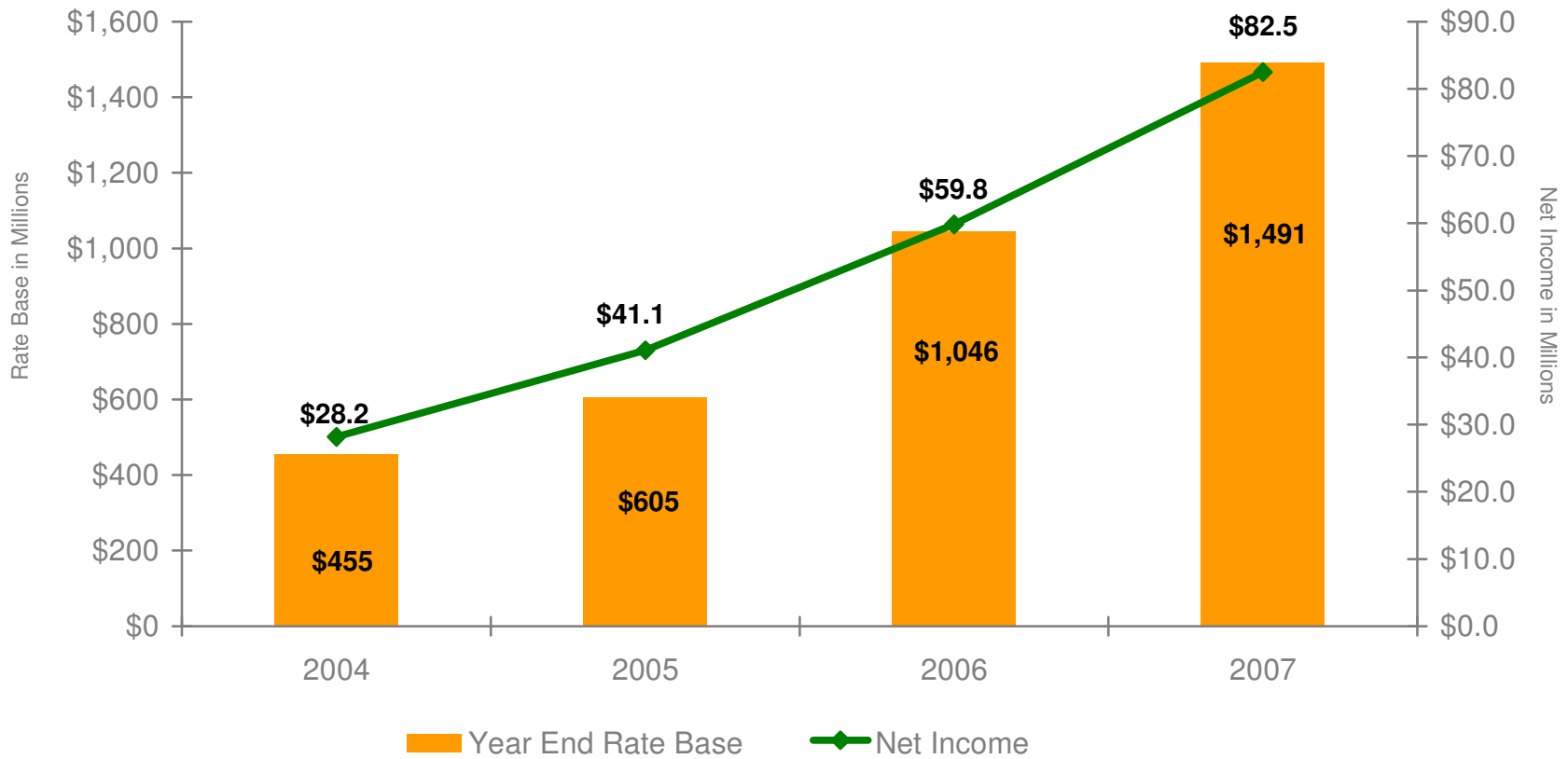


- Rapidly growing due to necessary investments in New England reliability
- Earnings track growth in invested capital
 - FERC approved tariff is reconciling, recovers O&M, taxes, interest, depreciation and return on invested equity
 - Reset twice a year
- Most costs spread across New England
- Transmission costs charged to CL&P, PSNH, WMECO are fully recovered from retail customers through tracking mechanisms
- Transmission investments increase service reliability and have lowered other costs billed to customers

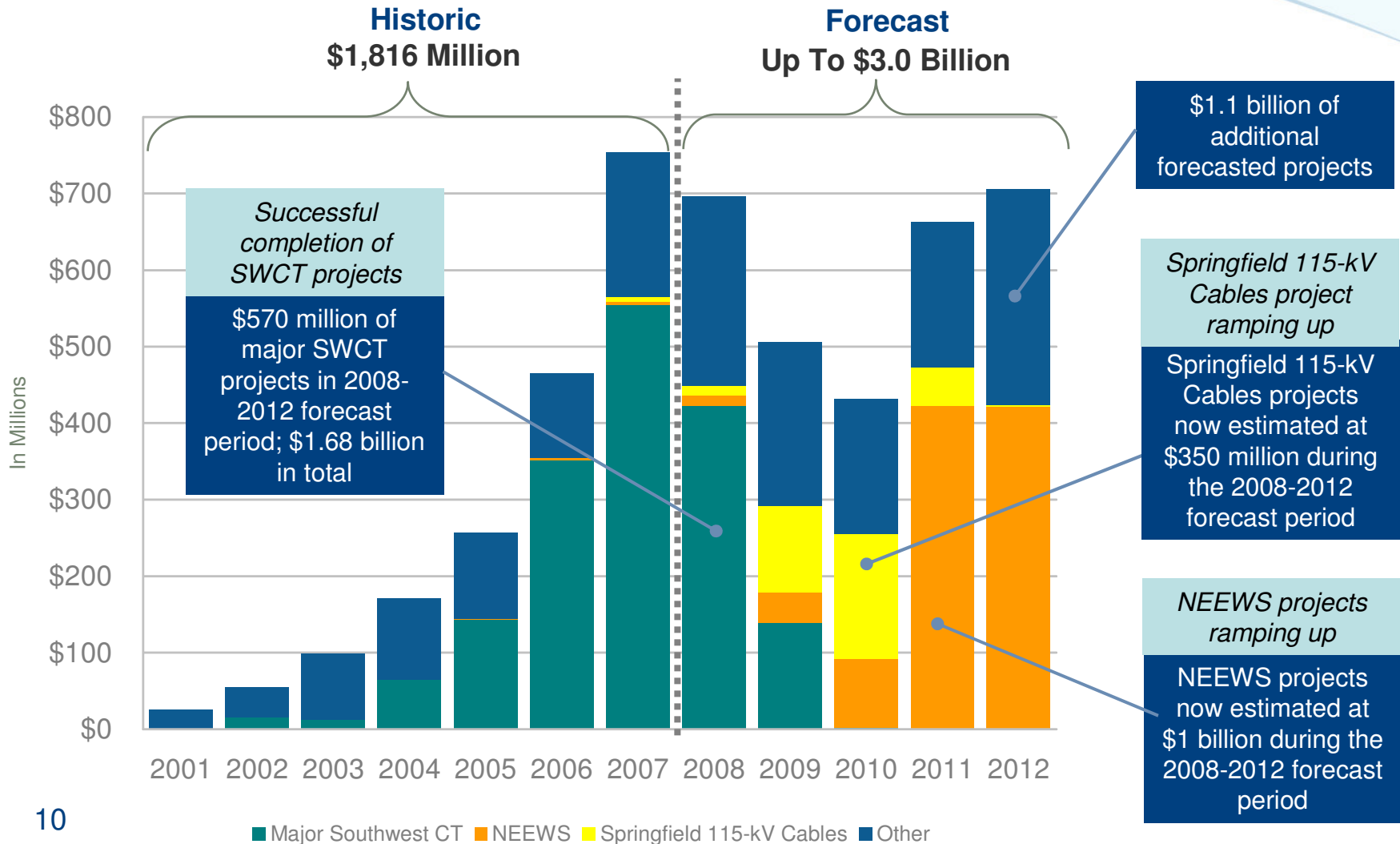
Transmission Earnings Tracking Rate Base Investment



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2008-2012 Transmission Capital Expenditures Increase By Over 20% From Previous Five-Year Program



Four Major Southwest Connecticut Transmission Projects – A \$1.68 Billion Investment, About 80% Complete



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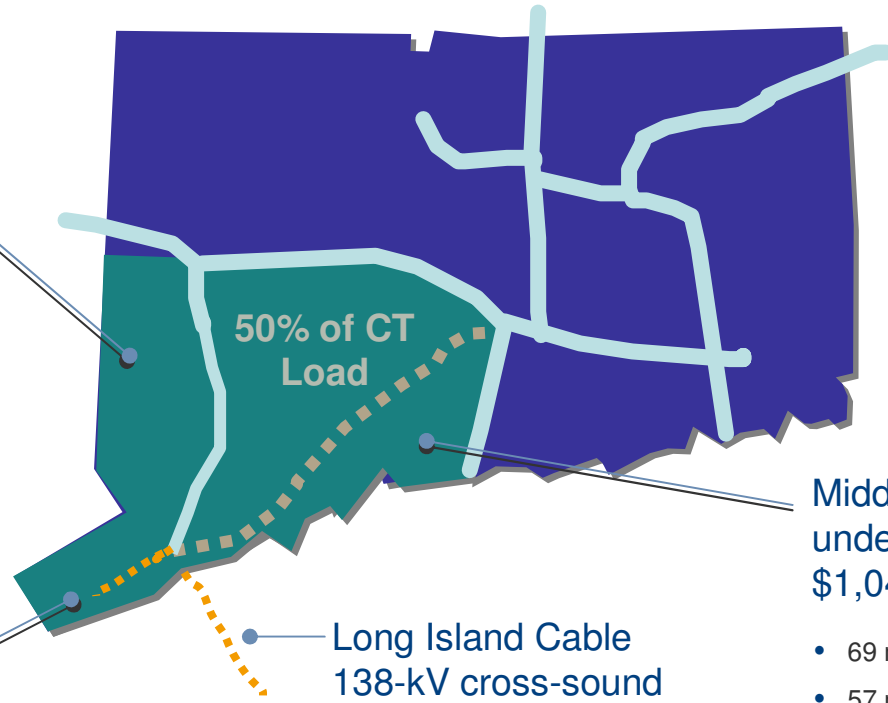
COMPLETE

**Bethel-Norwalk
345-kV underground
& overhead
\$350 Million**

- 21 miles 345-kV (56% underground)
- 10 miles 115-kV (100% underground)
- **Completed October 2006 at a cost of \$335 million**

**Glenbrook Cables
115-kV underground
\$223 Million**

- 9 miles 115-kV underground
- Projected in-service date: End of 2008
- **78% complete at 3/31/08**



50% of CT Load

**Long Island Cable
138-kV cross-sound
\$72 Million (NU share)**

- 11 miles 138-kV submarine cable
- Joint project with LIPA
- Projected in-service date: Second half of 2008
- **80% complete at 3/31/08**

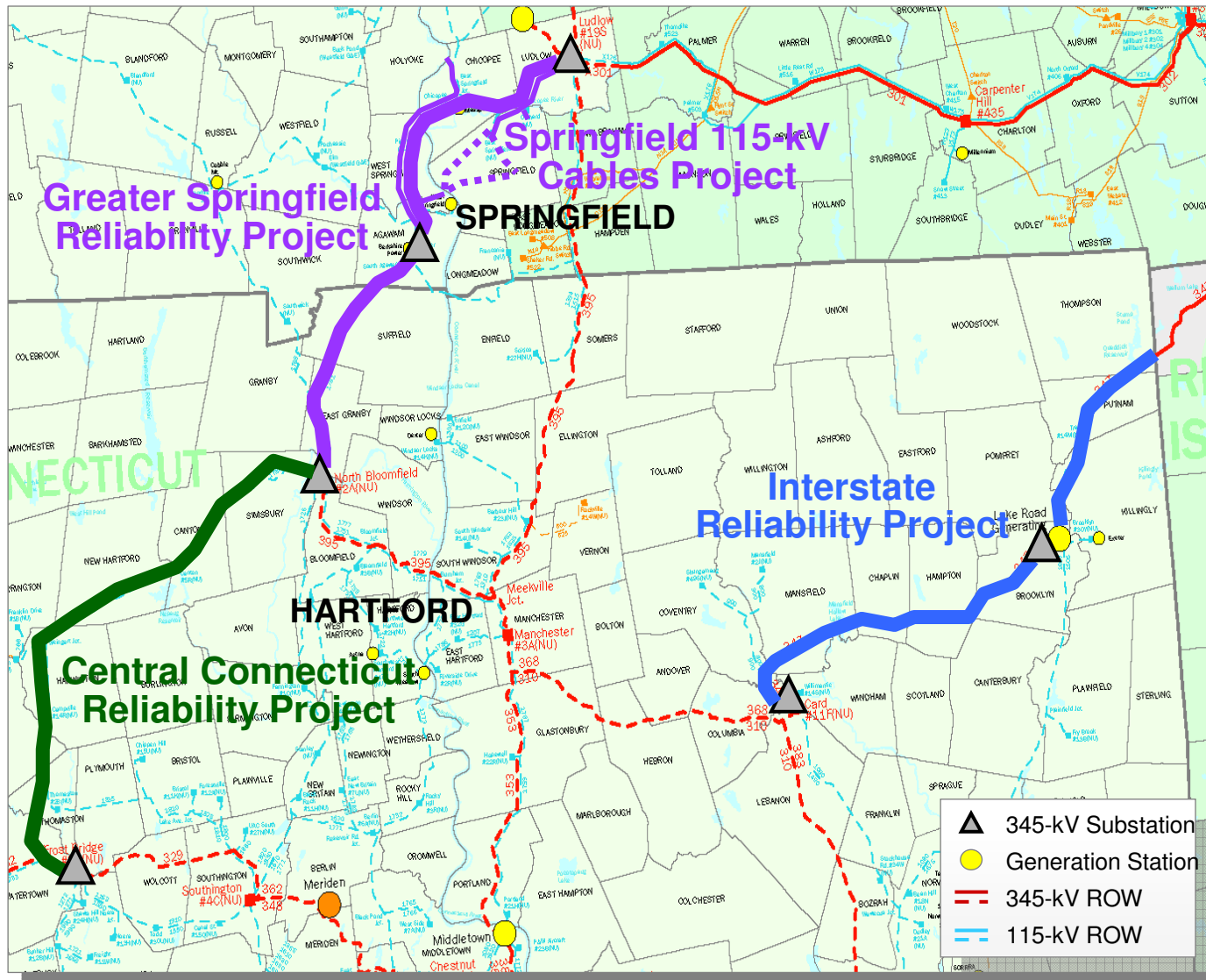
**Middletown-Norwalk 345-kV
underground & overhead
\$1,047 Million (NU share)**

- 69 miles 345-kV (35% underground)
- 57 miles 115-kV (1% underground)
- Joint project with United Illuminating
- Projected in-service date: Mid-2009
- **75% complete at 3/31/08**

NEEWS and Springfield 115-kV Cables Projects Will Better Connect Eastern, Western New England by 2013



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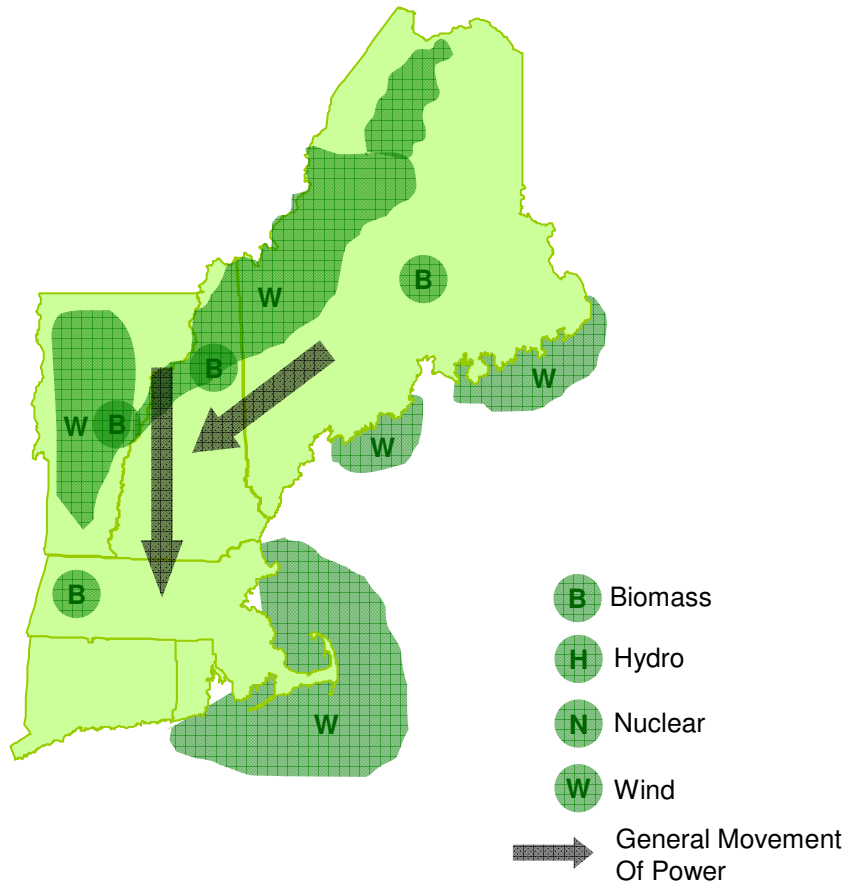


- Order on rehearing issued 3/24/08
- Raised base ROE from 10.2% to 10.4%
- Reaffirmed additional 74 basis points to reflect higher bond yields
- Maintained additional 50 basis points for RTO membership
- 100 basis point adder on facilities completed and on-line by 12/31/08
- Opportunity for 100 basis point or similar adder for future projects that meet the “nexus” test
 - Large projects
 - Reduce congestion costs
 - Significant financing required
 - Multi-state and/or across pools
 - Multi-company
 - Technologically advanced

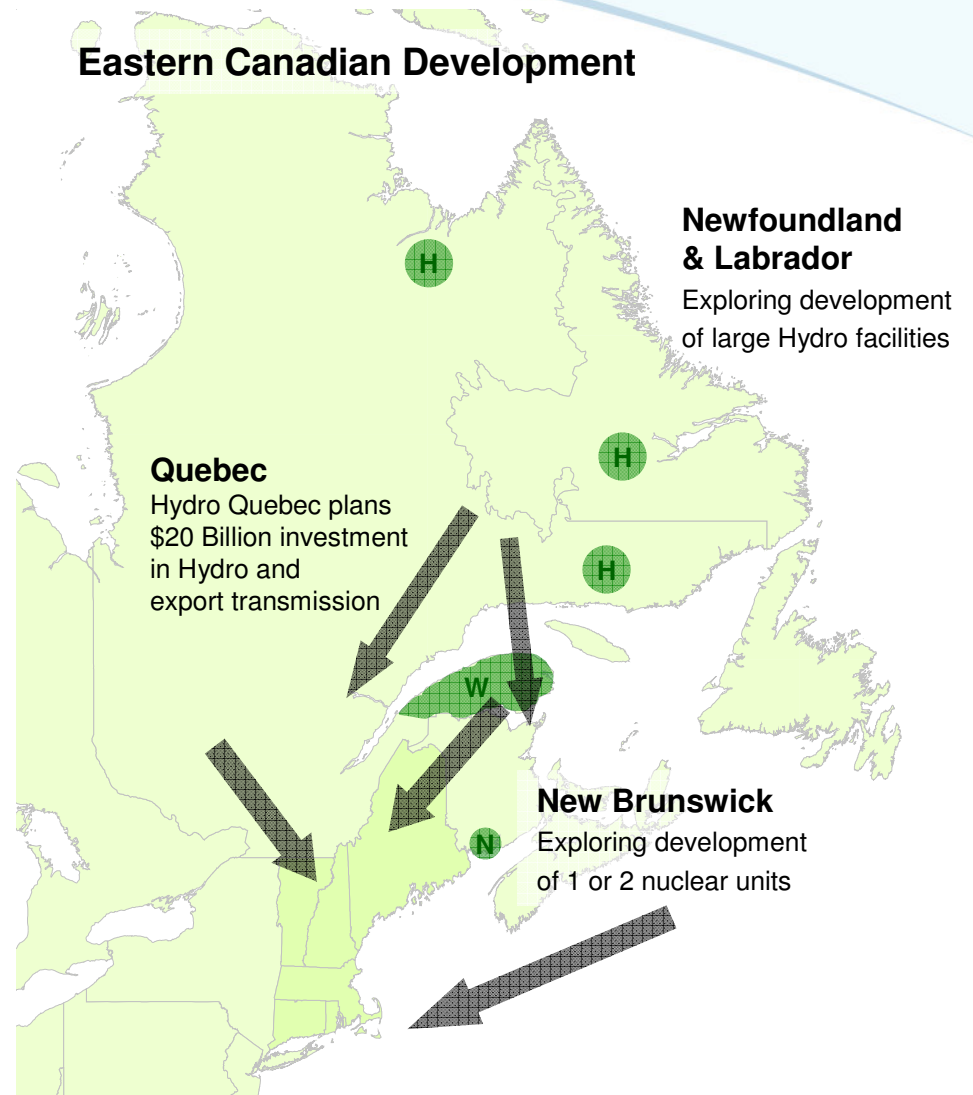
Northern New England and Eastern Canada Will Become Valuable Sources to Meet New England's Needs



New England's Most Attractive Renewable Energy Locations



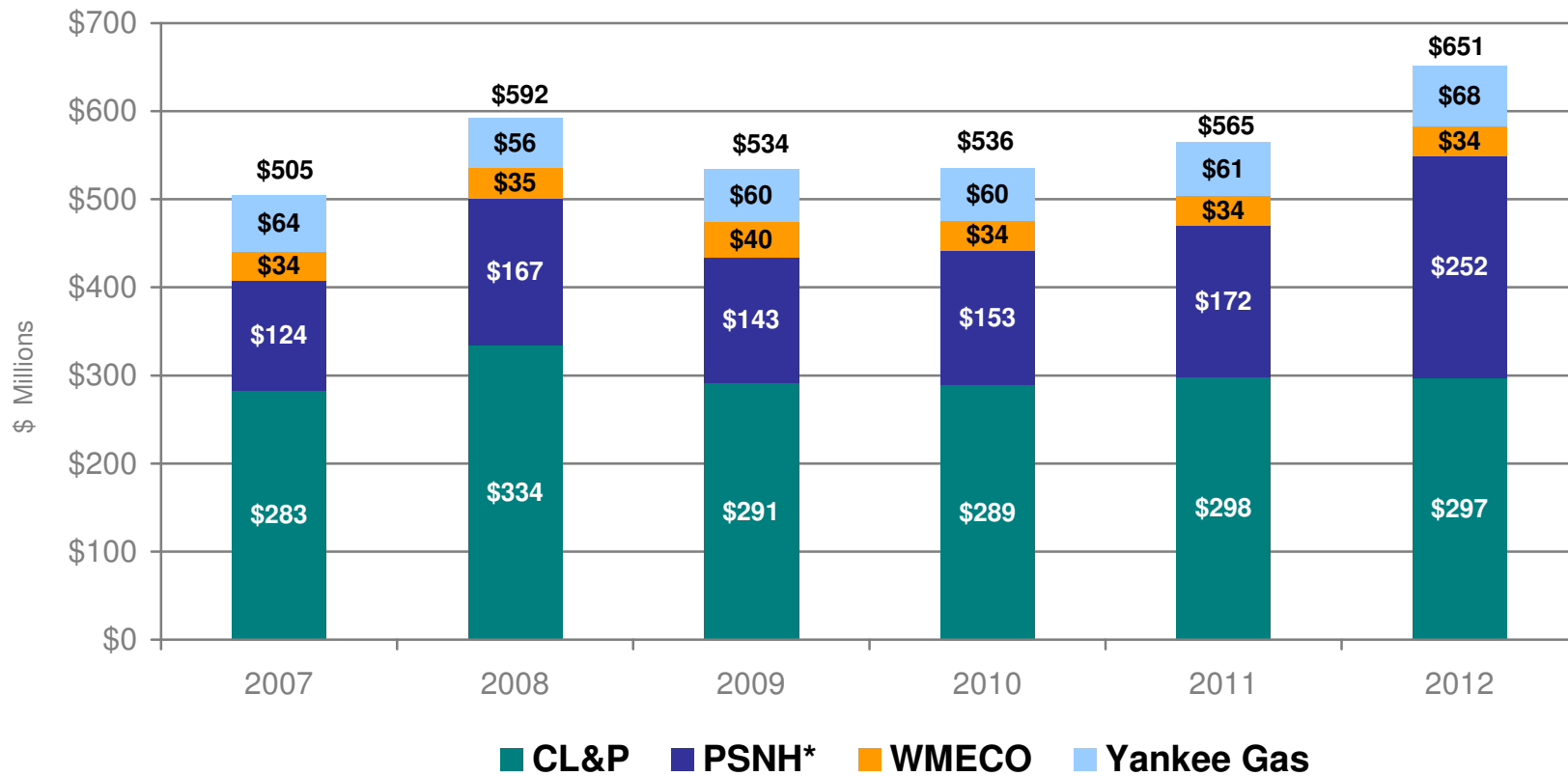
Eastern Canadian Development



Actual/Projected Distribution and Generation Capital Expenditures



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*PSNH Generation = \$35 million in 2007; \$63 million in 2008; \$44 million in 2009; \$49 million in 2010; \$65 million in 2011; and \$140 million in 2012

Regulated Generation Investments -- Merrimack Scrubber



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- Merrimack Scrubber
 - Required by New Hampshire statute for mercury emissions reductions
 - Current estimate of \$250 million under review
 - Engineering, Procurement & Construction (EPC) contract secured with Washington Group International in fall 2007
 - Construction start: 2009
 - Project completion: 2013

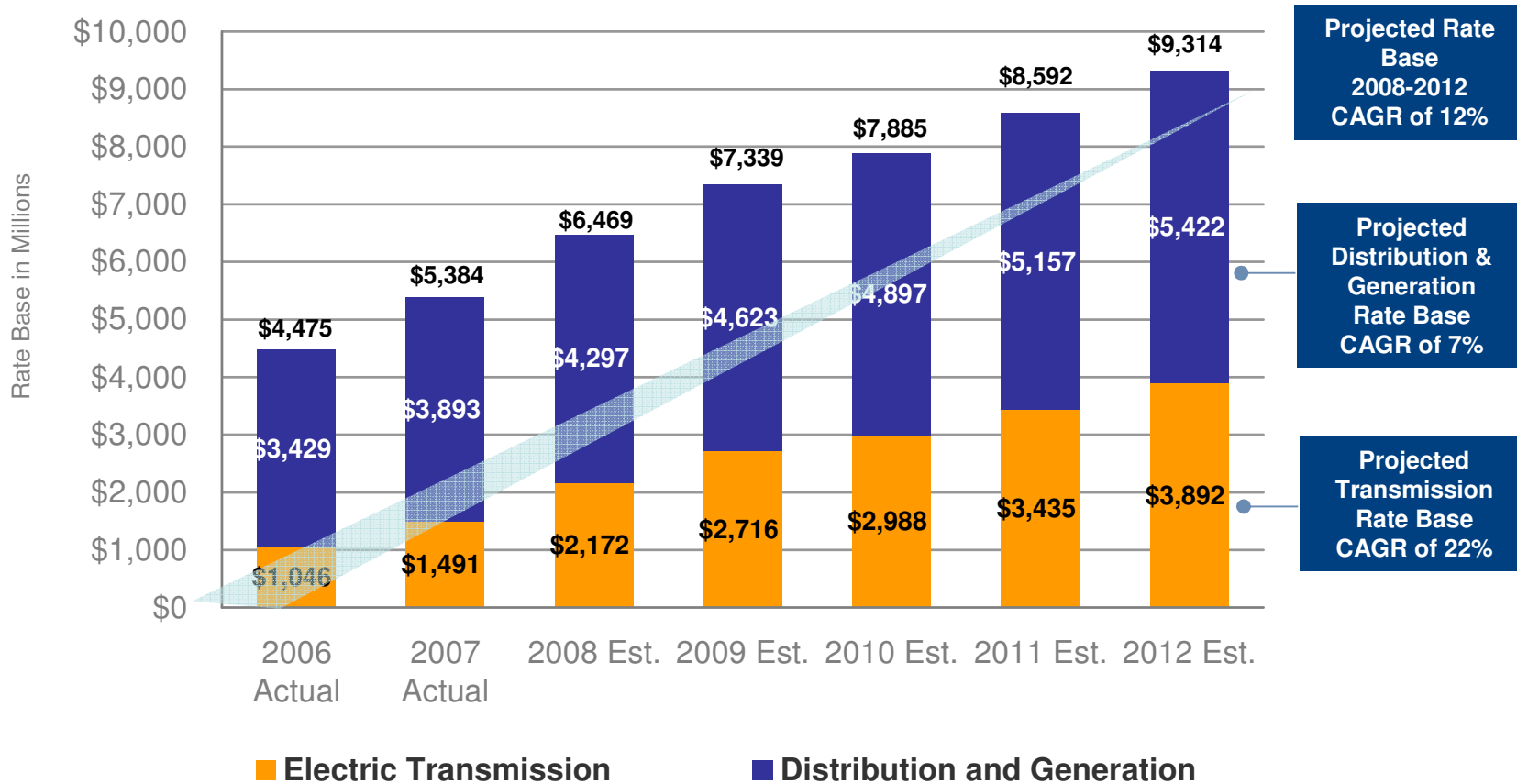


- Reduces sulfur emissions by 98%
- Reduces mercury emissions by 85%
- Avoids \$15-20 million annually in sulfur credit purchases
- Impact on Merrimack production costs of no more than 0.6 cents/kWh, preserving PSNH's low-cost generation fleet
- Investment to be recovered through PSNH generation rates per legislation

Projected Combined Year-End Rate Base



Target Utility Capitalization Structure = 45% equity, 55% debt
 Blended Transmission ROE 11.75% in 2007 rising to 12.0% in 2012



Note: 50 percent CWIP approved for major southwest Connecticut investment until projects enter service.
 100 percent CWIP in rate base assumed for Springfield cables and NEEWS projects.

Rate Base Composition



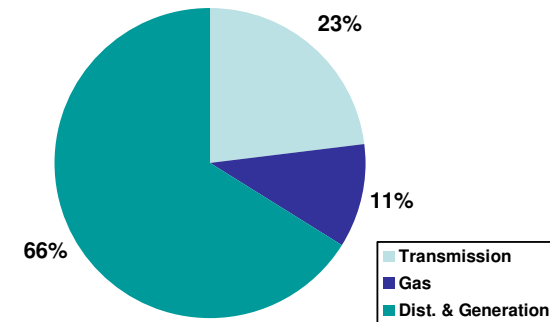
Electricity Transmission	
Rate Base:	\$1.5 billion (Actual 2007)
'08-'12 Capex:	\$3.0 billion

Electricity Distribution & Generation	
Rate Base:	\$3.2 billion (Actual 2007)
'08-'12 Capex:	\$2.6 billion

Gas LDC	
Rate Base:	\$0.6 billion (Actual 2007)
'08-'12 Capex:	\$0.3 billion

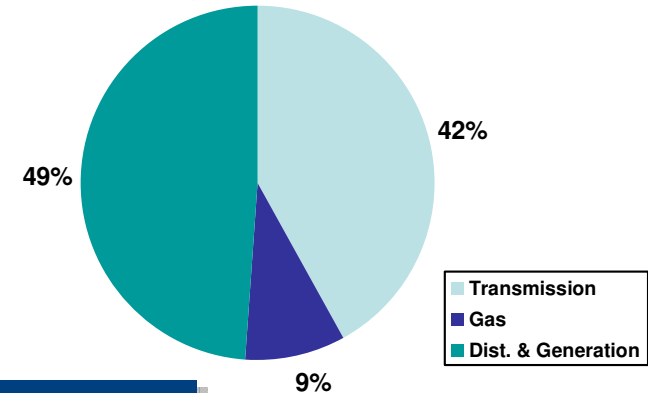
2006 Rate Base Composition

\$4.5 billion



2012E Rate Base Composition

\$9.3 billion



Transmission becomes much larger share of total rate base

Elements of 2008-2012 Capex Projections



What's In

- \$570 million to complete SW CT transmission projects
- \$1.3 billion for NEEWS, Springfield projects
- \$1.1 billion for smaller transmission projects
- Higher CL&P, PSNH, Yankee Gas distribution capex per rate decisions
- \$215 million for Merrimack scrubber
- \$25 million for AMI

2013 Spending Needed For Completion

NEEWS: \$100 million
Scrubber: \$35 million

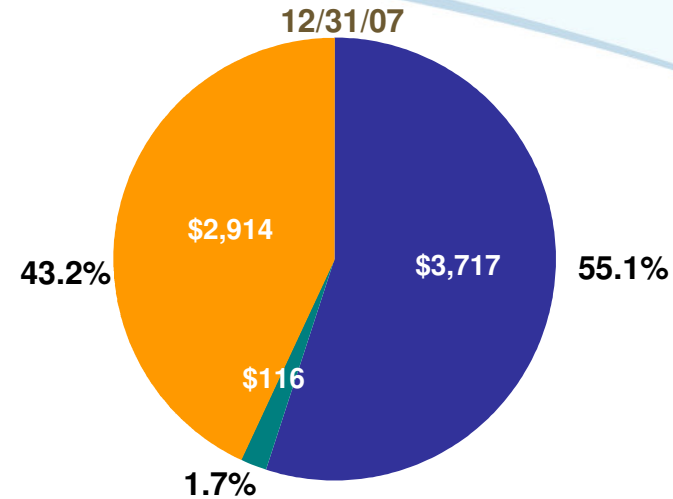
What's Not

- New CL&P generation
- New PSNH generation
- Widespread AMI implementation
- New transmission opportunities



- CL&P has been advocating to improve the effectiveness of Connecticut's energy market, supporting a hybrid model blending merchant generation with regulated, cost of service generation
- Connecticut's Energy Efficiency Act passed in 2007 requires the DPUC to solicit proposals for cost of service peaking generation from CL&P, UI and any interested merchant generators
 - The regulatory framework established by the DPUC for this solicitation is similar to a traditional cost of service model, but the framework assigns more risk to the project owners
- On March 3, 2008, CL&P filed a proposal with the DPUC to develop a total of 265 MW peaking generation at two sites in Connecticut
 - Includes the development of 200 MW of capacity at land owned by CL&P in Lebanon, CT and 65 MW of capacity at land adjacent to the Yankee Gas LNG facility in Waterbury, CT
 - The DPUC may select one or both of these sites
- If selected, CL&P would invest approximately \$176 million in the Lebanon project and \$80 million in the Waterbury project over the next three years
 - CL&P's proposal requests a 10.5% ROE and 50% equity capital structure
 - The proposed ROE sets the "risk premium" above the index specified by the DPUC (the average of the CL&P and UI allowed distribution ROEs)
- The DPUC is expected to select winning proposals by July 1, 2008

Strong balance sheet



■ Total Debt ■ Preferred Stock ■ Common Equity

Strong cash and liquidity position

- \$700 million expected debt issuances in 2008, including \$150 million refinancing
- Approximately \$700 million unused bank, accounts receivable lines
- Conservative dividend payout

Strong access to capital

- Solid credit ratings at parent, subsidiaries
- Successful 2007 debt financings
- Modest equity requirements

Key Financial Considerations



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- Commitment to investment grade ratings
- Strong balance sheet
 - 55% leverage target at utility subsidiaries
 - 60% consolidated leverage target
- Improve cash flow during construction cycle
- Maintain financial flexibility to allow additional investment opportunities
- Use of NU equity to support accretive capital expenditures and projects
- Continued focus on achieving an attractive total shareholder return emphasizing both EPS and dividend growth