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NORTHEAST UTILITIES SYSTEM

Form U-9C-3

August 27, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549-1004

FORM U-9C-3

QUARTERLY REPORT PURSUANT TO RULE 58

For the quarterly period ended June 30, 2001

Northeast Utilities

-----  
(Name of registered holding company)

107 Selden Street, Berlin, CT 06037

-----  
(Address of principal executive offices)

Name and telephone number of officer to whom inquiries concerning this report should be directed:

John J. Roman, Vice President and Controller  
Telephone number: 860-665-5000

GENERAL INSTRUCTIONS

A. Use of Form

1. A reporting company, as defined herein, shall file a report on this form within 60 days after the end of each of the first three quarters, and within 90 days after the end of the fourth quarter, of the fiscal year of the registered holding company. The period beginning on the date of effectiveness of rule 58 and ending at the end of the quarter following the quarter in which the rule becomes effective shall constitute the initial period for which any report shall be filed, if applicable.
2. The requirement to provide specific information by means of this form supersedes any requirement by order of the Commission to provide

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identical information by means of periodic certificates under rule 24; but does not so supersede and replace any requirement by order to provide information by means of an annual report on Form U-13-60.

3. Information with respect to reporting companies that is required by Form U-13-60 shall be provided exclusively on that form.
4. Notwithstanding the specific requirements of this form, this Commission may informally request such further information as, in its opinion, may be necessary or appropriate.

### B. Statements of Monetary Amounts and Deficits

1. Amounts included in this form and in related financial statements may be expressed in whole dollars, thousands of dollars or hundred thousands of dollars.
2. Deficits and other similar entries shall be indicated by either brackets or parentheses. An explanation should be provided by footnote.

### C. Formal Requirements

This form, including exhibits, shall be filed with Commission electronically pursuant to Regulation S-T (17 CFR 232.10 et seq.). A conformed copy of each such report shall be filed with each state commission having jurisdiction over the retail rates of a public utility company that is an associate company of a reporting company. Each report shall provide the name and telephone number of the person to whom inquiries concerning the report should be directed.

### D. Definitions

As used in this form, the word "reporting company" means an energy-related company or gas-related company, as defined in rule 58(b). All other words and terms have the same meaning as in the Public Utility Holding Company Act of 1935, as amended, and the rules and regulations thereunder.

## ITEM 1 - ORGANIZATION CHART

### ----- Instructions -----

1. Complete Item 1 only for the first three calendar quarters of the fiscal year of the registered holding company.
2. Under the caption "Name of Reporting Company," list each energy-related and gas-related company and each system company that directly or indirectly holds securities thereof. Add the designation "(new)" for each reporting company of which securities were acquired during the period, and the designation "(\*)" for each inactive company.
3. Under the caption "Percentage of Voting Securities Held," state the aggregate percentage of the outstanding voting securities of the reporting company held directly or indirectly by the registered holding company at the end of the quarter.
4. Provide a narrative description of each reporting company's activities

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during the reporting period.

Name of Reporting Co.	Energy or Gas Related	Date of Organization	State of Organization	Percentage of Voting Securities Held	Nature of Business	Activities reported during the period
NU Enterprises, Inc.	Holding	1/4/99	Connecticut	100% by Northeast Utilities	Unregulated businesses holding company	(A)
Select Energy, Inc.	Energy	9/26/96	Connecticut	100% by NU Enterprises, Inc.	Invest in energy-related activities	(B)
* Select Energy Portland Pipeline, Inc.	Energy	3/17/99	Connecticut	100% by NU Enterprises, Inc.	Invest in energy-related activities	(C)
Northeast Generation Services Company	Energy	1/4/99	Connecticut	100% by NU Enterprises, Inc.	Invest in energy-related activities	(D)
Select Energy Services, Inc.	Energy	6/19/90	Massachusetts	100% by NU Enterprises, Inc.	Invest in energy-related activities	(E)
Reeds Ferry Supply Co., Inc.	Energy	7/15/64	New Hampshire	100% by Select Energy Services, Inc.	Invest in energy-related activities	(F)
HEC/Tobyhanna Energy Project, Inc.	Energy	9/28/99	Massachusetts	100% by Select Energy Services, Inc.	Invest in energy-related activities	(G)
Select Energy Contracting, Inc.	Energy	10/12/94	Massachusetts	100% by Select Energy Services, Inc.	Invest in energy-related activities	(H)
Yankee Energy System, Inc.	Holding	2/15/00	Connecticut	100% by Northeast Utilities	Public Utility Holding Company	(I)
Yankee Energy Services Company	Energy	7/2/93	Connecticut	100% by Yankee Energy System, Inc.	Invest in energy-related activities	(J)

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Housatonic Corporation	Energy	10/16/87	Connecticut	100% by Yankee Energy System, Inc.	Invest in energy-related activities	(K)
R.M. Services, Inc.	Energy	11/22/94	Connecticut	10% by Yankee Energy System, Inc.	Invest in energy-related activities	(L)
Acumentrics Corporation	Energy	09/13/00	Massachusetts	5% by NU Enterprises, Inc.	Invest in energy-related activities	(M)
ERI/HEC EFA-Med, LLC	Energy	09/30/00	Delaware	50% by Select Energy Services, Inc.	Invest in energy-related activities	(N)
E.S. Boulos Company	Energy	01/19/01	Connecticut	100% by Northeast Generation Services Company	Invest in energy-related activities	(O)
NGS Mechanical Company	Energy	01/24/01	Connecticut	100% by Northeast Generation Services Company	Provide mechanical construction and maintenance services	(P)
HEC/CJTS Energy Center LLC	Energy	03/02/01	Delaware	100% by Select Energy Services, Inc.	Facilitate construction financing	(Q)

\* Sold in June 2001.

(A) NU Enterprises, Inc. is not the "reporting company" but is included in this Item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.

(B) Select Energy, Inc. (Select Energy) provides both wholesale and retail energy services. Specifically, Select Energy participates in open-access retail electricity markets in New England, New York and the Mid-Atlantic regions.

Select Energy markets and sells electricity, natural gas, oil, and energy-related products and services. Select Energy is a licensed retail electricity supplier in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Rhode Island. Select Energy is a registered gas marketer with local gas distribution companies in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, and Rhode Island.

(C) Select Energy Portland Pipeline, Inc. (SEPPI) acquired a 5% interest in

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Portland Natural Gas Transmission System partnership in March 1999.

- (D) Effective January 4, 1999, Northeast Generation Services Company (NGS) was established to provide a full range of energy-related operation and maintenance services for large industrial, institutional and power generation customers throughout the 11-state Northeast area. NGS' current business segments focus on providing turnkey Manage and Operate Services (MOS) and also a full range of Industrial Services (IS) and Consulting Services (CS).

MOS is a service that is designed for generation asset owners. NGS has the ability to offer station management and operation services with a focus on optimizing the value of that specific asset with the owner. Within the IS platform, its offerings include mechanical and electrical construction and maintenance services, as well as environmental maintenance/compliance services. Within the CS platform, the product and service offerings include engineering and environmental consulting services, with an emphasis on power plant system design.

- (E) Select Energy Services, Inc. is not the "reporting company" but is included in this item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.
- (F) Reed's Ferry Supply Corporation was purchased by Select Energy Services, Inc. in August 1999 as an equipment wholesaler to purchase equipment on behalf of Select Energy Contracting, Inc.
- (G) Effective September 30, 1999, HEC/Tobyhanna Energy Project, Inc. was established as a special purpose entity to manage the assets of an Energy Savings Performance Contract (ESPC) project at the Tobyhanna Army Depot.
- (H) Select Energy Contracting, Inc. designs, manages and directs the construction of, and/or installing of mechanical, water, and electrical systems, energy and other resource consuming equipment.
- (I) Yankee Energy System, Inc. is not the "reporting company" but is included in this item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.
- (J) Yankee Energy Services Company (YESCO) provides a wide range of energy-related services for its customers. The YESCO controls division provides comprehensive building automation with engineering, installation and maintenance of building control systems.
- (K) Housatonic Corporation is not a "reporting company" but is included in this item 1 because it holds, directly or indirectly, voting securities issued by reporting companies as indicated above.
- (L) R. M. Services, Inc. provides consumer collection services for companies throughout the United States.
- (M) Acumentrics Corporation develops, manufactures and distributes advanced power generation, power quality and power protection devices including a high-speed flywheel and advanced technology fuel cells.
- (N) ERI/HEC EFA-Med, LLC is a Delaware limited liability company that was formed by Select Energy Services, Inc., and ERI Services, Inc. to enter into an indefinite delivery/indefinite quantity contract with the U.S. Navy. Under the contract, the Navy will issue Delivery Orders for energy services work at U.S. Government facilities located in Bahrain, Greece, Egypt, Italy, Spain, Turkey, and the United Kingdom. The LLC will designate either ERI or Select Energy Services, Inc. to perform each of

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the Delivery Orders. The LLC will also act as the conduit for any project-related financing. ERI Services, Inc. and Select Energy Services, Inc. each own 50% of the LLC.

- (O) E.S. Boulos Company (Boulos) is a Connecticut corporation that was formed by NGS to acquire the assets of electrical construction companies located in Maine. Boulos is registered to do business initially in Maine, Massachusetts, New Hampshire, and Vermont. NGS owns 100% of the corporation.
- (P) NGS Mechanical Company (NGSM) is a Connecticut corporation that was formed by NGS to perform mechanical construction and maintenance services to customers contracted with to provide such services. NGSM is registered to do business initially in Massachusetts, New Hampshire, Maine, Vermont, Rhode Island, and New York. NGS owns 100% of the corporation.
- (Q) HEC/CJTS Energy Center LLC (HEC/CJTS) is a Delaware limited liability company that was formed by Select Energy Services, Inc. to facilitate the financing of the construction of the Connecticut Juvenile Training School in Middletown, Connecticut.

HEC/CJTS will not have any employees nor will it conduct any other activities other than those related to accepting the assignment of the lease. Select Energy Services, Inc. owns 100% of the LLC.

ITEM 2 - ISSUANCES AND RENEWALS OF SECURITIES AND CAPITAL CONTRIBUTIONS

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Instruction  
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With respect to a transaction with an associate company, report only the type and principal amount of securities involved.  
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Company Issuing Security	Type of Security Issued	Principal Amount of Security	Issue or Renewal	Cost of Capital	Person to Whom Security Was Issued	Collateral Given With Security	Consideration Received for Each Security	Co
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Select Energy, Inc. No transactions this quarter.

Northeast Generation Services Company	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NU En In
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Select Energy Contracting, Inc. No transactions this quarter.

Reeds Ferry Supply Co., Inc. No transactions this quarter.

HEC/Tobyhanna Energy

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Project, Inc. No transactions this quarter.

Yankee Energy  
Services  
Company No transactions this quarter.

R.M.  
Services, Inc. N/A N/A N/A N/A N/A N/A N/A

Acumentrics  
Corporation No transactions this quarter.

ERI/HEC  
EFA-Med, LLC No transactions this quarter.

E.S. Boulos  
Company No transactions this quarter.

NGS Mechanical  
Company No transactions this quarter.

HEC/CJTS  
Energy  
Center LLC No transactions this quarter.

ITEM 3 - ASSOCIATE TRANSACTIONS

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Instructions  
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1. This item is used to report the performance during the quarter of contracts among reporting companies and their associate companies, including other reporting companies, for service, sales and construction. A copy of any such contract not filed previously should be provided as an exhibit pursuant to Item 6.B.
  2. Parts I and II concern transactions performed by reporting companies on behalf of associate companies, and transactions performed by associate companies on behalf of reporting companies, respectively.
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Part I - Transactions performed by reporting companies on behalf of associate companies.

Reporting Company Rendering Services	Associate Company Receiving Services	Types of Services Rendered	Total Amount Billed*  Three months ended June 30, 2001
-----			-----
			(Thousands of Dollars)

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Northeast Generation Services Company	Select Energy, Inc.	Electrical and Mechanical services	\$ 19
Northeast Generation Services Company	The Connecticut Light & Power Company	Electrical and Mechanical services	\$ 9
Northeast Generation Services Company	Public Service Company of New Hampshire	Electrical and Mechanical services	\$ 227
Northeast Generation Services Company	Holyoke Water Power Company	Electrical and Mechanical services	\$3,829
Northeast Generation Services Company	Northeast Generation Company	Electrical and Mechanical services	\$4,218
Reeds Ferry Supply Co., Inc.	Select Energy Contracting, Inc.	Wholesale Purchasing Services	\$ 295
R.M. Services, Inc.	Yankee Gas Services Company	Phone Center Management Services	\$ 519
Northeast Generation Services Company	North Atlantic Energy Service Corporation	Electrical and Mechanical services	\$ 30
Northeast Generation Services Company	Yankee Energy Service Company	Electrical and Mechanical services	\$ 7
Northeast Generation Services Company	Northeast Utilities Service Company	Electrical and Mechanical services	\$ 12

Part II - Transactions performed by associate companies on behalf of reporting companies.

Associate Company Rendering Services	Reporting Company Receiving Services	Types of Services Rendered	Total Amount Billed* Three months ended June 30, 2001
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(Thousands)

Public Service Company of New Hampshire	Select Energy, Inc.	Miscellaneous	\$ 11
			=====
Select Energy Services, Inc.	Select Energy, Inc.	Engineering Services	\$ 14
			=====

\* 'Total Amount Billed' is direct costs only.

ITEM 4 - SUMMARY OF AGGREGATE INVESTMENT

Investments in energy-related companies:

	(Thousands of Dollars)	
Total consolidated capitalization as of 06/30/01	\$6,767,169	line 1
Total capitalization multiplied by 15% (line 1 multiplied by .15)	1,015,075	line 2
Greater of \$50 million or line 2	\$1,015,075	line 3

Total current aggregate investment:  
(categorized by major line of  
energy-related business):

Select Energy, Inc.	\$699,569	
Northeast Generation Services Company	22,010	
Select Energy Contracting, Inc.	26,185	
Reeds Ferry Supply Co., Inc.	7	
HEC/Tobyhanna Energy Project, Inc.	-	
Yankee Energy Services Company	9,882	
R.M. Services, Inc.	13,799	
E.S. Boulos Company	7,539	
NGS Mechanical Company	10	
Acumentrics Corporation	10,000	
ERI/HEC EFA-Med, LLC	1	
HEC/CJTS Energy Center LLC	-	
	-----	
Total current aggregate investment		789,002 line 4
		-----

Difference between the greater of \$50 million or 15% of capitalization and the total aggregate investment of the registered holding company system	\$226,073 line 5 =====
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ITEM 5 - OTHER INVESTMENTS

-----  
Instruction  
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This item concerns investments in energy-related and gas-related companies  
that are excluded from the calculation of aggregate investment under rule 58.  
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Major Line of Energy- Related Business	Other Investment in Last U-9C-3 Report	Other Investment in This U-9C-3 Report	Reason for Difference in Other Investment
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NONE

ITEM 6 - FINANCIAL STATEMENTS AND EXHIBITS

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Instructions

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A. Financial Statements

1. Financial statements are required for reporting companies in which the registered holding company system has at least 50% equity or other ownership interest. For all other rule 58 companies, the registered holding company shall make available to the Commission such financial statements as are available to it.
2. For each reporting company, provide a balance sheet as of the end of the quarter and income statements for the three-month and year-to-date periods ending as of the end of the quarter, together with any notes thereto. Financial statements shall be for the first three quarters of the fiscal year of the registered holding company.
3. If a reporting company and each of its subsidiaries engage exclusively in a single category of energy-related or gas-related activity, consolidated financial statements may be filed.
4. Separate financial statements need not be filed for inactive companies or for companies engaged solely in the ownership of interests in energy-related or gas-related companies.

B. Exhibits

1. Copies of contracts required to be provided by Item 3 shall be filed as exhibits.
  2. A certificate stating that a copy of the report for the previous quarter has been filed with interested state commissions shall be filed as an exhibit. The certificate shall provide the names and addresses of the state commissions.
- 

A. Financial Statements

Select Energy, Inc.:

Balance Sheet - As of June 30, 2001  
Income Statement-Three months and six months ended June 30, 2001

Northeast Generation Services Company:

Balance Sheet - As of June 30, 2001  
Income Statement-Three months and six months ended June 30, 2001

Select Energy Contracting, Inc.:

Balance Sheet - As of June 30, 2001  
Income Statement-Three months and six months ended June 30, 2001

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Reeds Ferry Supply Co., Inc.:

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

HEC/Tobyhanna Energy Project, Inc.:

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

Yankee Energy Services Company:

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

ERI/HEC EFA-Med, LLC:

Not Available as of June 30, 2001

E.S. Boulos Company:

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

NGS Mechanical Company:

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

HEC/CJTS Energy Center LLC:

Not Available as of June 30, 2001

Northeast Utilities (PARENT):

Balance Sheet - As of June 30, 2001

Income Statement-Three months and six months ended June 30, 2001

### B. Exhibits

Exhibit No. Description

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- |          |   |
|----------|---|
| 6.B.1.1  | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.2  | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.3a | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.3b | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.4  | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.5a | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.5b | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.6a | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.6b | Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b). |
| 6.B.1.6c | Copy of contract required by Item 3-filed under confidential                                    |

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treatment pursuant to Rule 104(b).

- 6.B.1.7a Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.7b Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.8a Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.8b Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.8c Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9a Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9b Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9c Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9d Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9e Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9f Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9g Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9h Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9i Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9j Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9k Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9l Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9m Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9n Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9o Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).

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- 6.B.1.9p Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9q Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9r Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9s Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9t Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9u Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9v Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9w Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9x Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9y Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9z Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.1.9aa Copy of contract required by Item 3-filed under confidential treatment pursuant to Rule 104(b).
- 6.B.2.1 The company certifies that a conformed copy of Form U-9C-3 for the previous quarter was filed with the following state commissions:
- Ms. Louise E. Rickard  
Acting Executive Secretary  
Department of Public Utility Control  
10 Franklin Square  
New Britain, CT 06051
- Ms. Mary L. Cottrell, Secretary  
Massachusetts Department of Telecommunications and Energy  
100 Cambridge Street  
Boston, MA 02202
- Mr. Thomas B. Getz  
Executive Director and Secretary  
State of New Hampshire  
Public Utilities Commission  
8 Old Suncook Road, Building One  
Concord, NH 03301-7319

SELECT ENERGY, INC.

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BALANCE SHEET  
(Unaudited)

	June 30, 2001
	----- (Thousands of Dollars)
ASSETS	
-----	
Current Assets:	
Accounts receivable, including unbilled revenues, net	\$ 261,270
Accounts receivable from affiliated companies	110,549
Taxes receivable	428
Special deposits	39,095
Unrealized gains on mark-to-market transactions	68,297
Prepaid wholesale power purchases	11,202
Prepayments and other	4,751
	-----
Total current assets	495,592
	-----
Deferred Charges:	
Intangibles, net	20,963
Accumulated deferred income taxes	17,971
Prepaid pensions	2,097
Other	7,474
	-----
Total deferred charges	48,505
	-----
Long-Lived Assets:	
Software	10,350
Other	1,062
	-----
	11,412
Less: Accumulated provision for depreciation	2,784
	-----
	8,628
Capital additions in progress	241
	-----
Total long-lived assets	8,869
	-----
Total Assets	\$ 552,966
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY, INC.  
BALANCE SHEET  
(Unaudited)

June 30,  
2001  
-----  
(Thousands  
of Dollars)

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### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Current Liabilities:

Notes payable to affiliated companies	\$	164,700
Accounts payable		309,003
Accounts payable to affiliated companies		17,743
Accrued taxes		18,174
Other		64,721
		-----
Total current liabilities		574,341
		-----

#### Stockholders' Equity:

Common stock, \$1 par value - 100 shares authorized and outstanding		-
Capital surplus, paid in		92,592
Retained deficit		(113,967)
		-----
Total stockholders' equity		(21,375)
		-----
Total Liabilities and Stockholders' Equity	\$	552,966
		=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

### SELECT ENERGY, INC.

#### INCOME STATEMENT

(Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	(Thousands of Dollars)	(Thousands of Dollars)
Operating Revenues	\$ 639,739	\$ 1,236,483
	-----	-----
Operating Expenses:		
Purchased power, net interchange power and capacity	628,161	1,226,704
Depreciation	1,236	2,428
Other	9,476	24,095
Taxes other than income taxes	3,117	6,882
	-----	-----
Total operating expenses	641,990	1,260,109
	-----	-----
Operating Loss	(2,251)	(23,626)
	-----	-----
Other (Loss)/Income	(64)	177
	-----	-----

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Interest and financing costs	2,679	5,140
	-----	-----
Loss before income taxes	(4,994)	(28,589)
	-----	-----
Income Tax Benefit:		
Federal and state income taxes, net	1,988	11,307
	-----	-----
Loss before cumulative effect of accounting change	(3,006)	(17,282)
	-----	-----
Cumulative effect of accounting change, net of tax benefit of \$14,611	-	(21,985)
	-----	-----
Net Loss	\$ (3,006)	\$ (39,267)
	-----	-----
	=====	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST GENERATION SERVICES COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001	
	(Thousands of Dollars)	
ASSETS		
-----		
Current Assets:		
Cash	\$	1,329
Accounts receivable		21,562
Accounts receivable from affiliated companies		1,674
Fuel, materials and supplies, at average cost		434
Prepayments and other		1,672
		-----
Total current assets		26,671
		-----
Other Investments:		
Other investments, at cost		16
		-----
Total other investments		16
		-----
Deferred Charges:		
Other		6,172
		-----
Total deferred charges		6,172
		-----
Long-Lived Assets:		
Other		2,992
		-----
		2,992
Less: Accumulated provision for depreciation		1,248



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	-----
	1,744
Capital additions in progress	1,764
	-----
Total long-lived assets	3,508
	-----
Total Assets	\$ 36,367
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST GENERATION SERVICES COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	-----
	(Thousands of Dollars)
LIABILITIES AND STOCKHOLDERS' EQUITY	
-----	
Current Liabilities:	
Notes payable to affiliated companies	\$ 10,100
Accounts payable	8,890
Accounts payable to affiliated companies	4,185
Accrued taxes	2,076
Other	270
	-----
Total current liabilities	25,521
	-----
Deferred Credits:	
Other	1,326
	-----
Total deferred credits	1,326
	-----
Stockholders' Equity:	
Common stock, \$1 par value - authorized and outstanding 100 shares	-
Capital surplus, paid in	9,510
Retained earnings	10
	-----
Total stockholders' equity	9,520
	-----
Total Liabilities and Stockholders' Equity	\$ 36,367
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

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NORTHEAST GENERATION SERVICES COMPANY  
 INCOME STATEMENT  
 (Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	----- (Thousands of Dollars)	----- (Thousands of Dollars)
Operating Revenues	\$ 27,121	\$ 52,549
	-----	-----
Operating Expenses:		
Operation	12,549	26,259
Maintenance	13,912	24,375
Depreciation	108	200
Federal and state income taxes	742	741
Taxes other than income taxes	68	330
	-----	-----
Total operating expenses	27,379	51,905
	-----	-----
Operating (Loss)/Income	(258)	644
	-----	-----
Other Income	697	1,062
	-----	-----
Interest and financing costs	172	321
	-----	-----
Net Income	\$ 267	\$ 1,385
	=====	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.  
 BALANCE SHEET  
 (Unaudited)

	June 30, 2001
	----- (Thousands of Dollars)
ASSETS	
-----	
Current Assets:	
Cash	\$ 437

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Accounts receivable	11,653
Other material and supplies	386
Prepayments and other	53
	-----
Total current assets	12,529
	-----
Long-Lived Assets:	
Other	23,141
	-----
	23,141
Less: Accumulated provision for depreciation	2,578
	-----
Total long-lived assets	20,563
	-----
Total Assets	\$ 33,092
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	-----
	(Thousands of Dollars)
LIABILITIES AND STOCKHOLDERS' EQUITY	
-----	
Current Liabilities:	
Accounts payable	\$ 6,410
Accounts payable to affiliated companies	9,258
Accrued taxes	831
	-----
Total current liabilities	16,499
	-----
Long-term Liabilities:	
Deferred taxes	184
Other	1,000
	-----
Total long-term liabilities	1,184
	-----
Stockholders' Equity:	
Common stock, \$1 par value - 100 shares authorized and outstanding	-
Capital surplus, paid in	14,910
Retained earnings	499
	-----
Total stockholders' equity	15,409
	-----

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Total Liabilities and Stockholders' Equity    \$        33,092  
 =====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

SELECT ENERGY CONTRACTING, INC.  
 INCOME STATEMENT  
 (Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	(Thousands of Dollars)	(Thousands of Dollars)
Operating Revenues	\$ 14,499	\$ 27,162
Operating Expenses:		
Operation	13,042	24,463
Maintenance	61	123
Depreciation	348	849
Taxes other than income taxes	98	295
Total operating expenses	13,549	25,730
Operating Income	950	1,432
Other Income	8	27
Interest and financing costs	182	393
Income before income taxes	776	1,066
Income Tax Expense:		
Federal and state income taxes, net	303	426
Net Income	\$ 473	\$ 640

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

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REEDS FERRY SUPPLY CO., INC.  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	(Thousands of Dollars)
ASSETS	
-----	
Current Assets:	
Cash	\$          7
Accounts receivable	52
	-----
Total current assets	59
	-----
Long-Lived Assets:	
Organization costs, net	258
	-----
Total long-lived assets	258
	-----
Total Assets	\$          317
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
-----	
Current Liabilities:	
Accounts payable	\$          53
Accounts payable to affiliated companies	295
	-----
Total current liabilities	348
	-----
Stockholders' Equity:	
Common stock, \$0 par value - authorized and outstanding 100 shares	4
Capital surplus, paid in	3
Retained deficit	(38)
	-----
Total stockholders' equity	(31)
	-----
Total Liabilities and Stockholders' Equity	\$          317
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

REEDS FERRY SUPPLY CO., INC.  
INCOME STATEMENT  
(Unaudited)

Three Months Ended	Six Months Ended
-----------------------	---------------------

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	June 30, 2001	June 30, 2001
	(Thousands of Dollars)	(Thousands of Dollars)
Operating Revenues	\$ 295	\$ 562
Operating Expenses:		
Other	295	562
Amortization	5	10
Total operating expenses	300	572
Operating Loss	(5)	(10)
Net Loss	\$ (5)	\$ (10)

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/TOBYHANNA ENERGY PROJECT, INC.  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	(Thousands of Dollars)
ASSETS	
-----	
Current Assets:	
Cash	\$ 2,420
Accounts receivable	417
Total current assets	2,837
Long-Lived Assets:	
Other	714
Less: Accumulated provision for depreciation	57
Contracts receivable	657
Total long-lived assets	27,136
Total Assets	\$ 30,630

CAPITALIZATION AND LIABILITIES

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-----  
Capitalization:

Common stock, \$1 par value - authorized and outstanding 100 shares	\$ -
Retained earnings	189
	-----
Total common stockholder's equity	189
Long-term debt	26,446
	-----
Total capitalization	26,635
	-----

Current Liabilities:

Accounts payable to affiliated companies	2,880
Accrued interest	756
Accrued taxes	1
	-----
Total current liabilities	3,637
	-----

Long-term Liabilities:

Other	358
	-----
Total long-term liabilities	358
	-----

Total Capitalization and Liabilities	\$ 30,630
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

HEC/TOBYHANNA ENERGY PROJECT, INC.  
INCOME STATEMENT  
(Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	(Thousands of Dollars)	(Thousands of Dollars)
	-----	-----
Other Income	\$ 514	\$ 1,058
	-----	-----
Interest and Financing Costs	512	1,025
	-----	-----
Income Tax Expense	22	27
	-----	-----
Net (Loss)/Income	\$ (20)	\$ 6
	=====	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

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See accompanying notes to financial statements.

YANKEE ENERGY SERVICES COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	(Thousands of Dollars)
<b>ASSETS</b>	
-----	
Other Property and Investments:	
Nonutility property, at cost	\$ 1,045
Investment in subsidiary company, at equity	2
	1,047
	-----
Current Assets:	
Cash	299
Accounts receivable	4,801
Accounts receivable from affiliated companies	1,709
Taxes receivable	2,153
	8,962
	-----
Deferred Charges:	
Accumulated deferred income taxes	1,562
Goodwill	416
	1,978
	-----
Total Assets	\$ 11,987

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

YANKEE ENERGY SERVICES COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	(Thousands of Dollars)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
-----	
Current Liabilities:	



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Notes payable to affiliated companies	\$	5,033
Accounts payable to affiliated companies		240
Other		158
		-----
Total current liabilities		5,431
		-----
Deferred Credits:		
Other		437
		-----
Total deferred credits		437
		-----
Stockholders' Equity:		
Common stock, \$0 par value - 10,000 shares authorized and 200 shares outstanding		1
Capital surplus, paid in		7,881
Retained deficit		(1,763)
		-----
Total stockholders' equity		6,119
		-----
Total Liabilities and Stockholders' Equity	\$	11,987
		=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

YANKEE ENERGY SERVICES COMPANY  
INCOME STATEMENT  
(Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	-----	-----
	(Thousands of Dollars)	(Thousands of Dollars)
Operating Revenues	\$ 31	\$ 149
	-----	-----
Operating Expenses:		
Other	402	603
Depreciation	41	152
Amortization	1	11
Federal and state income taxes	(375)	(375)
	-----	-----
Total operating expenses	69	391
	-----	-----
Operating Loss	(38)	(242)

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Interest and financing costs	126	334
Net Loss	\$ (164)	\$ (576)

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

E.S. BOULOS COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	(Thousands of Dollars)
ASSETS	
-----	
Current Assets:	
Cash	\$ 1,073
Accounts receivable	11,679
Materials and supplies, at average cost	107
Prepayments and other	988
Total current assets	13,847
	-----
Other Investments:	
Other investments, at cost	16
Total other investments	16
	-----
Deferred Charges:	
Other	5,614
Total deferred charges	5,614
	-----
Long-Lived Assets:	
Other	425
	-----
Less: Accumulated provision for depreciation	35
Total long-lived assets	390
	-----
Total Assets	\$ 19,867
	=====

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Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

E.S. BOULOS COMPANY  
BALANCE SHEET  
(Unaudited)

	June 30, 2001
	----- (Thousands of Dollars)
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
-----	
Current Liabilities:	
Accounts payable	\$ 5,307
Accrued taxes	793
Other	3,466
	-----
Total current liabilities	9,566
	-----
Deferred Credits:	
Other	1,289
	-----
Total deferred credits	1,289
	-----
Stockholder's Equity:	
Common stock, \$1 par value - 100 shares authorized and outstanding	-
Capital surplus, paid in	7,539
Retained earnings	1,473
	-----
Total stockholder's equity	9,012
	-----
Total Liabilities and Stockholder's Equity	\$ 19,867
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

E.S. BOULOS COMPANY  
INCOME STATEMENT  
(Unaudited)

Three Months Ended June 30, 2001	Six Month Ended June 30, 2001
-----	-----
(Thousands of Dollars)	(Thousand of Dollar

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Operating Revenues	\$	11,782	\$	18,732
		-----		-----
Operating Expenses:				
Operation		10,729		17,332
Depreciation		88		160
Federal and state income taxes		793		793
		-----		-----
Total operating expenses		11,610		18,285
		-----		-----
Operating Income		172		447
		-----		-----
Other Income		757		1,026
		-----		-----
Income before income taxes		929		1,473
		-----		-----
Income Tax Expense:				
Federal and state income taxes, net		-		-
		-----		-----
Net Income	\$	929	\$	1,473
		=====		=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NGS MECHANICAL COMPANY  
BALANCE SHEET  
(Unaudited)

		June 30, 2001
		-----
		(Thousands of Dollars)
ASSETS		
-----		
Current Assets:		
Accounts receivable	\$	10
		-----
Total current assets		10
		-----
Total Assets	\$	10
		=====

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### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Current Liabilities:

Accounts payable to affiliated companies	\$	1
		1
Total current liabilities		1

#### Stockholder's Equity:

Common stock, \$0 par value - authorized and outstanding 100 shares		-
Capital surplus, paid in		10
Retained deficit		(1)
		9
Total stockholder's equity		9
Total Liabilities and Stockholder's Equity	\$	10
		10

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

### NGS MECHANICAL COMPANY INCOME STATEMENT (Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	(Thousands of Dollars)	(Thousands of Dollars)
Operating Revenues	\$ -	\$ -
Operating Expenses:		
Other	-	1
Total operating expenses	-	1
Operating Loss Before Income Taxes	-	(1)
Income Tax Expense:		
Federal and state income taxes, net	-	-
Net Loss	\$ -	\$ (1)
	-	(1)

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

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See accompanying notes to financial statements.

### NORTHEAST UTILITIES (PARENT)

#### BALANCE SHEET (Unaudited)

June 30,  
2001

-----  
(Thousands  
of Dollars)

#### ASSETS

##### Other Property and Investments:

Investments in subsidiary companies, at equity.....	\$ 2,323,712
Investments in transmission companies, at equity.....	15,026
Other, at cost.....	14
	-----
	2,338,752
	-----

##### Current Assets:

Cash.....	18,973
Notes receivable from affiliated companies.....	204,800
Notes and accounts receivable.....	591
Accounts receivable from affiliated companies.....	2,060
Taxes receivable.....	20,062
Prepayments.....	983
	-----
	247,469
	-----

##### Deferred Charges:

Unamortized debt expense.....	815
Other.....	591
	-----
	1,406
	-----

Total Assets.....	\$ 2,587,627
	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

### NORTHEAST UTILITIES (PARENT)

#### BALANCE SHEET (Unaudited)

June 30,  
2001

-----  
(Thousands

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of Dollars)

CAPITALIZATION AND LIABILITIES

Capitalization:

Common shares, \$5.00 par value - Authorized 225,000,000 shares; 148,888,790 shares issued and 133,864,193 shares outstanding.....	\$	744,444
Capital surplus, paid in.....		902,562
Deferred contribution plan - employee stock ownership plan.....		(108,122)
Retained earnings.....		610,248
Accumulated other comprehensive income.....		(26,470)
		-----
Total common shareholders' equity.....		2,122,662
Long-term debt.....		374,000
		-----

Total capitalization..... 2,496,662

Current Liabilities:

Accounts payable to affiliated companies.....		18
Long-term debt - current portion.....		21,000
Accrued taxes.....		44,996
Accrued interest.....		2,769
Other.....		17,326
		-----
		86,109
		-----

Accumulated deferred income taxes..... 4,856

-----

4,856

-----

Total Capitalization and Liabilities..... \$ 2,587,627

=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of financial position for the period shown have been made.

See accompanying notes to financial statements.

NORTHEAST UTILITIES (PARENT)

STATEMENT OF INCOME  
(Unaudited)

	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
	----- (Thousands of Dollars)	----- (Thousands of Dollars)
Operating Revenues.....	\$ -	\$ -
Operating Expenses:	-----	-----

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Operation expense.....	1,588	3,280
Federal and state income taxes.....	101	(7,823)
Taxes other than income taxes.....	13	35
	-----	-----
Total operating expenses.....	1,702	(4,508)
	-----	-----
Operating (Loss)/Income.....	(1,702)	4,508
	-----	-----
Other Income/(Loss):		
Equity in earnings of subsidiaries.....	37,065	101,922
Equity in earnings of transmission companies.....	615	1,211
Gain related to Millstone sale.....	-	146,844
Loss on share repurchase contracts.....	8,049	(35,394)
Other, net.....	2,416	4,162
Income taxes.....	7,203	(45,304)
	-----	-----
Other income, net.....	55,348	173,441
	-----	-----
Income before interest charges.....	53,646	177,949
	-----	-----
Interest Charges:		
Interest on long-term debt.....	7,241	11,735
Other interest.....	(327)	7,319
	-----	-----
Interest charges.....	6,914	19,054
	-----	-----
Net Income for Common Shares.....	\$ 46,732	\$ 158,895
	=====	=====
Basic and Diluted Earnings per Common Share.....	\$ 0.35	\$ 1.14
	=====	=====
Basic Common Shares Outstanding (average).....	133,908,739	138,910,719
	=====	=====
Diluted Common Shares Outstanding (average).....	134,149,873	139,256,968
	=====	=====

Note: In the opinion of the Company, all adjustments necessary for a fair presentation of the results of operations for the period shown have been made.

See accompanying notes to financial statements.

Northeast Utilities  
Select Energy, Inc.  
Northeast Generation Services Company and Subsidiaries  
E.S. Boulos Company  
NGS Mechanical, Inc.  
Select Energy Contracting, Inc.  
Reeds Ferry Supply Co., Inc.  
HEC/Tobyhanna Energy Project, Inc.  
HEC/CJTS Energy Center, LLC  
ERI/HEC EFA-Med, LLC  
Yankee Energy Services Company  
Acumentrics Corporation

Notes to Financial Statements (Unaudited)



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### 1. About Northeast Utilities

Northeast Utilities (NU) is the parent company of the Northeast Utilities system (NU system). The NU system's regulated utilities furnish franchised retail electric service in Connecticut, New Hampshire and western Massachusetts through three wholly owned subsidiaries: The Connecticut Light and Power Company (CL&P), Public Service Company of New Hampshire (PSNH) and Western Massachusetts Electric Company (WMECO). Another wholly owned subsidiary, North Atlantic Energy Corporation, sells all of its entitlement to the capacity and output of the Seabrook Station nuclear unit (Seabrook) to PSNH under the terms of two life-of-unit, full cost recovery contracts. A fifth wholly owned subsidiary, Holyoke Water Power Company, also is engaged in the production and distribution of electric power.

Several wholly owned subsidiaries of NU provide support services for the NU system companies and, in some cases, for other New England utilities. Northeast Utilities Service Company provides centralized accounting, administrative, engineering, financial, information resources, legal, operational, planning, purchasing, and other services to the NU system companies. North Atlantic Energy Service Corporation has operational responsibility for Seabrook. Three other subsidiaries construct, acquire or lease some of the property and facilities used by the NU system companies.

NU Enterprises, Inc. (NUEI) is a wholly owned subsidiary of NU and acts as the holding company for certain of NU's competitive energy subsidiaries. Northeast Generation Company (NGC) was formed to acquire and manage generation facilities. Select Energy, Inc. (Select Energy), Northeast Generation Services Company and its subsidiaries (NGS), Select Energy Services, Inc., (formerly HEC Inc.) and its subsidiaries (Select Energy Services), and Mode 1 Communications, Inc., engage in a variety of energy-related and telecommunications activities, as applicable, primarily in the competitive energy retail and wholesale commodity, marketing and services fields. E.S. Boulos Company (Boulos) and NGS Mechanical, Inc. (NGS Mechanical) are wholly owned subsidiaries of NGS. Select Energy Contracting, Inc. (Select Energy Contracting), Reeds Ferry Supply Co., Inc. (Reeds Ferry), HEC/Tobyhanna Energy Project, Inc., (HEC/Tobyhanna), and HEC/CJTS Energy Center, LLC (HEC/CJTS) are wholly owned subsidiaries of Select Energy Services. Another company, ERI/HEC EFA-Med, LLC (ERI/HEC), is 50 percent owned by Select Energy Services.

Yankee Energy System, Inc. maintains certain wholly owned subsidiaries including Yankee Energy Services Company (YESCO).

On September 26, 2000, NUEI invested \$10 million in Acumentrics Corporation (Acumentrics) in return for a 5 percent ownership share of that company.

Select Energy, NGS, Boulos, NGS Mechanical, Select Energy Contracting, Reeds Ferry, HEC/Tobyhanna, HEC/CJTS, ERI/HEC, YESCO, and Acumentrics are "energy-related companies" under Rule 58.

### 2. About Select Energy

Select Energy provides both wholesale and retail energy services. Specifically, Select Energy participates in open-access retail electricity markets in New England, New York and the Mid-Atlantic regions. Select Energy markets and sells electricity, natural gas, oil and energy-related products and services. Select Energy is a licensed retail electricity supplier in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, and Rhode Island. Select Energy is a registered gas marketer with local gas distribution companies in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, and Rhode Island.

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Beginning in January 2000, Select Energy's contract with NGC, to purchase 1,289 megawatts (MW) of capacity and energy significantly reduced the load-following risk and allowed Select Energy to better manage its portfolio profitability. On January 1, 2000, Select Energy began serving one-half of CL&P's standard offer requirement for a 4-year period. Select Energy's obligation to service this load requirement was approximately 2,000 MW beginning in July 2000, when 100 percent of CL&P's customers were able to choose their electric supplier. In addition, beginning in January 2000, Select Energy assumed responsibility for serving 30 market based wholesale contracts, totaling approximately 500 MW, throughout New England with electric energy supply that was previously provided by CL&P and WMECO.

### 3. About NGS

NGS was formed to provide management, operation and maintenance services to the electric generation market, as well as to large industrial customers in the Northeast. NGS also provides consulting services which include engineering services, construction management, permitting, and compliance management.

### 4. About Boulos

On January 19, 2001, NGS completed the acquisition of Boulos, an electrical construction company which specializes in high voltage electrical construction and maintenance in Maine, Massachusetts and New Hampshire. Boulos is wholly owned by NGS.

### 5. About NGS Mechanical

In January 2001, NGS formed a new subsidiary, NGS Mechanical, to provide mechanical services initially in the New England states. NGS Mechanical is wholly owned by NGS.

### 6. About Select Energy Contracting

Select Energy Contracting, formerly known as HEC International Corporation, designs, manages, and directs the construction of, and/or installation of mechanical, water and electrical systems, energy and other resource consuming equipment.

### 7. About Reeds Ferry

Reeds Ferry was acquired by Select Energy Services in August 1999 as an equipment wholesaler to purchase equipment on behalf of Select Energy Contracting.

### 8. About HEC/Tobyhanna

Effective September 30, 1999, HEC/Tobyhanna was established as a special purpose entity to manage the assets of an Energy Savings Performance Contract at the Tobyhanna Army Depot.

### 9. About HEC/CJTS

HEC/CJTS was formed on March 2, 2001, as a special purpose entity to facilitate the financing of Select Energy Services' construction of the Connecticut Juvenile Training School in Middletown, Connecticut. HEC/CJTS is wholly owned by Select Energy Services.

### 10. About ERI/HEC

ERI/HEC was established on September 30, 2000, by Select Energy Services and

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ERI Services, Inc. to enter into an indefinite delivery/indefinite quantity contract with the United States Navy. ERI/HEC is 50 percent owned by Select Energy Services.

### 11. About YESCO

YESCO provides a wide range of energy-related services for its customers. The YESCO controls division provides comprehensive building automation with engineering, installation and maintenance of building control systems.

### 12. About Acumentrics

On September 26, 2000, NUEI invested \$10 million in Acumentrics in return for a 5 percent ownership share of that company. Acumentrics is a privately owned producer of advanced power generation and power protection technologies applicable to homes, telecommunications, commercial businesses, industrial facilities, and the auto industry.

### 13. Public Utility Regulation

NU is registered with the Securities and Exchange Commission (SEC) as a holding company under the Public Utility Holding Company Act of 1935 (1935 Act), and the NU system is subject to the provisions of the 1935 Act. Arrangements among the NU system companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the Federal Energy Regulatory Commission (FERC) and/or the SEC. The operating subsidiaries are subject to further regulation for rates, accounting and other matters by the FERC and/or applicable state regulatory commissions.

### 14. Presentation

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 15. Market Risk And Risk Management Instruments

Select Energy provides both firm requirement energy services to its customers and performs energy trading and marketing activities. Select Energy manages its exposure to risk from existing contractual commitments and provides risk management services to its customers through forward contracts, futures, over-the-counter swap agreements, and options (commodity derivatives).

Select Energy has utilized the sensitivity analysis methodology to disclose the quantitative information for the commodity price risks. Sensitivity analysis provides a presentation of the potential loss of future earnings, fair values or cash flows from market risk-sensitive instruments over a selected time period due to one or more hypothetical changes in commodity prices, or other similar price changes.

**Commodity Price Risk - Trading Activities:** As a market participant in the Northeast area of the United States, Select Energy conducts commodity-trading activities in electricity and its related products, natural gas and oil and therefore experiences net open positions. Select Energy manages these open positions with strict policies which limit its exposure to market risk and require daily reporting to management of potential financial exposure. Commodity derivatives utilized for trading purposes are accounted for using the mark-to-market method, under Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities." Under this

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methodology, these instruments are adjusted to market value, and the unrealized gains and losses are recognized in income in the current period. The mark-to-market position at June 30, 2001, was a positive \$68 million.

Under sensitivity analysis, the fair value of the portfolio is a function of the underlying commodity, contract prices and market prices represented by each derivative commodity contract. For swaps, forward contracts and options, market value reflects management's best estimates considering over-the-counter quotations, time value and volatility factors of the underlying commitments. Exchange-traded futures and options are recorded at market, based on closing exchange prices.

As of June 30, 2001, Select Energy has calculated the market price resulting from a 10 percent unfavorable change in forward market prices. That 10 percent change would result in approximately a \$4 million decline in the fair value of the Select Energy trading portfolio. In the normal course of business, Select Energy also faces risks that are either nonfinancial or nonquantifiable. Such risks principally include credit risk, which is not reflected in the sensitivity analysis above.

**Commodity Price Risk - Nontrading Activities:** Select Energy utilizes derivative financial and commodity instruments (derivatives), including futures and forward contracts, to reduce market risk associated with fluctuations in the price of electricity, natural gas and oil sold under firm commitments with certain customers. Select Energy also utilizes derivatives, including price swap agreements, call and put option contracts, and futures and forward contracts, to manage the market risk associated with a portion of its anticipated supply requirements. These derivative instruments have been designated as cash flow hedging instruments.

When conducting sensitivity analysis of the change in the fair value of Select Energy's electricity, natural gas and oil nontrading portfolio, which would result from a hypothetical change in the future market price of electricity, natural gas and oil, the fair value of the contracts are determined from models which take into account estimated future market prices of electricity, natural gas and oil, the volatility of the market prices in each period, as well as the time value factors of the underlying commitments. In most instances, market prices and volatility are determined from quoted prices on the futures exchange.

Select Energy has determined a hypothetical change in the fair value for its nontrading electricity, natural gas and oil contracts, assuming a 10 percent unfavorable change in forward market prices. As of June 30, 2001, an unfavorable 10 percent change in forward market price would have resulted in a decrease in fair value of approximately \$17 million.

The impact of a change in electricity, natural gas and oil prices on Select Energy's nontrading contracts on June 30, 2001, is not necessarily representative of the results that will be realized when these contracts are physically delivered.

Select Energy also maintains natural gas service agreements with certain customers to supply gas at fixed prices for terms extending through 2003. Select Energy has hedged its gas supply risk under these agreements through NYMEX contracts. Under these contracts, the purchase price of a specified quantity of gas is effectively fixed over the term of the gas service agreements, which extend through 2003. As of June 30, 2001, the NYMEX contracts had a notional value of \$75.2 million and a negative mark-to-market position of \$17.2 million.

**Derivative Cash Flow Hedge Accounting:** Derivative instruments recorded which were effective cash flow hedges resulted in an increase in other comprehensive

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income of \$14.1 million upon the adoption of Statement of Financial Accounting Standards No. 133, "Accounting For Derivative Instruments and Hedging Activities," as amended. During the first six months of 2001, \$13.4 million was reclassified from other comprehensive income upon the conclusion of these hedged transactions and recognized in earnings. An additional \$1 million was recognized in earnings for those derivatives that were determined to be ineffective. Also, during the second quarter of 2001, new cash flow hedge transactions were entered into which hedge cash flows through 2005. As a result of these new transactions and market value changes since January 1, 2001, other comprehensive income decreased by \$28.6 million. Accumulated other comprehensive income at June 30, 2001 was a negative \$27 million (decrease to equity) relating to hedged transactions and it is estimated that \$19.8 million will be reclassified as a charge to earnings within the next twelve months. Cash flows from the hedge contracts are reported in the same category<sup>1</sup> as cash flows from the hedged assets.

These estimates do not include certain long-term energy and option-type contracts which management believes represent "normal purchases and sales." The accounting for these types of contracts has been cleared by the Financial Accounting Standards Board (FASB) in the second quarter of 2001 and will be implemented in the third quarter of 2001. Management does not believe that the recording of these transactions in accordance with the aforementioned FASB guidelines will have a material effect on the financial statements.

16. Special Deposits

Special deposits include cash collateral posted in connection with various power purchase and sales agreements.

QUARTERLY REPORT OF SELECT ENERGY, INC.

SIGNATURE CLAUSE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935 and the rules and regulations of the Securities and Exchange Commission issued thereunder, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.

NORTHEAST UTILITIES  
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(Registered Holding Company)

By: /s/ John J. Roman  
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(Signature of Signing Officer)

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John J. Roman

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Vice President and Controller

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Date: August 24, 2001

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