

ENERGY EAST CORP
Form 11-K
June 28, 2004

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

FORM 11-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2003**

OR

—
TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-14766

Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Connecticut Natural Gas Corporation
Union Employee Savings Plan
P. O. Box 1500
Hartford, Connecticut 06144-1500

Name of issuer of the securities held pursuant to the plan
and the address of its principal executive office:

Energy East Corporation
P.O. Box 12904
Albany, New York 12212-2904

REQUIRED INFORMATION

The Connecticut Natural Gas Corporation Union Employee Savings Plan (Plan) is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan for the two fiscal years ended December 31, 2003 and 2002 and supplemental schedule, which have been prepared in accordance with the financial reporting requirements of ERISA, are attached hereto as Appendix 1 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee to administer the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Connecticut Natural Gas Corporation Union Employee Savings Plan

Date: June 28, 2004

By /s/James E. Early
James E. Early
Committee Member

Date: June 28, 2004

By /s/Richard R. Benson
Richard R. Benson
Committee Member

Date: June 28, 2004

By /s/Joseph L. Vicidomino
Joseph L. Vicidomino
Committee Member

APPENDIX 1

CONNECTICUT NATURAL GAS CORPORATION
UNION EMPLOYEE SAVINGS PLAN

FINANCIAL STATEMENTS AS OF AND
FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002
SUPPLEMENTAL SCHEDULE AS OF DECEMBER 31, 2003
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Index to Financial Statements and Supplemental Schedule

Report of Independent Registered Public Accounting Firm	1
Financial Statements:	
Statements of Net Assets Available for Benefits - December 31, 2003 and 2002	2
Statements of Changes in Net Assets Available for Benefits - Years ended December 31, 2003 and 2002	3
Notes to Financial Statements	4
Supplemental Schedule*	
Schedule H, line 4i - Schedule of Assets (Held at End of Year)	9
Consent of Independent Registered Public Accounting Firm	Exhibit 23

*Other supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Participants and Administrative Committee of the
Connecticut Natural Gas Corporation
Union Employee Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Connecticut Natural Gas Corporation Union Employee Savings Plan (the "Plan") at December 31, 2003 and 2002, and the changes in net assets available for benefits 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 Plan'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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/PricewaterhouseCoopers LLP

New York, New York
June 24, 2004

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2003 and 2002

	2003	2002
Assets:		
Investments, at fair value:		
Registered Investment Companies	\$12,010,474	\$9,737,208
Common/Collective Trusts	5,636,410	5,357,592
Energy East Stock Fund	7,567,667	6,829,198
Participant loans	694,982	664,446
	25,909,533	22,588,444
Receivables:		

Accrued interest income	-	23,886
Net assets available for benefits	<u>\$25,909,533</u>	<u>\$22,612,330</u>

See notes to financial statements.

Connecticut Natural Gas Corporation
 Union Employee Savings Plan
 Statements of Changes in Net Assets Available for Benefits
 Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Additions:		
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$2,510,910	\$(1,774,379)
Interest and dividends	713,622	737,151
	<u>3,224,532</u>	<u>(1,037,228)</u>
Contributions:		
Participant	970,737	952,754
Employer	469,208	453,343
	<u>1,439,945</u>	<u>1,406,097</u>
Total additions	<u>4,664,477</u>	<u>368,869</u>
Deductions:		
Benefits paid to participants	859,413	1,258,907
Transfers to other qualified plans	506,257	95,078
Administrative expenses	1,604	1,579
	<u>1,367,274</u>	<u>1,355,564</u>
Total deductions	<u>1,367,274</u>	<u>1,355,564</u>
Net increase (decrease)	3,297,203	(986,695)
Net assets available for benefits:		
Beginning of year	<u>22,612,330</u>	<u>23,599,025</u>
End of year	<u>\$25,909,533</u>	<u>\$22,612,330</u>

See notes to financial statements.

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Notes to Financial Statements
December 31, 2003 and 2002

1. DESCRIPTION OF THE PLAN

The following description of the Connecticut Natural Gas Corporation (Company) Union Employee Savings Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan document for a complete description of the Plan's provisions.

General

The Plan was established by the Company under the provisions of Section 401(a) of the Internal Revenue Code (Code), and it includes a qualified cash or deferred arrangement as described in Section 401(k) of the Code for the benefit of eligible employees of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan Administrator is the Company and an Administrative Committee has been appointed to serve as manager of the Plan.

The Plan is a defined contribution thrift plan open to union employees of the Company and its subsidiaries and affiliates. Energy East Corporation (Energy East), the parent corporation of the Company, through its subsidiaries, delivers electricity and natural gas to retail customers and provides electricity, natural gas, energy management and other services to retail and wholesale customers in the Northeast.

Eligibility

Employees are eligible to participate in the Plan in the first payroll period beginning on or after the first day of the month following the employee's date of employment if they are at least age 21, are employed full time and are covered by a collective bargaining agreement between the Company and any union which provides for participation in the Plan.

Contributions

Eligible employees may elect to participate in the Plan and authorize payroll deductions of 1% to 50% of base pay, on a pre-tax basis, and between 1% and 10% of base pay on an after-tax basis as savings contributions to their accounts during each year, subject to the applicable collective bargaining agreement and to Code limitations. The upper limit of allowed savings contributions was changed from 16% to 50%, effective January 1, 2002. As of January 1, 2002, participants age 50 or over by the end of the Plan year, who have also made the maximum amount of pre-tax contributions permitted for the Plan year, can make an additional contribution to the Plan in accordance with and subject to the limitations of Section 414(v) of the Code. The maximum additional contribution in 2003 was \$2,000 and increases by \$1,000 a year until the additional contribution reaches a maximum of \$5,000 in 2006.

As of April 1, 2002, the Plan accepts rollovers from other qualified plans, as well as 403(b) and government 457 plans, traditional Individual Retirement Accounts (IRAs), conduit IRAs (but not Roth IRAs), after-tax distributions from employer retirement plans and spousal death benefit payments.

The Company will match a percentage of a participant's compensation depending on age or years of continuous service. The amount of the Company contribution will be determined

Connecticut Natural Gas Corporation
 Union Employee Savings Plan
 Notes to Financial Statements
 December 31, 2003 and 2002

1. DESCRIPTION OF THE PLAN (Continued)

Contributions

(Continued)

according to the schedule below. However, if a participant's elected contribution is less than the percentage contained in the schedule, the Company will match no more than the percentage contributed by the participant.

<u>Years of Continuous Service</u>	<u>Or</u>	<u>Age Is</u>	<u>The Company Will Contribute</u>
20 or more		45 or more	4 1/2% of compensation
10 but less than 20		35 but less than 45	3% of compensation
Less than 10		Under 35	2% of compensation

An exception to the above schedule exists for those Plan participants subject to the collective bargaining agreement between the Company and the employees in its Greenwich division. Each such participant who, as of April 1, 1998, had either (1) attained age 50 or (2) completed 30 years of continuous service is grandfathered with respect to a previous Plan provision entitling such individual to a matching contribution of up to 6% of compensation or the amount of the participant's contribution, if less.

Plan participants direct their contributions among various investment options in 1% increments, and they may elect to change their investment options at any time.

As of January 1, 2002, the Energy East Stock Fund was converted to an Employee Stock Ownership Plan (ESOP). Dividends from the ESOP may be reinvested or taken in cash.

Benefit Payments

Upon termination of employment due to retirement, disability or death, a participant (or the participant's beneficiary) may elect to receive a lump-sum distribution equal to the value of the participant's vested interest in the participant's account as soon as practicable following the termination date or defer the distribution to some future date.

Participants may request the withdrawal of certain account balances prior to termination of employment. Application for withdrawal of after-tax contributions and employee IRA contributions may be made once a

year, and there are no Plan penalties for such withdrawals.

Vesting

Participants are fully vested in their own contributions to the Plan. Participants who were employees of the Company or any of its parent, subsidiaries or other affiliates at the time of the merger of the Company's parent with Energy East, are also fully vested in the Company's matching contributions, as are any participants who, while they are employees of the Company or its affiliates, as described above, may die, become disabled or reach their 65th birthday. All other participants have a vested interest in their Company Matching Account in the Plan equal to 20% thereof for each full year of Continuous Service, as defined in the Plan, so that a participant shall be fully vested in such Account after five (5) full years of Continuous Service. If a participant leaves the Company prior to full vesting, the nonvested portion of the Company's contribution is forfeited. All forfeitures are used to reduce future Company contributions.

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Notes to Financial Statements
December 31, 2003 and 2002

1. DESCRIPTION OF THE PLAN (Continued)

Participant Loans

A Plan participant may borrow a minimum of \$1,000 and up to a maximum of one-half of the participant's vested account balance or \$50,000, less the highest outstanding loan balance in the prior 12 months, whichever is less. Each loan carries an interest rate of prime plus 1%, established on the first day of the calendar quarter in which the loan is made. Security for each loan is provided by one-half of the Plan participant's vested account balance. Two types of loans are available to Plan participants - 'general purpose' and 'principal residence' loans. Full repayment of each of these types of loans is required within five and 15 years following loan origination, respectively, and loan refinancing is not permitted. All loans require level amortization with principal and interest payments made at least quarterly and, for those Plan participants who are active employees, payments are made ratably through payroll deductions. No Plan participant may have more than one 'general purpose' loan and one 'principal residence' loan outstanding at any time. If a participant's employment terminates for any reason, the loan will become immediately due and payable and must be paid within 90 days from the date of termination. The interest rate on loans outstanding at year end range from 5.00% to 10.50% for 2003, and 5.25% to 10.50% for 2002.

Participant Accounts

Individual accounts are maintained for each of the Plan's participants to reflect the participant's share of the Plan's income, the participant's and the Company's contributions, and the participant's loan(s), if applicable. Allocations of Plan income are based on the share balances in the participants' accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on an accrual basis and in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year end. Units of common/collective trust funds are valued at the net asset value of units held by the Plan at year end. The Energy East Stock Fund, comprised solely of Energy East common stock, is valued at its quoted market price at year end. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Notes to Financial Statements
December 31, 2003 and 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payments of Benefits

Benefits are recorded when paid.

Plan Termination

Although the Company has not expressed any intent to terminate the Plan, it has the right to discontinue contributions at any time and terminate the Plan subject to the provisions of the Plan document. In the event of termination of the Plan, the net assets of the Plan are set aside, first for payment of all Plan expenses and, second, for distribution to the participants, based upon the balances in their individual accounts.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks such as

interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect participant's account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits.

3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets at December 31, 2003 and 2002:

	2003	2002
Energy East Stock Fund	\$7,567,667	\$6,829,198
Putnam Fund for Growth and Income	\$4,238,104	\$3,376,233
Putnam Vista Fund	\$3,085,755	\$2,476,082
Putnam Stable Value Fund	\$4,918,240	\$4,840,998
Janus Advisor Balanced Fund	\$1,603,842	\$1,475,494
Plan investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value during 2003 and 2002, as follows:		

	2003	2002
Registered Investment Companies	\$2,203,233	\$(2,547,501)
Common/Collective Trusts	149,447	(141,268)
Energy East Stock Fund	158,230	914,390
	<u>\$2,510,910</u>	<u>\$(1,774,379)</u>

Connecticut Natural Gas Corporation
 Union Employee Savings Plan
 Notes to Financial Statements
 December 31, 2003 and 2002

4. INCOME TAX STATUS

In 1994 the Plan was amended and restated to meet the requirements of the Tax Reform Act of 1986, and the Plan received a favorable determination letter from the Internal Revenue Service dated October 24, 1994. The Plan has been amended since receiving the determination letter. The Plan Administrator and management believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

5. RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of registered investment companies managed by Putnam Fiduciary Trust Company (Putnam). Putnam is the trustee as defined by the Plan; therefore, these transactions qualify as party-in-interest transactions and are exempt from the prohibited transaction rules.

6. ADMINISTRATIVE EXPENSES

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Administrative expenses represent certain transaction fees that are paid by the Plan's participants.

7. ASSET TRANSFERS

Transfers from the Plan of \$506,257 in 2003 represent the net rollovers of participant account balances to other qualified defined contribution benefit plans.

Transfers from the Plan of \$95,078 in 2002 represent the net rollovers of participant account balances to other qualified defined contribution benefit plans.

Connecticut Natural Gas Corporation
Union Employee Savings Plan
Schedule H, line 4i - Schedule of Assets (Held at End of Year)
December 31, 2003

Identity of Issue	Description of Investment	Current Value
Janus Advisor Balanced Fund	Registered Investment Company	\$1,603,842
Janus Advisor Growth Fund	Registered Investment Company	546,075
PIMCO Total Return Fund	Registered Investment Company	416,626
* Putnam Asset Allocation: Growth Fund	Registered Investment Company	25,109
* Putnam Asset Allocation: Balanced Fund	Registered Investment Company	168,092
* Putnam Asset Allocation: Conservative Fund	Registered Investment Company	68,412
* Putnam OTC & Emerging Growth Fund	Registered Investment Company	36,954
* Putnam Fund for Growth and Income	Registered Investment Company	4,238,104
* Putnam Voyager Fund	Registered Investment Company	238,943
* Putnam Vista Fund	Registered Investment Company	3,085,755
* Putnam U.S. Government Income Trust Fund	Registered Investment Company	350,509
* Fidelity Diversified International Fund	Registered Investment Company	1,144,007
* Putnam S&P 500 Index Fund	Common/Collective Trust	718,170
* Putnam Money Market Fund	Registered Investment Company	88,046
* Putnam Stable Value Fund	Common/Collective Trust	4,918,240
* Energy East Corporation Stock	Energy East Stock Fund	7,567,667
Loan Fund	Participant Loans (5.0% - 10.50%)	694,982
Total assets held at end of year		<u>\$25,909,533</u>

* Party-in-interest
