

Annual Funding Notice

NUSCO Retirement Plan

April 2010

Enclosed is the Annual Funding Notice for the Northeast Utilities Service Company (NUSCO) Retirement Plan for the 2009 plan year. The Annual Funding Notice is required under the provisions of the Pension Protection Act of 2006—a federal law requiring that specific information and disclosures concerning the financial status of pension plans be provided to plan participants.

Why am I receiving this notice?

You are receiving this notice because you had an accrued benefit in the NUSCO Retirement Plan on December 31, 2009. This notice includes important financial information and other information about the Plan. This notice applies to all NUSCO Retirement Plan employee participants—whether or not they are vested—as well as to all terminated vested and retired participants, including their beneficiaries or alternate payees, as applicable.

What information does this notice provide?

The notice provides information about the Plan's funded status (the amount of Plan assets available to pay Plan benefits) and information about how Plan assets are invested. It also describes pension law rules and how they protect your pension benefit.

Do I need to take any action?

You do not have to take any action regarding this notice.



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Introduction

This notice includes important funding information about your pension plan—the Northeast Utilities Service Company (NUSCO) Retirement Plan (“the Plan”)—and relates to the Plan’s year that began January 1, 2009 and ended December 31, 2009 (“Plan Year”). This notice is required by law. **You do not need to take any action on this notice and it is being provided to you for informational purposes only.**

The Plan is a noncontributory defined benefit plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, and the federal Internal Revenue Code (“Internal Revenue Code”). For identification purposes, the official plan number is 001 and the employer identification number or “EIN” for Northeast Utilities Service Company (“NUSCO”), the Plan sponsor, is 06-0810627. Participants should refer to the Summary Plan Description for a complete description of the Plan’s provisions.

This notice provides a summary of Plan funding for the Plan Year beginning January 1, 2009, federal rules governing the termination of single-employer defined benefit pension plans, and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency.

Funding Target Attainment Percentage

The funding target attainment percentage of a pension plan is a measure of how well the plan is funded on a particular date. This percentage for a Plan Year is obtained by dividing the Net Plan Assets by Plan Liabilities on the Valuation Date. In general, the higher the percentage, the better funded the plan. The Plan’s funding target attainment percentage for the 2008 and 2009 Plan Years are shown in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	Plan Year Beginning in 2009	Plan Year Beginning in 2008
1. Valuation Date	January 1, 2009	January 1, 2008
2. Plan Assets		
a. Total Plan Assets	\$1,713,250,117	\$2,459,441,466
b. Funding Standard Carryover Balance	\$852,482	\$1,259,577
c. Prefunding Balance	\$0	\$0
d. Net Plan Assets (a) – (b) – (c) = (d)	\$1,712,397,635	\$2,458,181,889
3. Plan Liabilities *	\$1,702,357,583	\$2,209,335,003
4. At-Risk Liabilities	Not Applicable	Not Applicable
5. Funding Target Attainment Percentage (2d)/(3)	100.58%	111.26%

* The amount of Plan Liabilities fluctuates with changes in interest rates used in projecting future plan liabilities, the effect of which was to lower the projected plan liability as of January 1, 2009. Plan assets and liabilities are represented on an actuarial basis.

Transition Data

The Plan is not required by law to report most funding related information for the 2007 Plan Year because such information was calculated differently for Plan Years prior to 2008. In lieu of that information, the Plan is providing you with the following comparable information that reflects the funding status of the Plan under the law then in effect. For 2007, the Plan's "funding target attainment percentage determined under IRS transitional rules" was 101.3 percent, and the Plan's assets were \$2,050,064,360, and Plan liabilities were \$2,023,790,199 on the January 1, 2007 valuation date.

Credit Balances

Credit balances are subtracted from a Plan's assets before calculating the funding target attainment percentage. While pension plans are permitted to maintain credit balances (called "funding standard carryover balance" or "prefunding balance") for funding purposes, such credits may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions at a level in excess of the minimum level required by law. Generally, the excess payments are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required by law to make to the plan in those years.

Fair Market Value of Assets

Asset values in the chart on page 1 of this notice are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of December 31, 2009, the fair market value of the Plan's assets was \$1,788,353,203. On this same date, the Plan's liabilities were \$2,290,600,000. The fair market value of assets as of December 31, 2009 is required to include only 2009 Plan Year contributions made before this Funding Notice is provided. Additional contributions of about \$45 million for the 2009 Plan Year will be made on or before the required due date of September 15, 2010.

Participant Information

The total number of participants in the Plan as of the Plan's January 1, 2009 valuation date was 17,900. Of this number, 5,408 were employees, 6,040 were retired or separated from service and receiving benefits, and 4,840 were retired or separated from service and entitled to future benefits. In addition, 1,612 beneficiaries are receiving death benefits under the Plan.

Funding and Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for promised benefits. The funding policy of the Plan is to annually contribute to the trust that holds Plan assets an amount at least equal to the amount that will satisfy the minimum funding requirements of ERISA and the Internal Revenue Code.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries that are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The assets of the Plan are recognized as long-term investments and are invested in broad asset classes to diversify risk and reflect a consideration of the non-investment characteristics of the Plan, including projected future retirements, a change in the number of participants and cash flow. The investment objective of the Plan is to pursue a return on investment that is based on levels of liquidity and investment risk that are prudent and reasonable. The investment strategy establishes asset allocation targets and permissible ranges within asset classes. These targets and ranges are routinely reviewed and periodically rebalanced.

In accordance with the Plan's investment policy, the Plan's assets were allocated among the following categories of investments at the end of the Plan Year. These allocations are expressed as a percentage of total assets and reflect the line item categories that will appear in Schedule H of the annual report filing for the Plan (on Form 5500) to the U.S. Department of Labor for the Plan Year ended December 31, 2009. That report is due on or before October 15, 2010 (as extended):

Asset Allocations	Percent
Value of interest in master trust investment accounts	99%
Value of funds held in insurance company general account (unallocated contracts)	1%
Total	100%

For information about the Plan's investments above, you may write or call the NUSCO HR Service Center, Northeast Utilities Service Company, P.O. Box 270, Hartford, CT 06141-0270, 1-800-841-8684, Monday through Friday, 8 a.m. to 4:30 p.m.

Additional information regarding Plan investments and asset allocations is set forth in the table below, as referenced in Note 5 to the Combined Notes to Consolidated Financial Statements in the Northeast Utilities Annual Report to Shareholders, Form 10-K, for the fiscal year ended December 31, 2009:

Asset Category	Percent
Equity Securities	
United States	24%
Non-United States	13%
Emerging Markets	3%
Private	12%
Debt Equities	
Fixed Income	20%
High Yield Fixed Income	3.5%
Emerging markets debt	3.5%
Real Estate	8%
Hedge Funds	13%
Total	100%

Right to Request a Copy of the Annual Report

A pension plan is required to file with the U.S. Department of Labor a Form 5500 annual report containing financial and other information about the plan. The items listed below are included in that report:

- An accountant's report;
- Financial information and information on payments to service providers;
- Assets held for investment;
- Insurance information, including sales commissions paid by insurance carriers;
- Information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the plan participates; and
- Actuarial information regarding the funding of the plan.

Copies of the annual report are available from the U.S. Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202-693-8673.

You may also obtain a copy of the full annual report, or any part thereof, by writing the NUSCO HR Service Center, Northeast Utilities Service Company, P.O. Box 270, Hartford, CT 06141-0270. You may also contact the NUSCO HR Service Center by calling 1-800-841-8684, Monday through Friday, 8 a.m. to 4:30 p.m.

The Plan's annual report is also available to employees online on the NUnet (NU's employee Intranet) and to others at www.nuemployees.com/Retiree/pension/default.asp.

Summary of General Rules Governing Termination of Single-Employer Plans

Although NUSCO currently has no intention of terminating the Plan, it is required by law to inform all participants of the rules governing the termination of a pension plan. Employers can end a pension plan through a process called "plan termination." There are two ways an employer can terminate its pension plan. The employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. The plan must either purchase an annuity from an insurance company (which will provide participants with lifetime benefits when they retire) or, if the plan provides, issue one lump-sum payment that covers the participant's entire benefit. Before purchasing your annuity, the plan administrator would have to provide the participant with advance notice that identifies the insurance company (or companies) selected to provide the annuity. The PBGC's guarantee ends when the participant's employer purchases the participant's annuity or gives the participant the lump-sum payment.

If the plan is not fully-funded, the employer may apply for a distress termination if the employer is in financial distress. To do so, however, the employer must prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

If a single-employer pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The PBGC pays pension benefits up to certain maximum limits, depending on the year that the plan terminates. This amount is adjusted annually for inflation. The maximum guaranteed benefit for plans terminating in 2010 is \$4,500.00 per month, or \$54,000 per year, payable in the form of a straight life annuity for a 65-year-old person. The maximum benefit may be reduced for an individual who is younger than age 65 at commencement. The maximum PBGC-guaranteed benefit may also be reduced when a benefit is provided to a survivor of a plan participant.

The PBGC guarantees “basic benefits” earned before a plan is terminated, which include:

- Pension benefits at normal retirement age;
- Most early retirement benefits;
- Annuity benefits for survivors of plan participants; and
- Disability benefits for a disability that occurred before the date the plan terminated.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which the participant does not have a vested right when a plan terminates, usually because he or she has not worked enough years for the company.
- The PBGC does not guarantee benefits for which the participant has not met all age, service, or other requirements at the time the plan terminates.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as life insurance and certain death benefits, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding \$5,000.

Even if certain benefits are not guaranteed, participants and beneficiaries still may receive some of those benefits from the PBGC depending on how much money the terminated plan has and how much the PBGC collects from the employer.

Where to Get More Information

For more information about this notice, you may write or call Ms. Jean LaVecchia, the Plan administrator, at Northeast Utilities Service Company, P.O. Box 270, Hartford, CT 06141-0270, or by contacting the NUSCO HR Service Center at 1-800-841-8684, Monday through Friday, 8 a.m. to 4:30 p.m.

For more information about the PBGC and benefit guarantees, go to the PBGC’s Web site at www.pbgc.gov, or call PBGC at 1-800-400-7242. (TTY/TDD users may call the Federal relay service at 1-800-877-8339 and ask to be connected to 1-800-400-7242.)

Disclosure Statement and Disclaimer

This notice is intended to comply with the requirements of section 101(f) of ERISA. The disclosures provided in this notice are based on information available and believed to be accurate as of the date this notice is provided. All computations reflected in these disclosures have been performed based on a good faith interpretation of the applicable statutory and regulatory guidance in effect on the date this notice is provided. Such information and computations include, but are not limited to, the measurement of plan liabilities, reported values of plan assets, and allocation of assets. However, actual results for the Plan Year may change and will not be considered final until filed with the Department of Labor as part of the Annual Report (the Form 5500). Subsequently, such results will change only by amendment of the Annual Report for the Plan year. See the “Right to Request a Copy of the Annual Report” section for information about how to obtain a copy of the Annual Report. NUSCO, as plan sponsor, does not undertake any obligation to update or publicly release any revisions to this notice, and no such revisions will be issued to reflect any changes, including, but not limited to, changes in the manner in which particular calculations are performed, changes in expectations, the adoption of plan amendments, or any other events or circumstances occurring after this notice is provided.



**Northeast
Utilities System**

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Important Benefit Information

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