Central Maine Power Company
and Subsidiaries
Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008

Central Maine Power Company

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Report of Independent Auditors

To the Shareholder and Board of Directors
of Central Maine Power Company and Subsidiaries:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of cash flows and of changes in equity present fairly, in all material respects, the financial position of Central Maine Power Company and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interests effective January 1, 2009.

PricewaterhouseCoopers LLP

March 19, 2010

Central Maine Power Company
Consolidated Statements of Income

Year Ended December 31,	2009	2008 As Adjusted (Note 1)
(Thousands)		
Operating Revenues		
Sales and services	**$524,969**	$553,149
Operating Expenses		
Electricity purchased	**102,173**	161,594
Other operating expenses	**218,154**	203,480
Maintenance	**62,182**	49,106
Depreciation and amortization	**41,703**	40,966
Other taxes	**15,678**	14,780
Total Operating Expenses	**439,890**	469,926
Operating Income	**85,079**	83,223
Other (Income)	**(3,150)**	(4,705)
Other Deductions	**878**	755
Interest Charges, Net	**30,355**	26,065
Income Before Income Taxes	**56,996**	61,108
Income Taxes	**12,571**	5,219
Net Income	**44,425**	55,889
Less: Net Income Attributable to Noncontrolling Interest	**449**	426
Net Income Attributable to CMP	**43,976**	55,463
Preferred Stock Dividends	**672**	672
Earnings Available for CMP Common Stock	**$43,304**	$54,791

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company
Consolidated Statements of Comprehensive Income

Year ended December 31,	2009	2008 As Adjusted (Note 1)
(Thousands)		
Net Income	**$44,425**	$55,889
Total Other Comprehensive Income (Loss), Net of Tax	**8,319**	(17,544)
Comprehensive Income	**52,744**	38,345
Less: Comprehensive Income Attributable to Noncontrolling Interest	**449**	426
Comprehensive Income Attributable to CMP	**$52,295**	$37,919

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company
Consolidated Balance Sheets

December 31, (Thousands)	2009	2008 As Adjusted (Note 1)
Assets		
Current Assets		
Cash and cash equivalents	**$12,005**	$10,596
Accounts receivable and unbilled revenues, net	**126,882**	148,249
Accounts receivable from affiliates	**452**	499
Materials and supplies, at average cost	**9,451**	10,081
Deferred income taxes	**4,740**	5,981
Prepayments and other current assets	**16,713**	18,243
Total Current Assets	**170,243**	193,649
Utility Plant, at Original Cost		
Electric	**1,757,941**	1,657,807
Less accumulated depreciation	**586,474**	558,563
Net Utility Plant in Service	**1,171,467**	1,099,244
Construction work in progress	**73,519**	48,409
Total Utility Plant	**1,244,986**	1,147,653
Other Property and Investments	**13,477**	14,349
Regulatory and Other Assets		
Regulatory assets		
Nuclear plant obligations	**35,581**	45,310
Unfunded future income taxes	**205,343**	180,847
Other postretirement employee benefits	**15,678**	18,928
Pension and other postretirement benefits	**167,402**	171,488
Other	**30,557**	26,752
Total regulatory assets	**454,561**	443,325
Other assets		
Goodwill	**324,938**	324,938
Other	**14,211**	49,375
Total other assets	**339,149**	374,313
Total Regulatory and Other Assets	**793,710**	817,638
Total Assets	**$2,222,416**	$2,173,289

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company
Consolidated Balance Sheets

December 31, (Thousands)	2009	2008 As Adjusted (Note 1)
Liabilities		
Current Liabilities		
Current portion of long-term debt	**$2,734**	$40,180
Notes payable	**5,250**	99,200
Accounts payable and accrued liabilities	**46,225**	68,315
Accounts payable to affiliates	**7,789**	5,458
Accounts payable, electricity purchased	**14,054**	15,708
Interest accrued	**6,770**	6,863
Taxes accrued	**6,779**	6,675
Other	**62,365**	63,665
Total Current Liabilities	**151,966**	306,064
Regulatory and Other Liabilities		
Regulatory liabilities		
Accrued removal obligations	**107,746**	110,396
Deferred income taxes	**126,680**	115,483
Pension benefits	**30,290**	36,385
Other	**10,601**	7,328
Total regulatory liabilities	**275,317**	269,592
Other liabilities		
Deferred income taxes	**174,004**	145,643
Nuclear plant obligations	**28,472**	37,037
Pension and other postretirement benefits	**215,951**	216,469
Derivative liabilities	**-**	30,005
Other	**28,541**	19,481
Total other liabilities	**446,968**	448,635
Total Regulatory and Other Liabilities	**722,285**	718,227
Long-term debt	**487,608**	340,486
Total Liabilities	**1,361,859**	1,364,777
Commitments and Contingencies		
Preferred Stock		
Preferred stock	**13,571**	13,571
CMP Common Stock Equity		
Common stock ($5 par value, 80,000 shares authorized, 31,211 shares outstanding at December 31, 2009 and 2008)	**156,057**	156,057
Capital in excess of par value	**514,867**	514,867
Retained earnings	**186,892**	143,588
Accumulated other comprehensive (loss)	**(13,757)**	(22,076)
Total CMP Common Stock Equity	**844,059**	792,436
Noncontrolling Interest	**2,927**	2,505
Total Equity	**846,986**	794,941
Total Liabilities and Equity	**$2,222,416**	$2,173,289

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company
Consolidated Statements of Cash Flows

Year Ended December 31,	2009	2008 As Adjusted (Note 1)
(Thousands)		
Operating Activities		
Net income	**$44,425**	$55,889
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**45,643**	44,184
Amortization of regulatory and other assets and liabilities	**5,685**	9,288
Deferred income taxes and investment tax credits, net	**11,003**	20,564
Pension expense	**9,456**	5,449
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	**21,413**	(4,524)
Materials and supplies	**630**	(1,013)
Prepayments and other current assets	**(1,930)**	(1,746)
Accounts payable and accrued liabilities	**(21,413)**	16,278
Taxes accrued	**8,138**	(24,690)
Other current liabilities	**2,685**	(180)
Pension and other postretirement benefits contributions	**(7,075)**	(500)
Changes in other assets		
Preliminary survey costs, Maine Power Reliability Program	**(31,156)**	(14,206)
Other	**(6,973)**	(25,599)
Changes in other liabilities	**17,782**	5,971
Net Cash Provided by Operating Activities	**98,313**	85,165
Investing Activities		
Utility plant additions	**(92,605)**	(148,641)
Investments, net	**525**	(4,318)
Net Cash Used in Investing Activities	**(92,080)**	(152,959)
Financing Activities		
Long-term note issuances	**149,850**	-
Long-term note repayments	**(40,127)**	(7,073)
Treasury derivative settlement	**(19,898)**	-
Notes payable three months or less, net	**(93,950)**	74,980
Dividends paid on preferred stocks	**(672)**	(672)
Dividends paid to noncontrolling interest	**(27)**	(16)
Net Cash (Used in) Provided by Financing Activities	**(4,824)**	67,219
Net Increase (Decrease) in Cash and Cash Equivalents	**1,409**	(575)
Cash and Cash Equivalents, Beginning of Year	**10,596**	11,171
Cash and Cash Equivalents, End of Year	**$12,005**	$10,596

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company
Consolidated Statements of Changes in Equity

As Adjusted (Note 1) (Thousands)	CMP Shareholder							
	Shares	Common Stock Outstanding $5 Par Value Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive (Loss)	Noncontrolling Interest	Comprehensive Income	Total
Balance, January 1, 2008	31,211	$156,057	$513,788	$88,797	$(4,532)	$2,095		$756,205
Net income				55,463		426	$55,889	55,889
Other comprehensive (loss), net of tax					(17,544)		(17,544)	(17,544)
Comprehensive income							$38,345	38,345
Equity contribution from parent			1,079					1,079
Dividends declared, preferred stock				(672)				(672)
Dividends to noncontrolling interest						(16)		(16)
Balance, December 31, 2008	31,211	156,057	514,867	143,588	(22,076)	2,505		794,941
Net income				43,976		449	$44,425	44,425
Other comprehensive income, net of tax					8,319		8,319	8,319
Comprehensive income							$52,744	52,744
Dividends declared, preferred stock				(672)				(672)
Dividends to noncontrolling interest						(27)		(27)
Balance, December 31, 2009	31,211	$156,057	$514,867	$186,892	$(13,757)	$2,927		$846,986

The notes on pages 6 through 30 are an integral part of our consolidated financial statements.

Central Maine Power Company

Note 1. Significant Accounting Policies

Background: Central Maine Power Company and subsidiaries (CMP, the company, we, our, us) conduct regulated electricity transmission and distribution operations in Maine serving approximately 600,000 customers in a service territory of approximately 11,000 square miles with a population of approximately one million people. The service territory is located in the southern and central areas of Maine and contains most of Maine's industrial and commercial centers, including the city of Portland and the Lewiston-Auburn, Augusta-Waterville, Saco-Biddeford and Bath-Brunswick areas.

CMP is the principal operating utility of CMP Group, Inc. (CMP Group), a wholly-owned subsidiary of Energy East Corporation (Energy East). We operate under the authority of the Maine Public Utility Commission (MPUC) in Maine and are also subject to regulation by the Federal Energy Regulatory Commission (FERC).

We have evaluated events or transactions that occurred after December 31, 2009, for inclusion in these financial statements through March 19, 2009, which is the date these financial statements were available to be issued. (See “New accounting standards adopted,” “Subsequent events,” below.)

Effective September 16, 2008, Energy East became a wholly-owned subsidiary of Iberdrola, S.A. (Iberdrola), a corporation organized under the laws of the Kingdom of Spain. The merger provided for a business combination whereby Energy East and its subsidiaries, including CMP, became wholly-owned subsidiaries of Iberdrola. The merger was completed through the acquisition by a subsidiary of Iberdrola of all the outstanding common stock of Energy East. The effects of the merger required for accounting purposes, including any allocation of goodwill, were not pushed down to CMP. The accompanying consolidated financial statements have not been adjusted to reflect Iberdrola’s basis in Energy East or its subsidiaries, including CMP. On December 1, 2009, Energy East changed its legal and operating name to Iberdrola USA, Inc.

As part of an effort to reduce costs and increase efficiency, we have undertaken various measures to reduce workforce levels in 2010. On January 29, 2010, workforce levels were reduced through an involuntary separation. On February 12, 2010, we offered a voluntary early retirement program to employees. Eligible employees who accept the offer will receive a pension that is enhanced by the annuity value of one week’s pay for every full year of service and not reduced by the normal early retirement factors. Eligible employees have until April 2, 2010 to make their decision to accept the early retirement package. As of the date of these financial statements, an estimate of the impact to the Company can not be determined.

***Accounts receivable*:** Accounts receivable at December 31 include unbilled revenues of $17 million for 2009 and $16 million for 2008, net of an allowance for doubtful accounts at December 31 of $3 million for 2009 and 2008. Accounts receivable do not bear interest, although late fees may be assessed. Bad debt expense was $5 million in 2009 and $3 million in 2008.

Unbilled revenues represent estimates of receivables for energy provided but not yet billed. The estimates are determined based on various assumptions, such as current month energy load requirements, billing rates by customer classification and delivery loss factors. Changes in those assumptions could significantly affect the estimates of unbilled revenues.

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable, determined based on experience and other economic data.

Central Maine Power Company

Each month we review our allowance for doubtful accounts and past due accounts over 90 days and/or above a specified amount, and review all other balances on a pooled basis by age and type of receivable. When we believe that a receivable will not be recovered, we charge off the account balance against the allowance. Changes in assumptions about input factors such as economic conditions and customer receivables, which are inherently uncertain and susceptible to change from period to period, could significantly affect the allowance for doubtful accounts estimates.

Asset retirement obligation: We record the fair value of the liability for an asset retirement obligation (ARO) and/or a conditional ARO in the period in which it is incurred and capitalize the cost by increasing the carrying amount of the related long-lived asset. We adjust the liability to its present value periodically over time, and depreciate the capitalized cost over the useful life of the related asset. Upon settlement we will either settle the obligation at its recorded amount or incur a gain or a loss. We defer any timing differences between rate recovery and depreciation expense as either a regulatory asset or a regulatory liability.

The term conditional ARO refers to an entity's legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. If an entity has sufficient information to reasonably estimate the fair value of the liability for a conditional ARO, it must recognize that liability at the time the liability is incurred.

Our ARO at December 31, including our conditional ARO, was less than $1 million for 2009 and 2008. The ARO consists primarily of obligations related to removal or retirement of: asbestos, polychlorinated biphenyl (PCB) and contaminated equipment. The long-lived assets associated with our AROs are distribution property and other property.

We have AROs for which we have not recognized a liability because the fair value cannot be reasonably estimated due to indeterminate settlement dates, including the removal of property upon termination of an easement, right-of-way or franchise.

Accrued removal obligations: We meet the requirements concerning accounting for regulated operations, and recognize a regulatory liability, for financial reporting purposes only, for the difference between removal costs collected in rates and actual costs incurred. We classify those amounts as accrued removal obligations.

Consolidated statements of cash flows: We consider all highly liquid investments with a maturity date of three months or less when acquired to be cash equivalents and those investments are included in cash and cash equivalents.

Supplemental Disclosure of Cash Flows Information	**2009**	**2008**
(Thousands)		
Cash paid during the year ended December 31:		
Interest, net of amounts capitalized	**$28,132**	$24,560
Income taxes, net of benefits received	**$7,077**	$9,558

The amount of interest capitalized was less than $0.5 million in 2009 and $1.4 million in 2008.

Construction work in progress: As of December 31, 2009, we included $53 million of preliminary survey costs for our Maine Power Reliability Program in Construction work in progress on our balance sheet. Consolidated preliminary survey costs included in Other assets at December 31 totaled approximately $7 million for 2009 and $27 million for 2008. Preliminary

survey costs represent expenditures incurred for the purpose of determining the feasibility of utility projects under contemplation. When construction begins on such projects, the amounts are moved to Construction work in progress, and then eventually to Utility plant when construction is completed and the asset is placed in service. If a project is abandoned, the costs incurred for that project are charged to an appropriate expense account, and included in future rates.

***Depreciation and amortization*:** We determine depreciation expense using the straight-line method, based on the average service lives of groups of depreciable property, which include estimated cost of removal. The weighted-average service lives of certain classifications of property are: transmission property – 42 years, distribution property – 44 years and other property – 27 years. Our depreciation accruals were equivalent to 2.6% of average depreciable property for 2009 and 2.7% for 2008.

We charge repairs and minor replacements to operating expense, and capitalize renewals and betterments, including certain indirect costs. We charge the original cost of utility plant retired or otherwise disposed of to accumulated depreciation.

***Goodwill*:** We are required to perform an annual goodwill impairment test at the same time each year and, accordingly, we perform our annual impairment testing of goodwill during the third quarter of each year. We update the test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. The annual analysis of the potential impairment of goodwill requires a two step process. Step one of the impairment test involves comparing the fair values of reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment loss. If the carrying amount is less than fair value, further testing of goodwill impairment is not performed.

Step two of the goodwill impairment test involves comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. Under step two, determining the implied fair value of goodwill requires the valuation of a reporting unit's identifiable tangible and intangible assets and liabilities as if the reporting unit had been acquired in a business combination on the testing date. The difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. The goodwill impairment charge, if any, would be the difference between the carrying amount of goodwill and the implied fair value of goodwill upon the completion of step two.

For purposes of the step one analyses, we based the determination of the fair value of Iberdrola USA's reporting units on the income approach, which estimates fair value based on discounted future cash flows. Based on the completion of step one of the annual impairment analysis, management determined that the fair value of CMP was greater than its carrying value. (See Note 2.)

We may be required to recognize an impairment of goodwill in the future due to market conditions or other factors related to our performance. Those market events could include a decline in the forecasted results in our business plan, significant adverse rate case results, changes in capital investment budgets or changes in interest rates that could permanently impair the fair value of a reporting unit. Recognition of impairments of a significant portion of goodwill would negatively affect our reported results of operations and total capitalization, the effect of which could be material and could make it more difficult to maintain our credit ratings,

secure financing on attractive terms, maintain compliance with debt covenants and meet expectations of our regulators.

New accounting standards adopted: We have adopted new accounting standards issued by the Financial Accounting Standards Board (FASB) as explained below.

Disclosures about derivative instruments and hedging activities: In March 2008 the FASB issued a new standard that requires enhanced disclosures about an entity's derivative instruments and hedging activities to enable investors to better understand their effects on the entity's financial position, financial performance and cash flows. The enhanced disclosures are intended to improve transparency about the location and amounts of derivative instruments in an entity's financial statements and how the entity accounts for derivative instruments and related hedged items. Requirements include: disclosure of fair values of derivative instruments and their gains and losses in a tabular format, disclosure of derivative features that are credit risk-related, and cross-referencing within the notes to enable financial statement users to locate important information about derivative instruments. The new standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. In years after initial adoption, comparative disclosures are required only for periods subsequent to initial adoption. Our adoption of the new requirements effective for our financial statements issued for fiscal years and interim periods beginning on or after January 1, 2009, did not affect our financial position, results of operation or cash flows. (See Note 9.)

Fair value measurements: The FASB has issued a number of new standards related to fair value measurements. The initial new standard was issued in September 2006, which we adopted effective January 1, 2008, for our fair value measurements of financial assets and financial liabilities. Changes as a result of the application of the new standard relate to the definition of fair value, the methods used to measure fair value, and expanded disclosures about fair value measurements. The new standard applies under other accounting pronouncements that require or permit fair value measurements in which the FASB previously concluded that fair value is the relevant measurement attribute, but does not require any new fair value measurements.

The FASB issued a related new standard in February 2008 that was effective upon issuance. It delayed the effective date of the initial fair value measurement standard for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. It also requires additional disclosures concerning application of the provisions of the initial fair value measurement standard.

In August 2009 the FASB issued an accounting standards update to provide amended guidance concerning the fair value measurement of liabilities. The key provisions of the amendments include clarification about valuation techniques that are to be used in circumstances in which a quoted price in an active market for the identical liability is not available and that a reporting entity is not to include a separate input or adjustments to other inputs to reflect the existence of a restriction that prevents the transfer of a liability. The amended guidance is effective for an entity's first reporting period (including interim periods) beginning after issuance of the update. We initially began applying the guidance effective October 1, 2009.

Noncontrolling interests: In December 2007 the FASB issued a new accounting standard concerning noncontrolling interests in consolidated financial statements. The new standard is the result of a joint project between the FASB and the International Accounting Standards Board and is intended "to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements" about

noncontrolling (sometimes called minority) interests. Earnings attributable to noncontrolling interests will no longer be excluded from net income as a result of applying the new standard, which is effective for fiscal years (including interim periods) beginning on or after December 15, 2008. Earlier adoption is prohibited and prospective application is required, except that the presentation and disclosure requirements are to be applied retrospectively for all periods presented. See "Reclassifications" below, concerning reclassifications of prior period amounts with respect to our adoption of this standard. Our application of the new standard did not materially affect our financial position, results of operation or cash flows.

Postretirement benefit plan assets disclosures: In December 2008 the FASB issued a new standard that amends the disclosures an employer is required to provide about its pensions and other postretirement benefits, to improve disclosures about postretirement benefit plan assets. The improved disclosures include objectives and other information concerning fair value measurements of plan assets, and must be provided for fiscal years ending after December 15, 2009. Our application of the new standard beginning with the annual reporting period ending December 31, 2009, did not affect our financial position, results of operation or cash flows. (See Note 12.)

Subsequent events: In May 2009 the FASB issued a new standard to establish principles and requirements concerning accounting for and disclosure of subsequent events – events that occur after the balance sheet date but before the financial statements are issued or available to be issued. The new accounting standard is based on the same principles as in the existing auditing standard, with new terminology as to the evaluation of subsequent events either as of the date the financial statements are "issued" or "available to be issued". We adopted the new standard as of June 30, 2009, and it had no effect on our financial position, results of operations or cash flows. (See "Background," above, for the required disclosure).

New accounting standards issued but not yet adopted: New accounting standards issued by the FASB that we have not yet adopted in these financial statements are as explained below.

Variable interest entities: In June 2009 the FASB issued amendments to its revised interpretation concerning consolidation of variable interest entities (VIEs). The amendments clarify, but do not significantly change, the criteria for determining whether an entity meets the definition of a VIE, and change existing consolidation guidance so that qualifying special purpose entities are no longer exempt from consolidation. The amendments require an enterprise to perform ongoing assessments as to whether an entity is a VIE and whether the enterprise is the primary beneficiary of a VIE. Previously such assessments were required only when specified events occurred. The amended standard will alter how an enterprise determines when an entity that is not sufficiently capitalized or not controlled through voting should be consolidated. An enterprise will also be required to perform a qualitative analysis to determine whether it should provide consolidated reporting of an entity based upon the entity's purpose and design and the enterprise's ability to direct the entity's actions. The amended standard also requires enhanced disclosures to provide more transparent information about an enterprise's involvement in a VIE, and any significant changes in its risk exposure due to that involvement. The amendments are effective at the start of a company's first fiscal year beginning after November 15, 2009, including interim periods. Earlier application is prohibited. We expect that our adoption of the amendments effective January 1, 2010, will not affect our results of operation, financial position or cash flows.

Disclosures about fair value measurements: In January 2010 the FASB issued amendments to improve disclosures about fair value measurements. New disclosures that will be required include: 1) details of transfers in and out of Level 1 and Level 2 of the fair value measurement

hierarchy, and 2) gross presentation of roll forward activity within Level 3 – separate presentation of information about purchases, sales, issuances and settlements. Entities will also have to provide fair value measurement disclosures for each class of assets and liabilities, as well as disclosures about inputs and valuation techniques for both recurring and nonrecurring Level 2 and Level 3 fair value measurements. The amendments are effective for interim and annual reporting periods beginning after December 15, 2009, except that the disclosures about Level 3 roll forward activity are effective for fiscal years beginning after December 15, 2010, and interim periods within those fiscal years. Our adoption of the amendments as they become effective will not affect our results of operation, financial position or cash flows.

Other (Income) and Other Deductions:

Year Ended December 31,	**2009**	**2008**
(Thousands)		
Interest and dividend income	**$(668)**	$(1,224)
Allowance for funds used during construction	**(145)**	(2,429)
Earnings from equity investments	**(141)**	(111)
Carrying costs on regulatory assets	**(2,196)**	(729)
Miscellaneous	**-**	(212)
Total other (income)	**$(3,150)**	$(4,705)
Miscellaneous	**$878**	$755
Total other deductions	**$878**	$755

***Principles of consolidation*:** These financial statements consolidate our majority-owned subsidiaries after eliminating intercompany transactions, except variable interest entities for which we are not the primary beneficiary.

***Reclassifications*:** Certain amounts have been reclassified in our consolidated financial statements to conform to the 2009 presentation.

We have also reclassified certain prior-period amounts in accordance with a new accounting standard concerning noncontrolling interests, which we adopted effective January 1, 2009. (See "New accounting standards adopted," "Noncontrolling interests," above.) We have retrospectively applied the presentation and disclosure requirements to our noncontrolling interest for all periods within these financial statements.

- *Balance sheets*: Noncontrolling Interest that was previously included in Other liabilities, Other is reclassified to equity.
- *Statements of Income* and *Statements of Comprehensive Income*: Net Income and Comprehensive Income are revised to include Net Income Attributable to Noncontrolling Interest, previously included in Other (Income); which is then deducted to arrive at Net Income/Comprehensive Income Attributable to CMP.
- *Statements of Cash Flows*: Net Income now includes Net Income Attributable to Noncontrolling Interest.
  In the Financing Activities section – An amount for Dividends paid to noncontrolling interest is added.
- *Statements of Changes in Equity*: Net Income and Comprehensive income now include Net Income Attributable to Noncontrolling Interest. An amount for Dividends to noncontrolling interest, and columns for Noncontrolling Interest and Comprehensive Income are added.

***Regulatory assets and regulatory liabilities*:** We currently meet the requirements concerning accounting for regulated operations for our electric operations in Maine; however, we cannot predict what effect the competitive market or future actions of regulatory entities would have on our ability to continue to do so. If we were to no longer meet the requirements concerning

accounting for regulated operations for all or a separable part of our regulated operations, we may have to record certain regulatory assets and regulatory liabilities as an expense or as revenue, or include them in accumulated other comprehensive income.

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. Substantially all regulatory assets for which funds have been expended are either included in rate base or are accruing carrying costs. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs.

Unfunded future income taxes and deferred income taxes are amortized as the related temporary differences reverse. Unamortized loss on debt reacquisitions is amortized over the lives of the related debt issues. Nuclear plant obligations, demand side management program costs, other regulatory assets and other regulatory liabilities are amortized over various periods in accordance with our current rate plan. Amortization of total regulatory assets net of amortization of total regulatory liabilities was $4 million in 2009 and $12 million in 2008.

In 2009 we recorded reserves totaling $5.5 million on existing regulatory assets to reflect management's assessment of risk and increased uncertainty about the ultimate recovery of deferred storm costs that have not been resolved with our regulator. The resulting change increased other operating expenses for the period.

Other regulatory assets and other regulatory liabilities consisted of:

December 31,	**2009**	**2008**
(Thousands)		
Unamortized loss on debt reacquisition	**$4,511**	$5,229
Revenue levelization	**8,501**	13,725
Demand-side management	**911**	1,727
Deferred storm costs	**8,370**	250
Rate reconciliation mechanism	**3,995**	3,578
Other	**4,269**	2,243
Total other regulatory assets	**$30,557**	$26,752
Revenue reconciliation mechanism	**1,294**	$2,593
Reliability improvement program	**$778**	2,918
Complaint ratio	**5,000**	-
Environmental	**2,943**	965
Other	**586**	852
Total other regulatory liabilities	**$10,601**	$7,328

Related party transactions: Iberdrola USA Management Corporation provides various administrative and management services to Iberdrola USA's operating utilities, including CMP, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The cost for services provided to CMP by Iberdrola USA Management Corporation was approximately $22 million for 2009 and 2008.

***Revenue recognition*:** We recognize revenues upon delivery of energy and energy-related products and services to our customers.

Pursuant to a Maine state law, we have been prohibited from selling power to our retail customers. We do not enter into purchase or sales arrangements for power with ISO-New England, Inc., the New England Power Pool, or any other independent system operator or similar entity. We sell all of our power entitlements under our nonutility generator (NUG) and other purchase power contracts to unrelated third parties under bilateral contracts.

Taxes: We compute our income tax provision on a separate return method. The determination and allocation of our income tax provision and its components are outlined and agreed to in our tax sharing agreements with Iberdrola USA.

Deferred income taxes reflect the effect of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and the amount recognized for tax purposes. We amortize investment tax credits over the estimated lives of the related assets.

We account for sales tax collected from customers and remitted to taxing authorities on a net basis.

We classify all interest and penalties related to uncertain tax positions as income tax expense.

***Use of estimates and assumptions*:** The preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) allowance for doubtful accounts and unbilled revenues; (2) asset impairments, including goodwill; (3) depreciable lives of assets; (4) income tax valuation allowances; (5) uncertain tax positions; (6) reserves for professional, workers' compensation, and comprehensive general insurance liability risks; (7) contingency and litigation reserves; and (8) environmental remediation liability. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluation, as considered necessary. Actual results could differ from those estimates.

Note 2. Goodwill

We do not amortize goodwill, but test it for impairment at least annually. Impairment testing includes various assumptions, primarily the discount rate, which is based on an estimate of our marginal, weighted-average cost of capital, and forecasted cash flows. We test the reasonableness of the conclusions of our impairment testing using a range of discount rates and a range of assumptions for long-term cash flows. We had no impairment of goodwill in 2009 or 2008 as a result of our impairment testing. No impairment was indicated within any of the ranges of assumptions analyzed.

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The carrying amount of goodwill was $325 million at December 31, 2009 and 2008. Goodwill has not been adjusted to reflect Iberdrola's purchase of Energy East and its subsidiaries, including CMP.

Note 3. Income Taxes

Year Ended December 31, (Thousands)	2009	2008
Current		
Federal	**$(1,268)**	$(13,653)
State	**2,835**	(1,692)
Current taxes charged to expense	**1,567**	(15,345)
Deferred		
Federal	**9,329**	20,796
State	**2,410**	483
Deferred taxes charged to expense	**11,739**	21,279
Investment tax credit adjustments	**(735)**	(715)
Total	**$12,571**	$5,219

The significant increase in current income tax expense in 2009 as compared to 2008 is driven primarily by the establishment of reserves related to prior years, a decrease in the repair allowance tax deduction and an increase in income related to storm costs and stranded costs in 2009 offset by the differences in the 2008 filed tax return compared to the booked current tax expense. The significant decrease in deferred income tax expense in 2009 as compared to 2008 is due primarily to the offsetting decrease in deferred income tax associated with storm costs and stranded costs and a one-time adjustment with the filing of the 2008 tax return reducing deferred income tax related to previously capitalized repair costs and the differences in the 2008 filed tax return compared to the booked deferred tax expense.

Our tax expense differed from the expense at the statutory rate of 35% due to the following:

Year Ended December 31, (Thousands)	2009	2008
Tax expense at statutory rate	**$19,792**	$21,239
Depreciation and amortization not normalized	**1,115**	(5,646)
Investment tax credit amortization	**(735)**	(715)
Medicare subsidy	**(839)**	(1,064)
Tax return and audit adjustments	**(13,348)**	(2,075)
State taxes, net of federal benefit	**3,409**	(787)
Other, net	**3,177**	(5,733)
Total	**$12,571**	$5,219

Income taxes were $7.2 million less in 2009 than they would have been at the federal statutory rate of 35% and $16.0 million less in 2008. The 2009 effective tax rate was less than the statutory rate primarily due to recurring flow-through items, including flowthrough impact of the tax deduction related to previously capitalized repairs taken on the 2008 tax return filed in 2009. The 2008 effective tax rate was less than the statutory rate is primarily due to the benefits related to the early retirement of assets and repair allowance resulting from the filing of the 2007 return in 2008 and the effects of the flow-through effect of a book depreciation rate change for CMP that went into effect on July 1, 2008. The variance in tax return and audit adjustments in 2009 as compared to 2008 is driven by the flow-through effect of the 2008 tax return adjustments related to previously capitalized repairs. The variance in state taxes, net in 2009 as compared to 2008 is primarily driven by the decrease in pretax income and the state effect of

the 2008 tax return adjustments. The variance in Other, net in 2009 as compared to 2008 is primarily driven by increased reserves and the decreased flow-through benefits related to the repair allowance and allowance for funds used during construction in 2009.

Our consolidated deferred tax assets and liabilities consisted of:

December 31, (Thousands)	2009	2008
Current Deferred Income Tax Assets		
Derivative assets	**-**	$545
Other	**$4,740**	5,436
Total Current Deferred Income Tax Assets	**$4,740**	$5,981
Noncurrent Deferred Income Tax Liabilities (Assets)		
Property related	**$254,291**	$220,888
Unfunded future income taxes	**74,021**	69,100
Accumulated deferred investment tax credits	**3,359**	8,635
Pension	**(115)**	1,814
Other postretirement benefits	**(29,893)**	(30,334)
Derivative assets	**(9,483)**	(15,218)
Other	**8,504**	6,241
Total Noncurrent Deferred Income Tax Liabilities	**300,684**	261,126
Less amounts classified as regulatory liabilities		
Deferred income taxes	**126,680**	115,483
Noncurrent Deferred Income Tax Liabilities	**$174,004**	$145,643
Deferred tax assets	**$44,231**	$51,533
Deferred tax liabilities	**340,175**	306,678
Net Accumulated Deferred Income Tax Liabilities	**$295,944**	$255,145

We have no federal or state tax credit or loss carryforwards, and no valuation allowances.

Reconciliation of Changes in Gross Income Tax Reserves (Thousands)	2009	2008
Balance as of January 1	**-**	$637
Increases for tax positions related to prior years	**$4,999**	-
Decreases for positions related to settlements with taxing authority	-	(637)
Balance as of December 31	**$4,999**	-

The total gross unrecognized tax benefits as of December 31, 2009 were $5.1 million, including income taxes of $5.0 million and interest of $0.1 million. Including interest, $4.7 million of the gross unrecognized tax benefits would affect the effective tax rate, if recognized. Gross income tax reserves increased $5.0 million in 2009 primarily due to accelerated deductions taken on the 2008 federal and state tax returns.

We have been audited through 2005 for federal income taxes. The statute of limitations in Maine has expired for all years through 2005. Our federal returns for 2006 through 2008 are currently under review. We anticipate that the reviews will be completed in 2011. We cannot predict the ultimate outcome of the reviews.

Note 4. Long-term Debt

At December 31, 2009 and 2008, our consolidated long-term debt was:

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	Interest Rates	Maturity	Amount (Thousands) 2009	2008
First mortgage bonds	5.70%	2019	**$150,000**	-
Pollution control notes	5 3/8%	2014	**19,500**	$19,500
Various medium-term notes	5.10 to 7.00%	2009 to 2037	**293,200**	330,700
Various long-term debt	7.05% to 10.48%	2020	**12,823**	14,007
Total long-term debt			**475,523**	364,207
Obligations under capital leases			**15,010**	16,530
Unamortized discount on debt			**(191)**	(71)
			14,819	16,459
Less debt due within one year, included in current liabilities			**2,734**	40,180
Total			**$487,608**	$340,486

One of our subsidiaries has debt totaling $12.8 million secured by its assets. We have no intercompany collateralizations and have no guarantees to affiliates or subsidiaries. None of CMP's debt obligations are guaranteed or secured by its parent or affiliates. We could seek additional sources of financing.

In May 2009 CMP issued $150 million Series A first mortgage bonds bearing a coupon of 5.7% and with a maturity date of June 1, 2019. The proceeds of the issuance were used to reduce short-term debt and for general corporate purposes. CMP had entered into two derivative transactions – forward starting swaps – to hedge that financing transaction. CMP settled the hedges in May 2009 at a loss of $19.9 million.

The above hedge loss is included in other comprehensive income and is being amortized to interest expense over the term of the related new debt that was issued.

At December 31, 2009, long-term debt, including sinking fund obligations and capital lease payments (in thousands) that will become due during the next five years is:

2010	2011	2012	2013	2014
$2,734	$27,767	$55,303	$38,544	$22,390

Note 5. Bank Loans and Other Borrowings

We participate in a joint borrowing with the other operating utilities under Iberdrola USA in a revolving credit facility providing individual maximum borrowings of up to $100 million. Sublimits that total to the aggregate limit apply to each joint borrower and can be altered within the constraints imposed by maximum limits that apply to each joint borrower. This facility expires in 2012 and requires a fee on undrawn borrowing capacity. As of December 31, 2009, we had no outstanding debt under our uncommitted bilateral credit agreement. We pay a facility fee of 8 basis points annually on our current revolver sublimit.

We draw on our credit facilities to finance working capital needs, to temporarily finance certain refundings and for other corporate purposes. There was $5 million of such short-term debt outstanding at December 31, 2009, and $99 million outstanding at December 31, 2008. The weighted-average interest rate on short-term debt was 0.51% at December 31, 2009, and 0.69% at December 31, 2008. At March 12, 2010, there was no short-term debt outstanding.

In our revolving credit facility we covenant not to permit, without the consent of the lender, our ratio of consolidated indebtedness to consolidated total capitalization to exceed 0.65 to 1.00 at

any time. The facility contains various other covenants, including a restriction on the amount of secured indebtedness Iberdrola USA may maintain. Continued unremedied failure to comply with those covenants for 15 days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. CMP's ratio of consolidated indebtedness to consolidated total capitalization pursuant to the revolving credit facility was 0.36 to 1.00 at December 31, 2009. We are not in default as of December 31, 2009.

We also have an intercompany borrowing agreement with Iberdrola USA which provides financing of up to $100 million. Under the terms of this agreement, which expires in 2012, we pay the same rate as under Iberdrola USA's credit facility. Iberdrola USA obtains funding for its own short-term needs and for the temporary needs of its subsidiaries through a separate credit facility providing maximum borrowings of up to $300 million. This credit facility expires in 2012 and requires a fee on undrawn borrowings of 10 basis points. As of December 31, 2009, Iberdrola USA had borrowed $93 million of the $300 million available under this facility.

In its revolving credit facility, Iberdrola USA covenants not to permit, without the consent of the lender, its ratio of consolidated indebtedness to consolidated total capitalization to exceed 0.65 to 1.00 at any time. The facility contains various other covenants, including a restriction on the amount of secured indebtedness Iberdrola USA may maintain. Continued unremedied failure to comply with those covenants for 15 days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Iberdrola USA's ratio of consolidated indebtedness to consolidated total capitalization pursuant to the revolving credit facility was 0.55 to 1.00 at December 31, 2009. Iberdrola USA was not in default as of December 31, 2009.

We believe we have sufficient liquidity available to meet our working capital and capital spending requirements.

Note 6. Preferred Stock

At December 31, 2009 and 2008, our consolidated preferred stock was:

Series	Par Value per Share	Redemption Price per Share	Shares Authorized and Outstanding [(1)]	Amount 2009	Amount 2008
(Thousands)					
6% Noncallable [(2)]	$100	-	5,713	**$571**	$571
4.60%	100	$101.00	30,000	**3,000**	3,000
4.75%	100	101.00	50,000	**5,000**	5,000
5.25%	100	102.00	50,000	**5,000**	5,000
Total				**$13,571**	$13,571

[(1)] At December 31, 2009 CMP had 2,170,000 shares of $100 par value preferred stock and 2,000,000 shares of $25 par value callable preferred stock authorized but unissued.
[(2)] CMP's 5,713 shares outstanding include 533 shares owned by CMP Group, which are eliminated in consolidation for Iberdrola USA, Inc.

On January 28, 2010, CMP Group, Inc. made a tender offer to purchase any and all of the outstanding shares of CMP's cumulative preferred stock. The tender offer was conditioned upon, among other things, there being at the expiration of the tender offer more than 50% of the outstanding shares of preferred stock, exclusive of the 533 shares of preferred stock already owned by CMP Group, that have been validly tendered and not withdrawn. After the tender offer expired on March 3, 2010, CMP Group elected to accept all of the 111,941 shares tendered, including 2,833 of the 6% Noncallable at par and 18,136 shares of the 4.60% series, 40,972 shares of the 4.75% series, and 50,000 shares of the 5.25% series at $93 per share. All of the

tendered shares plus the 533 shares of the 6% Noncallable previously held by CMP Group will be transferred, at cost, to CMP and retired after a shareholders meeting scheduled for May, 2010. The applicable purchase price per share plus an amount equal to any accrued but unpaid dividends was distributed to holders of shares validly tendered prior to the expiration time. The cost of the tender offer is estimated to be approximately $11 million.

Voting rights: If preferred stock dividends on any series of preferred stock, other than the 6% Noncallable series, are in default in an amount equivalent to four full quarterly dividends, the holders of the preferred stock are entitled to elect a majority of the directors and their privilege continues until all dividends in default have been paid. The holders of preferred stock, other than the 6% Noncallable series, are not entitled to vote in respect of any other matters except those, if any, in respect of which voting rights cannot be denied or waived under some mandatory provision of law, and except that the charter contains provisions to the effect that such holders shall be entitled to vote on certain matters affecting the rights and preferences of the preferred stock.

Holders of the 6% Noncallable series are entitled to one vote per share and have full voting rights on all matters.

Whenever holders of preferred stock shall be entitled to vote, they shall be entitled to cast one vote for each share of preferred stock held by them. Holders of our common stock are entitled to one-tenth of one vote per share on all matters.

Note 7. Commitments and Contingencies

***Capital spending*:** We have no material commitments in connection with our capital spending program in 2010. We plan to invest approximately $2.3 billion in our energy delivery infrastructure during the next five years. Capital spending is expected to be paid for principally with funds generated from debt financing and equity infusion. The program is subject to periodic review and revision. Our capital spending will be primarily for the extension of energy delivery service, necessary improvements to existing facilities, and compliance with environmental requirements and governmental mandates.

CMP has received initial approval for a grant from the U.S. Department of Energy of $96 million for the deployment of Advanced Metering Infrastructure (AMI) throughout CMP's service territory, to serve all of its approximately 600,000 residential, commercial and industrial customers. The total estimated cost of the AMI project is $166 million.

***Nonutility generator power purchase contracts*:** We expensed approximately $89 million for NUG power in 2009 and $135 million in 2008. We estimate that our NUG power purchases will total $59 million in 2010, $61 million in 2011, $55 million in 2012, $52 million in 2013, and $52 million in 2014.

Note 8. Environmental Liability

From time to time environmental laws, regulations and compliance programs may require changes in our operations and facilities and may increase the cost of electric service.

The United States Environmental Protection Agency and various state environmental agencies, as appropriate, notified us that we are among the potentially responsible parties who may be liable for costs incurred to remediate certain hazardous substances at five waste sites. The five sites do not include sites where gas was manufactured in the past, which are discussed below.

With respect to the five sites, four sites are included in Maine's Uncontrolled Sites Program, and two of the sites are also included on the National Priorities list.

Any liability may be joint and several for certain of those sites. We have recorded an estimated liability of $711 thousand related to the five sites. We have recorded an estimated liability of $1.4 million related to three additional sites where we believe it is probable that we will incur remediation and/or monitoring costs, although we have not been notified that we are among the potentially responsible parties. The ultimate cost to remediate the sites may be significantly more than the accrued amount. Factors affecting the estimated remediation amount include the remedial action plan selected, the extent of site contamination and the portion attributed to us.

We have a program to investigate and perform necessary remediation at our three sites where gas was manufactured in the past. All three sites are part of Maine's Voluntary Response Action Program and Maine's Uncontrolled Sites Program.

Our estimate for all costs related to investigation and remediation of the three sites is $969 thousand at December 31, 2009. The estimate could change materially based on facts and circumstances derived from site investigations, changes in required remedial action, changes in technology relating to remedial alternatives and changes to current laws and regulations.

The liability to investigate and perform remediation, as necessary, at the known inactive gas manufacturing sites was $969 thousand at December 31, 2009, and $68 thousand at December 31, 2008. We recorded a corresponding regulatory asset, net of insurance recoveries, because we expect to recover the net costs in rates.

Our environmental liability accruals have been established on an undiscounted basis. We have received insurance settlements during the last two years, which we accounted for as reductions in our related regulatory asset.

Note 9. Accounting for Derivative Instruments and Hedging Activities

We are exposed to certain risks relating to our ongoing business operations. The primary risks we manage by using derivative instruments are interest rate risk and commodity price risk. In accordance with the accounting requirements concerning derivatives and hedging, we recognize all derivative instruments as either assets or liabilities at fair value on our balance sheet.

The financial instruments we hold or issue are not for trading or speculative purposes.

Cash flow hedging: Our interest rate swap agreements and fleet fuel hedges are designated as cash flow hedging instruments. We record changes in the fair value of the cash flow hedging instruments in other comprehensive income (OCI), to the extent they are considered effective, and reclassify those gains or losses into earnings in the same period or periods during which the hedged transactions affect earnings. We record the ineffective portion of any change in fair value of cash flow hedges on our income statement as either Other (Income) or Other Deductions, as appropriate.

Our asset derivatives designated as hedging instruments, which are other commodity contracts (fleet fuel) with a fair value of $64 thousand as of December 31, 2009, are located in current assets.

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The effect of hedging instruments on OCI and income was:

Period Ended December 31, 2009	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Reclassified from Accumulated OCI into Income	Location of Gain (Loss) Recognized in Income on Derivatives	Gain (Loss) Recognized in Income on Derivatives
Derivatives in Cash Flow Hedging Relationships	**Effective Portion [1]**	**Effective Portion (1)**		**Ineffective Portion and Amount Excluded from Effectiveness Testing**	
(Thousands)					
Interest rate contracts	$(30,887)	Interest expense	$(1,168)	Interest expense	-
Commodity contracts:					
Other	(429)	Other direct costs	(1,022)		-
Total	$(31,316)		$(2,190)		-

(1) Changes in OCI are reported in after-tax dollars.

The amount in OCI related to previously settled treasury lock contracts, after tax and accumulated amortization, at December 31 is a net (loss) of $(23.3) million for 2009 and $(5.0) million for 2008.

As of December 31, 2009, we reported $(1.1) million in net derivative gains/(losses) related to discontinued cash flow hedges. At December 31, 2009, $64 thousand in gains/(losses) are reported in OCI because the forecasted transaction is considered to be probable. We expect that $64 thousand of gains/(losses) in OCI will be reclassified into earnings within the next 12 months.

As of December 31, 2009, the maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted energy transactions was 16 months – through April 2011. We estimate that no losses will be reclassified from accumulated other comprehensive income into earnings during 2010, as the underlying transactions occur.

Note 10. Fair Value of Financial Instruments and Fair Value Measurements

The carrying amounts and estimated fair values of our financial instruments are shown in the following table.

December 31,	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(Thousands)				
First mortgage bonds	**$150,000**	**$156,728**	-	-
Pollution control notes, fixed	**$19,500**	**$20,974**	$19,500	$19,387
Various long-term debt	**$305,832**	**$302,607**	$344,636	$319,754

The carrying amounts for cash and cash equivalents, accounts receivable, and notes payable and interest accrued approximate their estimated fair values.

We value all fixed rate long-term debt, whether unsecured or secured by a first mortgage lien, by assigning a market-based yield for each security and then deriving the price from the yield. Market-

based yields are determined by observing secondary market trading levels for debt of similar maturity, rating, tax and structural characteristics.

Assets and liabilities measured at fair value on a recurring basis

		Fair Value Measurements at December 31, Using		
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(Thousands)				
2009				
Assets				
Noncurrent investments available for sale	$6,490	$6,490	-	-
Derivatives	64	-	-	$64
Total	$6,554	$6,490	-	$64
2008				
Assets				
Noncurrent investments available for sale	$6,552	$6,552	-	-
Total	$6,552	$6,552	-	-
Liabilities				
Derivatives	$32,488	-	-	$32,488
Total	$32,488	-	-	$32,488

Valuation techniques: We measure the fair value of our noncurrent investments available for sale using quoted market prices in active markets for identical assets and include the measurements in Level 1. The investments primarily consist of money market funds.

We determined the fair value of our derivative liabilities utilizing market approach valuation techniques.

- We enter into treasury-related derivative contracts to hedge the forecasted issuance of debt, to manage the risk of changes in interest rates associated with existing debt, and to maintain desired fixed-to-floating rate ratios. We value those derivatives based on indicative values provided by transaction counterparties and calculated based upon proprietary models that use well-recognized financial principles and reasonable, market-based estimates of relevant future market conditions. We assess the reasonableness of the transaction counterparty valuations utilizing a model that constructs forward London Interbank Offer Rate (LIBOR) rates from a spot LIBOR curve, applies the forward rates to construct pro forma cash flows and discounts the pro forma cash flows to the present using forward rates. Because the valuations provided by the counterparties are only indicative and do not represent prices at which the counterparties would be willing to transact, we include those fair value measurements in Level 3. We have no outstanding treasury related derivatives at December 31, 2009.

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Instruments measured at fair value on a recurring basis using significant unobservable inputs

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Derivatives, Net	
Year ended December 31,	**2009**	**2008**
(Thousands)		
Beginning balance	$(32,488)	$(2,665)
Total (losses) (realized/unrealized)		
Included in earnings	2,190	(670)
Included in other comprehensive income	10,464	(29,153)
Settlements	19,898	-
Ending balance	$64	$(32,488)

The amounts of realized and unrealized gains and losses included in earnings for the period (above), which are reported in the various categories indicated are:

	Other operating expense	Interest expense
(Thousands)		
Total (losses) gains included in earnings for year ended December 31,		
2009	$1,168	$1,022
2008	$(717)	$47

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Note 11. Accumulated Other Comprehensive Income (Loss)

(Thousands)	Balance January 1, 2008	2008 Change	Balance December 31, 2008	2009 Change	Balance December 31, 2009
Unrealized (losses) gains on derivatives qualified as hedges:					
Unrealized (losses) gains during period on derivatives qualified as hedges, net of income tax benefit (expense) of $12,201 for 2008 and $(12,778) for 2009		$(17,700)		$18,538	
Reclassification adjustment for losses included in net income, net of income tax (benefit) of $(13) for 2008 and $(417) for 2009		18		605	
Net unrecognized gains (losses) on settled cash flow treasury hedges, net of income tax (expense) benefit of $(95) for 2008 and $7,461 for 2009		138		(10,824)	
Net unrealized (losses) gains on derivatives qualified as hedges	$(4,532)	(17,544)	$(22,076)	8,319	$(13,757)
Accumulated Other Comprehensive (Loss) Income	$(4,532)	$(17,544)	$(22,076)	$8,319	$(13,757)

No Accumulated Other Comprehensive Income (Loss) is attributable to the noncontrolling interest for any of the above periods.

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Note 12. Retirement Benefits

We have funded noncontributory defined benefit pension plans that cover substantially all of our employees. The plans provide defined benefits based on years of service and final average salary. We also have another postretirement health care benefits plan covering substantially all of our employees. The health care plan is contributory with participants' contributions adjusted annually.

Obligations and funded status:

	Pension Benefits		Postretirement Benefits	
	2009	**2008**	**2009**	**2008**
(Thousands)				
Change in benefit obligation				
Benefit obligation at January 1	**$264,416**	$262,387	**$121,241**	$129,694
Service cost	**5,212**	5,098	**1,774**	1,735
Interest cost	**16,056**	15,709	**7,234**	7,499
Plan participants' contributions	**-**	-	**436**	367
Plan amendments	**-**	9	**-**	-
Actuarial loss (gain)	**9,517**	(5,663)	**8,574**	(11,127)
Benefits paid	**(13,603)**	(13,124)	**(7,816)**	(7,527)
Federal subsidy on benefits paid	**-**	-	**708**	600
Benefit obligation at December 31	**$281,598**	$264,416	**$132,151**	$121,241
Change in plan assets				
Fair value of plan assets at January 1	**$154,451**	$230,887	**$14,737**	$19,973
Actual return on plan assets	**30,642**	(63,812)	**4,547**	(5,236)
Employer contributions	**1,075**	500	**6,000**	-
Benefits paid	**(13,603)**	(13,124)	**-**	-
Fair value of plan assets at December 31	**$172,565**	$154,451	**$25,284**	$14,737
Funded status at December 31	**$(109,033)**	$(109,965)	**$(106,867)**	$(106,504)

Amounts recognized in the balance sheet	**Pension Benefits**		**Postretirement Benefits**	
December 31,	**2009**	**2008**	**2009**	**2008**
(Thousands)				
Noncurrent liabilities	**$(109,033)**	$(109,965)	**$(106,867)**	$(106,504)

We have determined that we are allowed to defer as regulatory assets or regulatory liabilities items that would otherwise be recorded in accumulated other comprehensive income pursuant to the accounting requirements concerning defined benefit and other postretirement plans. Amounts recognized as regulatory assets at December 31, 2009, consist of:

	Pension Benefits		**Postretirement Benefits**	
December 31,	**2009**	**2008**	**2009**	**2008**
(Thousands)				
Net loss	**$136,864**	$145,951	**$31,578**	$27,584
Prior service cost (credit)	**$1,140**	$1,365	**$(2,360)**	$(3,413)

Our accumulated benefit obligation for all defined benefit pension plans at December 31 was $255.9 million for 2009 and $240.1 million for 2008.

CMP's postretirement benefits were partially funded at December 31, 2009 and 2008.

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The projected benefit obligation and accumulated benefit obligation exceeded the fair value of pension assets for CMP's plans as of December 31, 2009 and 2008. The following table shows the aggregate projected and accumulated benefit obligations and the fair value of plan assets for the relevant periods.

December 31,	2009	2008
(Thousands)		
Projected benefit obligation	**$281,598**	$264,416
Accumulated benefit obligation	**$255,851**	$240,151
Fair value of plan assets	**$172,565**	$154,451

Components of net periodic benefit cost and other amounts recognized in regulatory assets and regulatory liabilities:

	Pension Benefits		Postretirement Benefits	
Years ended December 31,	**2009**	**2008**	**2009**	**2008**
(Thousands)				
Net periodic benefit cost				
Service cost	**$5,212**	$5,098	**$1,774**	$1,735
Interest cost	**16,056**	15,709	**7,234**	7,499
Expected return on plan assets	**(18,319)**	(19,367)	**(1,405)**	(1,528)
Amortization of prior service cost (benefit)	**225**	278	**(1,053)**	(1,478)
Amortization of net loss	**6,282**	3,731	**1,258**	1,204
Net periodic benefit cost	**$9,456**	$5,449	**$7,808**	$7,432
Other changes in plan assets and benefit obligations recognized in regulatory assets and regulatory liabilities				
Net (gain) loss	**$(2,805)**	$77,516	**$5,432**	$(4,363)
Prior service cost	**-**	10	**-**	-
Amortization of net (loss)	**(6,282)**	(3,731)	**(1,258)**	(1,204)
Amortization of prior service (cost) credit	**(225)**	(278)	**1,053**	1,478
Total recognized in regulatory assets (liabilities)	**$(9,312)**	$73,517	**$5,227**	$(4,089)
Total recognized in net periodic benefit cost and regulatory assets (liabilities)	**$144**	$78,966	**$13,035**	$3,343

We include the net periodic benefit cost in other operating expenses. The net periodic benefit cost for postretirement benefits represents the amount expensed for providing health care benefits to retirees and their eligible dependents. The amount of postretirement benefit cost deferred at December 31 was $16 million for 2009 and $19 million for 2008. We expect to recover any deferred postretirement costs by 2012. We are amortizing over 20 years the transition obligation for postretirement benefits that resulted from our adoption in 1992 of the accounting requirements concerning employers' accounting for postretirement benefits other than pensions.

Amounts expected to be amortized from regulatory assets or regulatory liabilities into net periodic benefit cost for the fiscal year ending December 31, 2010	**Pension Benefits**	**Postretirement Benefits**
(Thousands)		
Estimated net loss	$7,882	$1,495
Estimated prior service cost (credit)	$207	$(628)

We expect that no pension benefit or postretirement benefit plan assets will be returned to us during the fiscal year ended December 31, 2010.

Weighted-average assumptions used to determine benefit obligations at December 31,	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	**5.80%**	6.10%	**5.80%**	6.10%
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%

As of December 31, 2009, we decreased our discount rate from 6.10% to 5.80%. The discount rate is the rate at which the benefit obligations could presently be effectively settled. We determined the discount rate by developing a yield curve derived from a portfolio of high grade noncallable bonds that closely matches the duration of the expected cash flows of our benefit obligations.

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31,	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	**6.10%**	6.00%	**6.10%**	6.00%
Expected long-term return on plan assets	**8.75%**	8.75%	**-**	-
Expected long-term return on plan assets - nontaxable trust	**-**	-	**8.00%**	8.00%
Expected long-term return on plan assets - taxable trust	**-**	-	**4.80%**	4.80%
Rate of compensation increase	**4.00%**	4.00%	**4.00%**	4.00%

We developed our expected long-term rate of return on plan assets assumption based on a review of long-term historical returns for the major asset classes, the target asset allocations and the effect of rebalancing of plan assets discussed below. That analysis considered current capital market conditions and projected conditions. We amortize unrecognized actuarial gains and losses using the standard amortization methodology, under which amounts in excess of 10% of the greater of the projected benefit obligation or market-related value are amortized over the plan participants' average remaining service to retirement.

Assumed health care cost trend rates to determine benefit obligations at December 31,	2009	2008
Health care cost trend rate assumed for next year	**8.00%**	8.00%
Rate to which cost trend rate is assumed to decline (the ultimate trend rate)	**4.50%**	5.00%
Year that the rate reaches the ultimate trend rate	**2028**	2014

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
(Thousands)		
Effect on total of service and interest cost	$1,061	$(863)
Effect on postretirement benefit obligation	$13,387	$(11,194)

Plan assets: Iberdrola USA's pension benefits plan assets are held in a master trust providing for a single trustee/custodian, a uniform investment manager lineup, and an efficient, cost-effective means of allocating expenses and investment performance to each plan under the master trust. Iberdrola USA's primary investment objective is to ensure that current and future benefits obligations are adequately funded and with volatility commensurate with its tolerance

for risk. Preservation of capital and achievement of sufficient total return to fund accrued and future benefits obligations are of highest concern. Iberdrola USA's primary means for achieving capital preservation is through diversification of the trust's investments while avoiding significant concentrations of risk in any one area of the securities markets. Within each asset group, further diversification is achieved through utilizing multiple asset managers and systematic allocation to various asset classes; providing broad exposure to different segments of the equity, fixed-income and alternative investment markets.

Iberdrola USA's asset allocation policy is the most important consideration in achieving its objective of superior investment returns while minimizing risk. Iberdrola USA has established a target asset allocation policy within allowable ranges for its pension benefits plan assets of 58% equity securities, 27% fixed income and 15% for all other types of investments. The target allocations within allowable ranges are further diversified into 30% large cap domestic equities, 10% medium and small cap domestic equities and 18% international equity securities. Fixed income investment targets and ranges are segregated into core fixed income at 5%, long dated corporate securities 6%, annuity contracts 13% and high yield fixed income 3%. All fixed income investments are in domestic securities. Other, alternative investment targets are 5% each for real estate, absolute return and strategic markets. Systematic rebalancing within the target ranges, should any asset categories drift outside their specified ranges, increases the probability that the annualized return on the investments will be enhanced, while realizing lower overall risk.

The fair values of the Iberdrola USA consolidated pension benefits plan assets at December 31, 2009, by asset category are shown in the following table. CMP's share of the total consolidated assets is approximately 8%.

		Fair Value Measurements at December 31, 2009, Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(Thousands)				
Cash and cash equivalents	$38,248	$927	$37,321	-
U.S. government securities	49,619	49,619	-	-
Common stocks	1,000,311	997,495	2,816	-
Registered investment companies	119,155	119,155	-	-
Corporate bonds	364,243	-	364,243	-
Preferred stocks	6,916	6,916	-	-
Common/collective trusts	358,201	-	62,557	$295,644
Partnership/joint venture interests	93,269	-	-	93,269
Real estate investments	40,618	-	-	40,618
Other investments, principally annuity and fixed income	183,173	20,784	31,265	131,124
Total	$2,253,753	$1,194,896	$498,202	$560,655

Valuation techniques: Iberdrola USA values its pension benefits plan assets as follows:

- Cash and cash equivalents – Level 1: at cost, plus accrued interest, which approximates fair value. Level 2: proprietary cash associated with other investments, based on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. government securities, Common stocks and Registered investment companies - at the closing price reported in the active market in which the security is traded.

- Corporate bonds – based on yields currently available on comparable securities of issuers with similar credit ratings.
- Preferred stocks – at the closing price reported in the active market in which the individual investment is traded.
- Common/collective trusts and Partnership/joint ventures – using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is classified as Level 2 if the plan has the ability to redeem the investment with the investee at NAV per share at the measurement date. Redemption restrictions or adjustments to NAV based on unobservable inputs result in the fair value measurement being classified as a Level 3 measurement if those inputs are significant to the overall fair value measurement.
- Real estate investments – based on a discounted cash flow approach that includes the projected future rental receipts, expenses and residual values because the highest and best use of the real estate from a market participant view is as rental property.
- Other investments, principally annuity and fixed income - Level 1: at the closing price reported in the active market in which the individual investment is traded. Level 2: based on yields currently available on comparable securities of issuers with similar credit ratings. Level 3: when quoted prices are not available for identical or similar instruments, under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments but includes adjustments for certain risks that may not be observable such as credit and liquidity risks.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
(Thousands)	**Corporate Bonds**	**Common/ Collective Trusts**	**Partner-ship/ Joint Venture Interests**	**Real Estate Invest-ments**	**Other Invest-ments**	**Total**
Balance, December 31, 2008	$112	$432,918	$106,819	$58,687	$156,149	$754,685
Actual return on plan assets:						
Relating to assets still held at the reporting date	-	2,557	2,565	-	-	5,122
Relating to assets sold during the year	-	112,364	3,869	(19,345)	-	96,888
Purchases, sales and settlements	(112)	(252,195)	(19,984)	1,276	(25,025)	(296,040)
Transfers into and/or out of Level 3	-	-	-	-		
Balance, December 31, 2009	-	$295,644	$93,269	$40,618	$131,124	$560,655

Iberdrola USA's postretirement benefits plan assets are held with two trustees in multiple voluntary employees' beneficiary association (VEBA) and 401(h) arrangements and are invested among and within various asset classes in order to achieve sufficient diversification in accordance with its risk tolerance. This is achieved for its postretirement benefits plan assets through the utilization of multiple institutional mutual and money market funds, providing exposure to different segments of the fixed income, equity and short-term cash markets. Approximately 20% of the postretirement benefits plan assets are invested in VEBA and 401(h) arrangements that are not subject to income taxes. The remainder is invested in arrangements subject to income taxes.

Iberdrola USA has established a target asset allocation policy within allowable ranges for its postretirement benefits plan assets of 56% equity securities, 37% fixed income and 7% for all other types of investments. The target allocations within allowable ranges are further diversified into 30% large cap domestic equities, 7% medium and small cap domestic equities, 13%

international developed market and 6% emerging market equity securities. Fixed income investment targets and ranges are segregated into core fixed income at 30%, global high yield fixed income 4% and international developed market debt 3%. Other, alternative investment targets are 4% for real estate and 3% absolute return. Systematic rebalancing within target ranges, should any asset categories drift outside their specified ranges, increases the probability that the annualized return on the investments will be enhanced, while realizing lower overall risk.

The fair values of the Iberdrola USA consolidated other postretirement benefits plan assets at December 31, 2009, by asset category are shown in the following table. CMP's share of the total consolidated assets is approximately 17%.

		Fair Value Measurements at December 31, 2009, Using		
Asset Category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(Thousands)				
Money market funds	$4,214	$4,214	-	-
Mutual funds, fixed	51,061	51,061	-	-
Mutual funds, equity	82,089	82,089	-	-
Other investments	3,109	1,865	$774	$470
Total assets measured at fair value	$140,473	$139,229	$774	$470
Whole life insurance contract	5,836			
Total postretirement benefits plan assets	$146,309			

Valuation techniques: Iberdrola USA values its postretirement benefits plan assets as follows:

- Money market funds and Mutual funds, fixed and equity – based upon quoted market prices, which represent the NAV of the shares held.
- Other investments – these are primarily 401(h) investments that are an allocation of pension Master Trust investments.

The whole life insurance contract is presented at the contract value, which is not a fair value measurement.

Diversified equity securities did not include any Iberdrola common stock at December 31, 2009.

Cash Flows

Contributions: In accordance with our funding policy we make annual contributions of not less than the minimum required by applicable regulations. We expect to contribute $18.2 million to our pension benefit plans in 2010. We expect to contribute approximately $11.2 million to our other postretirement benefit plan in 2010.

***Estimated future benefit payments*:** Our expected benefit payments and expected Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act) subsidy receipts, which reflect expected future service, as appropriate, are:

(Thousands)	Pension Benefits	Postretirement Benefits	Medicare Act Subsidy Receipts
2010	$13,202	$8,952	$766
2011	$14,120	$9,375	$826
2012	$15,003	$9,684	$899
2013	$15,896	$10,132	$960
2014	$16,701	$10,426	$1,035
2015 - 2019	$96,260	$55,014	$6,168