

EVERSOURCE ENERGY  
Form 10-Q  
August 04, 2017

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission Registrant; State of Incorporation;  
File Number Address; and Telephone Number

I.R.S. Employer  
Identification No.

1-5324	EVERSOURCE ENERGY (a Massachusetts voluntary association) 300 Cadwell Drive Springfield, Massachusetts 01104 Telephone: (800) 286-5000	04-2147929
0-00404	THE CONNECTICUT LIGHT AND POWER COMPANY (a Connecticut corporation) 107 Selden Street Berlin, Connecticut 06037-1616 Telephone: (800) 286-5000	06-0303850
1-02301	NSTAR ELECTRIC COMPANY (a Massachusetts corporation) 800 Boylston Street Boston, Massachusetts 02199 Telephone: (800) 286-5000	04-1278810
1-6392	PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (a New Hampshire corporation) Energy Park 780 North Commercial Street Manchester, New Hampshire 03101-1134 Telephone: (800) 286-5000	02-0181050

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WESTERN MASSACHUSETTS ELECTRIC COMPANY

(a Massachusetts corporation)

0-7624

300 Cadwell Drive  
Springfield, Massachusetts 01104  
Telephone: (800) 286-5000

04-1961130

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

YesNo

x ..

Indicate by check mark whether the registrants have submitted electronically and posted on its corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

YesNo

x ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
Eversource Energy	x	..	..	..	..
The Connecticut Light and Power Company	..	..	x	..	..
NSTAR Electric Company	..	..	x	..	..
Public Service Company of New Hampshire	..	..	x	..	..
Western Massachusetts Electric Company	..	..	x	..	..

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act):

YesNo

Eversource Energy	..	x
The Connecticut Light and Power Company	..	x
NSTAR Electric Company	..	x
Public Service Company of New Hampshire	..	x
Western Massachusetts Electric Company	..	x

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Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date:

Company - Class of Stock	Outstanding as of July 31, 2017
Eversource Energy Common Shares, \$5.00 par value	316,885,808 shares
The Connecticut Light and Power Company Common Stock, \$10.00 par value	6,035,205 shares
NSTAR Electric Company Common Stock, \$1.00 par value	100 shares
Public Service Company of New Hampshire Common Stock, \$1.00 par value	301 shares
Western Massachusetts Electric Company Common Stock, \$25.00 par value	434,653 shares

Eversource Energy holds all of the 6,035,205 shares, 100 shares, 301 shares, and 434,653 shares of the outstanding common stock of The Connecticut Light and Power Company, NSTAR Electric Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company, respectively.

NSTAR Electric Company, Public Service Company of New Hampshire and Western Massachusetts Electric Company each meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q, and each is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

Eversource Energy, The Connecticut Light and Power Company, NSTAR Electric Company, Public Service Company of New Hampshire, and Western Massachusetts Electric Company each separately file this combined Form 10-Q. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

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GLOSSARY OF TERMS

The following is a glossary of abbreviations or acronyms that are found in this report:

Current or former Eversource Energy companies, segments or investments:

Eversource, ES or the Company	Eversource Energy and subsidiaries
Eversource parent or ES parent	Eversource Energy, a public utility holding company
ES parent and other companies	ES parent and other companies are comprised of Eversource parent, Eversource Service and other subsidiaries, which primarily includes our unregulated businesses, HWP Company, The Rocky River Realty Company (a real estate subsidiary), and the consolidated operations of CYAPC and YAEC
CL&P	The Connecticut Light and Power Company
NSTAR Electric	NSTAR Electric Company
PSNH	Public Service Company of New Hampshire
WMECO	Western Massachusetts Electric Company
NSTAR Gas	NSTAR Gas Company
Yankee Gas	Yankee Gas Services Company
NPT	Northern Pass Transmission LLC
Eversource Service	Eversource Energy Service Company
CYAPC	Connecticut Yankee Atomic Power Company
MYAPC	Maine Yankee Atomic Power Company
YAEC	Yankee Atomic Electric Company
Yankee Companies	CYAPC, YAEC and MYAPC
Regulated companies	The Eversource Regulated companies are comprised of the electric distribution and transmission businesses of CL&P, NSTAR Electric, PSNH, and WMECO, the natural gas distribution businesses of Yankee Gas and NSTAR Gas, the generation activities of PSNH and WMECO, and NPT

Regulators:

DEEP	Connecticut Department of Energy and Environmental Protection
DOE	U.S. Department of Energy
DOER	Massachusetts Department of Energy Resources
DPU	Massachusetts Department of Public Utilities
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
ISO-NE	ISO New England, Inc., the New England Independent System Operator
MA DEP	Massachusetts Department of Environmental Protection
NHPUC	New Hampshire Public Utilities Commission
PURA	Connecticut Public Utilities Regulatory Authority
SEC	U.S. Securities and Exchange Commission
SJC	Supreme Judicial Court of Massachusetts

Other Terms and Abbreviations:

Access Northeast	A project being developed jointly by Eversource, Enbridge, Inc. ("Enbridge"), and National Grid plc ("National Grid") through Algonquin Gas Transmission, LLC to bring needed additional natural gas pipeline and storage capacity to New England.
ADIT	Accumulated Deferred Income Taxes

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AFUDC	Allowance For Funds Used During Construction
AOCL	Accumulated Other Comprehensive Loss
ARO	Asset Retirement Obligation
Bay State Wind	A project being developed jointly by Eversource and Denmark-based DONG Energy to construct an offshore wind farm off the coast of Massachusetts
Bcf	Billion cubic feet
C&LM	Conservation and Load Management
CfD	Contract for Differences
Clean Air Project	The construction of a wet flue gas desulphurization system, known as "scrubber technology," to reduce mercury emissions of the Merrimack coal-fired generation station in Bow, New Hampshire
CO <sub>2</sub>	Carbon dioxide
CPSL	Capital Projects Scheduling List
CTA	Competitive Transition Assessment
CWIP	Construction Work in Progress
EDC	Electric distribution company
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974

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ESOP	Employee Stock Ownership Plan
ESPP	Employee Share Purchase Plan
Eversource 2016 Form 10-K	The Eversource Energy and Subsidiaries 2016 combined Annual Report on Form 10-K as filed with the SEC
FERC ALJ	FERC Administrative Law Judge
Fitch	Fitch Ratings
FMCC	Federally Mandated Congestion Charge
FTR	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the United States of America
GSC	Generation Service Charge
GSRP	Greater Springfield Reliability Project
GWh	Gigawatt-Hours
HQ	Hydro-Québec, a corporation wholly-owned by the Québec government, including its divisions that produce, transmit and distribute electricity in Québec, Canada
HVDC	High voltage direct current
Hydro Renewable Energy	Hydro Renewable Energy, Inc., a wholly-owned subsidiary of Hydro-Québec
IPP	Independent Power Producers
ISO-NE Tariff	ISO-NE FERC Transmission, Markets and Services Tariff
kV	Kilovolt
kVa	Kilovolt-ampere
kW	Kilowatt (equal to one thousand watts)
kWh	Kilowatt-Hours (the basic unit of electricity energy equal to one kilowatt of power supplied for one hour)
LBR	Lost Base Revenue
LNG	Liquefied natural gas
LRS	Supplier of last resort service
MMcf	Million cubic feet
MGP	Manufactured Gas Plant
MMBtu	One million British thermal units
Moody's	Moody's Investors Services, Inc.
MW	Megawatt
MWh	Megawatt-Hours
NEEW	New England East-West Solution
NETOs	New England Transmission Owners
Northern Pass	The high-voltage direct-current and associated alternating-current transmission line project from Canada into New Hampshire
NOx	Nitrogen oxides
OCI	Other Comprehensive Income/(Loss)
PAM	Pension and PBOP Rate Adjustment Mechanism
PBOP	Postretirement Benefits Other Than Pension
PBOP Plan	Postretirement Benefits Other Than Pension Plan that provides certain retiree benefits, primarily medical, dental and life insurance
PCRBs	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PPA	Pension Protection Act
RECs	Renewable Energy Certificates
Regulatory ROE	The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment

RNS	Regional Network Service
ROE	Return on Equity
RRB	Rate Reduction Bond or Rate Reduction Certificate
RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans
SIP	Simplified Incentive Plan
SO <sub>2</sub>	Sulfur dioxide
SS	Standard service
TCAM	Transmission Cost Adjustment Mechanism
TSA	Transmission Service Agreement
UI	The United Illuminating Company

EVERSOURCE ENERGY AND SUBSIDIARIES  
 THE CONNECTICUT LIGHT AND POWER COMPANY  
 NSTAR ELECTRIC COMPANY AND SUBSIDIARY  
 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY  
 WESTERN MASSACHUSETTS ELECTRIC COMPANY

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EVERSOURCE ENERGY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	As of June 30, 2017	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$24,638	\$30,251
Receivables, Net	833,945	847,301
Unbilled Revenues	158,183	168,490
Fuel, Materials, Supplies and Inventory	286,296	328,721
Regulatory Assets	870,393	887,625
Prepayments and Other Current Assets	157,359	215,284
Total Current Assets	2,330,814	2,477,672
Property, Plant and Equipment, Net	22,071,496	21,350,510
Deferred Debits and Other Assets:		
Regulatory Assets	3,580,981	3,638,688
Goodwill	3,519,401	3,519,401
Marketable Securities	565,460	544,642
Other Long-Term Assets	590,688	522,260
Total Deferred Debits and Other Assets	8,256,530	8,224,991
Total Assets	\$32,658,840	\$32,053,173
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable	\$937,500	\$1,148,500
Long-Term Debt – Current Portion	1,483,883	773,883
Accounts Payable	587,174	884,521
Regulatory Liabilities	185,930	146,787
Other Current Liabilities	591,222	684,914
Total Current Liabilities	3,785,709	3,638,605
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	5,900,052	5,607,207
Regulatory Liabilities	696,740	702,255
Derivative Liabilities	402,138	413,676
Accrued Pension and SERP	1,073,510	1,141,514
Other Long-Term Liabilities	860,579	853,260
Total Deferred Credits and Other Liabilities	8,933,019	8,717,912
Capitalization:		
Long-Term Debt	8,899,021	8,829,354

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Noncontrolling Interest - Preferred Stock of Subsidiaries 155,568 155,568

Equity:

Common Shareholders' Equity:

Common Shares	1,669,392	1,669,392
Capital Surplus, Paid In	6,232,501	6,250,224
Retained Earnings	3,364,336	3,175,171
Accumulated Other Comprehensive Loss	(62,935 )	(65,282 )
Treasury Stock	(317,771 )	(317,771 )
Common Shareholders' Equity	10,885,523	10,711,734
Total Capitalization	19,940,112	19,696,656

Total Liabilities and Capitalization \$32,658,840 \$32,053,173

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

EVERSOURCE ENERGY AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

(Thousands of Dollars, Except Share Information)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues	\$1,762,811	\$1,767,184	\$3,867,946	\$3,822,819
Operating Expenses:				
Purchased Power, Fuel and Transmission	549,704	581,260	1,303,353	1,336,119
Operations and Maintenance	302,714	320,714	632,979	640,850
Depreciation	189,881	176,507	376,686	350,492
Amortization of Regulatory (Liabilities)/Assets, Net	(7,807)	(8,716)	16,210	12,281
Energy Efficiency Programs	116,398	119,667	262,556	256,842
Taxes Other Than Income Taxes	156,234	154,330	311,455	314,277
Total Operating Expenses	1,307,124	1,343,762	2,903,239	2,910,861
Operating Income	455,687	423,422	964,707	911,958
Interest Expense	107,329	100,492	210,758	198,703
Other Income, Net	21,543	8,038	35,120	10,049
Income Before Income Tax Expense	369,901	330,968	789,069	723,304
Income Tax Expense	137,272	125,439	295,103	271,742
Net Income	232,629	205,529	493,966	451,562
Net Income Attributable to Noncontrolling Interests	1,880	1,880	3,759	3,759
Net Income Attributable to Common Shareholders	\$230,749	\$203,649	\$490,207	\$447,803
Basic and Diluted Earnings Per Common Share	\$0.72	\$0.64	\$1.54	\$1.41
Dividends Declared Per Common Share	\$0.48	\$0.45	\$0.95	\$0.89
Weighted Average Common Shares Outstanding:				
Basic	317,391,365	317,785,495	317,427,258	317,651,319
Diluted	317,947,194	318,476,699	318,035,864	318,478,876

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$232,629	\$205,529	\$493,966	\$451,562
Other Comprehensive (Loss)/Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	514	534	1,048	1,068
Changes in Unrealized Gains on Marketable Securities	960	1,061	2,605	1,325
Changes in Funded Status of Pension, SERP and	(2,268)	(1,784)	(1,306)	(913)

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PBOP Benefit Plans				
Other Comprehensive (Loss)/Income, Net of Tax	(794	) (189	) 2,347	1,480
Comprehensive Income Attributable to Noncontrolling Interests	(1,880	) (1,880	) (3,759	) (3,759
Comprehensive Income Attributable to Common Shareholders	\$ 229,955	\$ 203,460	\$ 492,554	\$ 449,283

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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EVERSOURCE ENERGY AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2017	2016
<b>Operating Activities:</b>		
Net Income	\$493,966	\$451,562
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	376,686	350,492
Deferred Income Taxes	269,505	250,851
Pension, SERP and PBOP Expense, Net	11,242	22,659
Pension and PBOP Contributions	(91,400 )	(65,929 )
Regulatory Over/(Under) Recoveries, Net	85,792	(5,768 )
Amortization of Regulatory Assets, Net	16,210	12,281
Other	(94,666 )	(10,808 )
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(7,660 )	(76,751 )
Fuel, Materials, Supplies and Inventory	42,425	43,930
Taxes Receivable/Accrued, Net	23,980	230,075
Accounts Payable	(168,221 )	(151,996 )
Other Current Assets and Liabilities, Net	(49,889 )	(72,160 )
Net Cash Flows Provided by Operating Activities	907,970	978,438
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(1,146,952 )	(869,168 )
Proceeds from Sales of Marketable Securities	373,853	327,581
Purchases of Marketable Securities	(394,379 )	(322,244 )
Other Investing Activities	(11,050 )	(2,991 )
Net Cash Flows Used in Investing Activities	(1,178,528 )	(866,822 )
<b>Financing Activities:</b>		
Cash Dividends on Common Shares	(301,042 )	(282,314 )
Cash Dividends on Preferred Stock	(3,759 )	(3,759 )
Decrease in Notes Payable	(211,000 )	(393,953 )
Issuance of Long-Term Debt	950,000	800,000
Retirements of Long-Term Debt	(150,000 )	(200,000 )
Other Financing Activities	(19,254 )	(16,811 )
Net Cash Flows Provided by/(Used in) Financing Activities	264,945	(96,837 )
Net (Decrease)/Increase in Cash and Cash Equivalents	(5,613 )	14,779
Cash and Cash Equivalents - Beginning of Period	30,251	23,947
Cash and Cash Equivalents - End of Period	\$24,638	\$38,726

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



THE CONNECTICUT LIGHT AND POWER COMPANY  
CONDENSED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	As of June 30, 2017	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash	\$5,837	\$6,579
Receivables, Net	371,504	359,132
Accounts Receivable from Affiliated Companies	22,805	16,851
Unbilled Revenues	50,436	50,373
Materials, Supplies and Inventory	57,324	52,050
Regulatory Assets	346,520	335,526
Prepayments and Other Current Assets	14,608	52,670
Total Current Assets	869,034	873,181
Property, Plant and Equipment, Net	7,940,398	7,632,392
Deferred Debits and Other Assets:		
Regulatory Assets	1,343,011	1,391,564
Other Long-Term Assets	138,405	137,907
Total Deferred Debits and Other Assets	1,481,416	1,529,471
Total Assets	\$10,290,848	\$10,035,044
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$101,100	\$80,100
Long-Term Debt – Current Portion	400,000	250,000
Accounts Payable	229,435	289,532
Accounts Payable to Affiliated Companies	54,046	88,075
Obligations to Third Party Suppliers	52,854	55,520
Regulatory Liabilities	62,195	47,055
Derivative Liabilities	64,301	77,765
Other Current Liabilities	143,998	120,399
Total Current Liabilities	1,107,929	1,008,446
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	2,071,421	1,987,661
Regulatory Liabilities	101,863	100,138
Derivative Liabilities	402,002	412,750
Accrued Pension, SERP and PBOP	301,691	300,208
Other Long-Term Liabilities	125,996	123,244
Total Deferred Credits and Other Liabilities	3,002,973	2,924,001
Capitalization:		



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Long-Term Debt	2,513,522	2,516,010
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200
Common Stockholder's Equity:		
Common Stock	60,352	60,352
Capital Surplus, Paid In	2,110,739	2,110,714
Retained Earnings	1,378,895	1,299,374
Accumulated Other Comprehensive Income/(Loss)	238	(53 )
Common Stockholder's Equity	3,550,224	3,470,387
Total Capitalization	6,179,946	6,102,597
Total Liabilities and Capitalization	\$10,290,848	\$10,035,044

The accompanying notes are an integral part of these unaudited condensed financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY  
 CONDENSED STATEMENTS OF INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues	\$666,558	\$679,787	\$1,398,867	\$1,415,103
Operating Expenses:				
Purchased Power and Transmission	207,211	234,504	452,149	507,104
Operations and Maintenance	108,501	122,532	236,727	233,375
Depreciation	60,797	57,532	120,549	114,500
Amortization of Regulatory Assets/(Liabilities), Net	11,422	(2,988)	24,225	6,891
Energy Efficiency Programs	32,153	35,498	68,744	73,589
Taxes Other Than Income Taxes	70,437	70,568	144,414	146,030
Total Operating Expenses	490,521	517,646	1,046,808	1,081,489
Operating Income	176,037	162,141	352,059	333,614
Interest Expense	35,299	35,978	70,264	72,477
Other Income, Net	3,804	6,275	6,561	7,211
Income Before Income Tax Expense	144,542	132,438	288,356	268,348
Income Tax Expense	53,249	49,563	106,855	98,427
Net Income	\$91,293	\$82,875	\$181,501	\$169,921

The accompanying notes are an integral part of these unaudited condensed financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$91,293	\$82,875	\$181,501	\$169,921
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	91	111	202	222
Changes in Unrealized Gains on Marketable Securities	33	36	89	45
Other Comprehensive Income, Net of Tax	124	147	291	267
Comprehensive Income	\$91,417	\$83,022	\$181,792	\$170,188

The accompanying notes are an integral part of these unaudited condensed financial statements.

THE CONNECTICUT LIGHT AND POWER COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2017	2016
<b>Operating Activities:</b>		
Net Income	\$ 181,501	\$ 169,921
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	120,549	114,500
Deferred Income Taxes	73,277	97,913
Pension, SERP, and PBOP Expense, Net of PBOP Contributions	3,071	3,325
Regulatory Over/(Under) Recoveries, Net	9,762	(40,386 )
Amortization of Regulatory Assets, Net	24,225	6,891
Other	(27,623 )	(4,477 )
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(22,333 )	(26,729 )
Taxes Receivable/Accrued, Net	41,733	145,852
Accounts Payable	(63,813 )	(38,137 )
Other Current Assets and Liabilities, Net	13,541	774
Net Cash Flows Provided by Operating Activities	353,890	429,447
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(419,891 )	(288,630 )
Proceeds from the Sale of Property, Plant and Equipment	—	9,047
Other Investing Activities	132	205
Net Cash Flows Used in Investing Activities	(419,759 )	(279,378 )
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(99,200 )	(99,800 )
Cash Dividends on Preferred Stock	(2,779 )	(2,779 )
Capital Contributions from Eversource Parent	—	145,700
Issuance of Long-Term Debt	300,000	—
Retirement of Long-Term Debt	(150,000 )	—
Increase/(Decrease) in Notes Payable to Eversource Parent	21,000	(184,400 )
Other Financing Activities	(3,894 )	(398 )
Net Cash Flows Provided by/(Used in) Financing Activities	65,127	(141,677 )
Net (Decrease)/Increase in Cash	(742 )	8,392
Cash - Beginning of Period	6,579	1,057
Cash - End of Period	\$ 5,837	\$ 9,449

The accompanying notes are an integral part of these unaudited condensed financial statements.

NSTAR ELECTRIC COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	As of June 30, 2017	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$4,475	\$ 3,494
Receivables, Net	261,344	257,557
Accounts Receivable from Affiliated Companies	28,619	8,581
Unbilled Revenues	40,163	31,632
Taxes Receivable	3,532	39,738
Materials, Supplies and Inventory	35,067	62,288
Regulatory Assets	270,230	289,400
Prepayments and Other Current Assets	17,730	14,906
Total Current Assets	661,160	707,596
Property, Plant and Equipment, Net	6,188,535	6,051,835
Deferred Debits and Other Assets:		
Regulatory Assets	1,064,099	1,057,746
Prepaid PBOP	109,658	95,073
Other Long-Term Assets	71,657	60,572
Total Deferred Debits and Other Assets	1,245,414	1,213,391
Total Assets	\$8,095,109	\$ 7,972,822
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable	\$—	\$ 126,500
Long-Term Debt – Current Portion	400,000	400,000
Accounts Payable	151,056	232,599
Accounts Payable to Affiliated Companies	8,389	91,532
Obligations to Third Party Suppliers	67,254	55,863
Renewable Portfolio Standards Compliance Obligations	44,258	75,571
Regulatory Liabilities	48,350	63,653
Other Current Liabilities	48,736	71,122
Total Current Liabilities	768,043	1,116,840
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	1,898,526	1,836,292
Regulatory Liabilities	394,527	391,823
Accrued Pension and SERP	111,994	111,827
Other Long-Term Liabilities	130,023	123,194
Total Deferred Credits and Other Liabilities	2,535,070	2,463,136

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Capitalization:

Long-Term Debt	2,025,929	1,678,116
Preferred Stock Not Subject to Mandatory Redemption	43,000	43,000
Common Stockholder's Equity:		
Common Stock	—	—
Capital Surplus, Paid In	1,047,178	1,045,378
Retained Earnings	1,675,529	1,625,984
Accumulated Other Comprehensive Income	360	368
Common Stockholder's Equity	2,723,067	2,671,730
Total Capitalization	4,791,996	4,392,846
Total Liabilities and Capitalization	\$8,095,109	\$ 7,972,822

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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NSTAR ELECTRIC COMPANY AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues	\$584,069	\$591,301	\$1,187,848	\$1,205,517
Operating Expenses:				
Purchased Power and Transmission	197,291	219,189	430,384	473,525
Operations and Maintenance	85,281	88,954	173,632	183,650
Depreciation	56,181	52,571	111,397	104,457
Amortization of Regulatory Assets, Net	2,984	3,971	7,961	8,654
Energy Efficiency Programs	59,876	61,922	127,188	128,165
Taxes Other Than Income Taxes	34,648	34,194	62,041	66,750
Total Operating Expenses	436,261	460,801	912,603	965,201
Operating Income	147,808	130,500	275,245	240,316
Interest Expense	23,445	20,216	45,473	41,104
Other Income, Net	2,029	2,836	5,277	2,502
Income Before Income Tax Expense	126,392	113,120	235,049	201,714
Income Tax Expense	49,029	44,953	91,524	79,053
Net Income	\$77,363	\$68,167	\$143,525	\$122,661

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$77,363	\$68,167	\$143,525	\$122,661
Other Comprehensive Loss, Net of Tax:				
Changes in Funded Status of SERP Benefit Plan	(4 )	(11 )	(8 )	(21 )
Other Comprehensive Loss, Net of Tax	(4 )	(11 )	(8 )	(21 )
Comprehensive Income	\$77,359	\$68,156	\$143,517	\$122,640

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NSTAR ELECTRIC COMPANY AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2017	2016
<b>Operating Activities:</b>		
Net Income	\$143,525	\$122,661
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	111,397	104,457
Deferred Income Taxes	60,673	48,505
Pension, SERP and PBOP (Benefits)/Expense, Net	(4,944 )	2,192
Pension and PBOP Contributions	(15,360 )	(15,428 )
Regulatory Overrecoveries, Net	8,257	26,277
Amortization of Regulatory Assets, Net	7,961	8,654
Other	(15,309 )	(3,978 )
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(42,050 )	(56,140 )
Materials, Supplies and Inventory	27,221	35,194
Taxes Receivable/Accrued, Net	36,207	45,608
Accounts Payable	(133,614 )	(88,774 )
Other Current Assets and Liabilities, Net	(45,430 )	(64,084 )
Net Cash Flows Provided by Operating Activities	138,534	165,144
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(262,097 )	(199,824 )
Other Investing Activities	(3,617 )	—
Net Cash Flows Used in Investing Activities	(265,714 )	(199,824 )
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(93,000 )	(278,300 )
Cash Dividends on Preferred Stock	(980 )	(980 )
Capital Contributions from Eversource Parent	1,800	—
(Decrease)/Increase in Notes Payable	(126,500 )	266,500
Issuance of Long-Term Debt	350,000	250,000
Retirements of Long-Term Debt	—	(200,000 )
Other Financing Activities	(3,159 )	(2,495 )
Net Cash Flows Provided by Financing Activities	128,161	34,725
Increase in Cash and Cash Equivalents	981	45
Cash and Cash Equivalents - Beginning of Period	3,494	3,346
Cash and Cash Equivalents - End of Period	\$4,475	\$3,391

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Thousands of Dollars)	As of June 30, 2017	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 192	\$ 4,646
Receivables, Net	81,937	84,450
Accounts Receivable from Affiliated Companies	3,781	4,185
Unbilled Revenues	41,723	41,004
Taxes Receivable	27,122	6,177
Fuel, Materials, Supplies and Inventory	150,066	162,354
Regulatory Assets	132,424	117,240
Prepayments and Other Current Assets	20,514	22,731
Total Current Assets	457,759	442,787
Property, Plant and Equipment, Net	3,118,456	3,039,313
Deferred Debits and Other Assets:		
Regulatory Assets	249,612	245,525
Other Long-Term Assets	47,075	37,720
Total Deferred Debits and Other Assets	296,687	283,245
Total Assets	\$ 3,872,902	\$ 3,765,345
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$ 194,100	\$ 160,900
Long-Term Debt – Current Portion	180,000	70,000
Accounts Payable	78,218	85,716
Accounts Payable to Affiliated Companies	21,207	29,154
Regulatory Liabilities	13,696	12,659
Other Current Liabilities	46,415	43,253
Total Current Liabilities	533,636	401,682
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	821,799	785,385
Regulatory Liabilities	43,845	44,779
Accrued Pension, SERP and PBOP	101,143	94,652
Other Long-Term Liabilities	50,051	49,442
Total Deferred Credits and Other Liabilities	1,016,838	974,258
Capitalization:		
Long-Term Debt	892,333	1,002,048



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Common Stockholder's Equity:		
Common Stock	—	—
Capital Surplus, Paid In	843,134	843,134
Retained Earnings	591,288	549,286
Accumulated Other Comprehensive Loss	(4,327	) (5,063 )
Common Stockholder's Equity	1,430,095	1,387,357
Total Capitalization	2,322,428	2,389,405
Total Liabilities and Capitalization	\$3,872,902	\$ 3,765,345

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months		For the Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Operating Revenues	\$230,383	\$218,517	\$483,541	\$460,807
Operating Expenses:				
Purchased Power, Fuel and Transmission	60,442	45,653	122,189	95,867
Operations and Maintenance	65,134	63,788	127,484	123,001
Depreciation	32,447	28,644	63,182	56,879
Amortization of Regulatory (Liabilities)/Assets, Net	(18,937 )	(8,186 )	(13,492 )	332
Energy Efficiency Programs	3,287	3,259	7,032	6,879
Taxes Other Than Income Taxes	23,118	22,287	44,001	44,082
Total Operating Expenses	165,491	155,445	350,396	327,040
Operating Income	64,892	63,072	133,145	133,767
Interest Expense	12,970	12,526	25,780	24,987
Other Income, Net	456	282	1,654	432
Income Before Income Tax Expense	52,378	50,828	109,019	109,212
Income Tax Expense	20,787	19,573	43,116	41,899
Net Income	\$31,591	\$31,255	\$65,903	\$67,313

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three		For the Six	
	Months Ended June 30, 2017	2016	Months Ended June 30, 2017	2016
Net Income	\$31,591	\$31,255	\$65,903	\$67,313
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	290	291	581	581
Changes in Unrealized Gains on Marketable Securities	58	63	155	79
Other Comprehensive Income, Net of Tax	348	354	736	660
Comprehensive Income	\$31,939	\$31,609	\$66,639	\$67,973

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2017	2016
<b>Operating Activities:</b>		
Net Income	\$65,903	\$67,313
<b>Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:</b>		
Depreciation	63,182	56,879
Deferred Income Taxes	37,670	45,976
Regulatory Underrecoveries, Net	(1,964 )	(10,740 )
Amortization of Regulatory (Liabilities)/Assets, Net	(13,492 )	332
Other	(6,763 )	(8,484 )
<b>Changes in Current Assets and Liabilities:</b>		
Receivables and Unbilled Revenues, Net	(1,427 )	(5,247 )
Fuel, Materials, Supplies and Inventory	12,288	5,394
Taxes Receivable/Accrued, Net	(20,945 )	33,840
Accounts Payable	2,236	20,417
Other Current Assets and Liabilities, Net	5,419	(1,422 )
Net Cash Flows Provided by Operating Activities	142,107	204,258
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(155,737)	(138,713)
Other Investing Activities	26	172
Net Cash Flows Used in Investing Activities	(155,711)	(138,541)
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(23,900 )	(38,800 )
Capital Contributions from Eversource Parent	—	83,000
Increase/(Decrease) in Notes Payable to Eversource Parent	33,200	(110,400)
Other Financing Activities	(150 )	(166 )
Net Cash Flows Provided by/(Used in) Financing Activities	9,150	(66,366 )
Net Decrease in Cash	(4,454 )	(649 )
Cash - Beginning of Period	4,646	1,733
Cash - End of Period	\$192	\$1,084

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY  
CONDENSED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	As of June 30, 2017	As of December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Receivables, Net	\$54,178	\$ 54,940
Accounts Receivable from Affiliated Companies	11,393	14,425
Unbilled Revenues	17,335	15,329
Materials, Supplies and Inventory	5,784	8,618
Regulatory Assets	67,310	64,123
Prepayments and Other Current Assets	1,821	2,595
Total Current Assets	157,821	160,030
Property, Plant and Equipment, Net	1,719,824	1,678,262
Deferred Debits and Other Assets:		
Regulatory Assets	124,899	127,291
Other Long-Term Assets	33,780	29,062
Total Deferred Debits and Other Assets	158,679	156,353
Total Assets	\$2,036,324	\$ 1,994,645
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$68,700	\$ 51,000
Accounts Payable	32,258	56,036
Accounts Payable to Affiliated Companies	28,484	19,478
Obligations to Third Party Suppliers	9,458	10,508
Renewable Portfolio Standards Compliance Obligations	11,114	20,383
Regulatory Liabilities	11,062	14,888
Other Current Liabilities	12,574	14,984
Total Current Liabilities	173,650	187,277
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	523,028	490,793
Regulatory Liabilities	20,887	17,227
Accrued Pension, SERP and PBOP	19,798	20,390
Other Long-Term Liabilities	45,471	41,308
Total Deferred Credits and Other Liabilities	609,184	569,718
Capitalization:		
Long-Term Debt	566,293	566,536
Common Stockholder's Equity:		

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Common Stock	10,866	10,866
Capital Surplus, Paid In	444,398	444,398
Retained Earnings	234,051	218,212
Accumulated Other Comprehensive Loss	(2,118 )	(2,362 )
Common Stockholder's Equity	687,197	671,114
Total Capitalization	1,253,490	1,237,650
Total Liabilities and Capitalization	\$2,036,324	\$ 1,994,645

The accompanying notes are an integral part of these unaudited condensed financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY  
 CONDENSED STATEMENTS OF INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues	\$ 120,744	\$ 116,396	\$ 250,879	\$ 244,491
Operating Expenses:				
Purchased Power and Transmission	33,858	32,665	74,724	72,228
Operations and Maintenance	21,743	22,088	44,242	43,893
Depreciation	12,296	11,476	24,298	22,847
Amortization of Regulatory (Liabilities)/Assets, Net	(361)	992	(849)	2,203
Energy Efficiency Programs	8,079	10,347	18,743	21,203
Taxes Other Than Income Taxes	10,197	9,600	20,624	19,833
Total Operating Expenses	85,812	87,168	181,782	182,207
Operating Income	34,932	29,228	69,097	62,284
Interest Expense	6,182	6,072	12,431	12,075
Other Income/(Loss), Net	272	104	349	(46)
Income Before Income Tax Expense	29,022	23,260	57,015	50,163
Income Tax Expense	11,401	9,995	22,176	20,071
Net Income	\$ 17,621	\$ 13,265	\$ 34,839	\$ 30,092

The accompanying notes are an integral part of these unaudited condensed financial statements.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net Income	\$ 17,621	\$ 13,265	\$ 34,839	\$ 30,092
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	110	110	219	219
Changes in Unrealized Gains on Marketable Securities	9	10	25	13
Other Comprehensive Income, Net of Tax	119	120	244	232
Comprehensive Income	\$ 17,740	\$ 13,385	\$ 35,083	\$ 30,324

The accompanying notes are an integral part of these unaudited condensed financial statements.

WESTERN MASSACHUSETTS ELECTRIC COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2017	2016
<b>Operating Activities:</b>		
Net Income	\$34,839	\$30,092
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	24,298	22,847
Deferred Income Taxes	31,549	17,155
Regulatory Over/(Under) Recoveries, Net	1,170	(2,651 )
Amortization of Regulatory (Liabilities)/Assets, Net	(849 )	2,203
Other	(3,767 )	(2,547 )
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(1,178 )	6,500
Taxes Receivable/Accrued, Net	(177 )	32,985
Accounts Payable	717	(13,176 )
Other Current Assets and Liabilities, Net	(8,942 )	2,502
Net Cash Flows Provided by Operating Activities	77,660	95,910
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(76,397 )	(71,459 )
Proceeds from Sales of Marketable Securities	863	1,484
Purchases of Marketable Securities	(826 )	(1,457 )
Net Cash Flows Used in Investing Activities	(76,360 )	(71,432 )
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(19,000 )	(19,000 )
Capital Contributions from Eversource Parent	—	35,000
Increase/(Decrease) in Notes Payable to Eversource Parent	17,700	(89,700 )
Issuance of Long-Term Debt	—	50,000
Other Financing Activities	—	(191 )
Net Cash Flows Used in Financing Activities	(1,300 )	(23,891 )
Net Increase in Cash	—	587
Cash - Beginning of Period	—	834
Cash - End of Period	\$—	\$1,421

The accompanying notes are an integral part of these unaudited condensed financial statements.

EVERSOURCE ENERGY AND SUBSIDIARIES  
THE CONNECTICUT LIGHT AND POWER COMPANY  
NSTAR ELECTRIC COMPANY AND SUBSIDIARY  
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY  
WESTERN MASSACHUSETTS ELECTRIC COMPANY

COMBINED NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

Refer to the Glossary of Terms included in this combined Quarterly Report on Form 10-Q for abbreviations and acronyms used throughout the combined notes to the unaudited condensed financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Eversource Energy is a public utility holding company primarily engaged, through its wholly-owned regulated utility subsidiaries, in the energy delivery business. Eversource Energy's wholly-owned regulated utility subsidiaries consist of CL&P, NSTAR Electric, PSNH, WMECO, Yankee Gas and NSTAR Gas. Eversource provides energy delivery service to approximately 3.7 million electric and natural gas customers through these six regulated utilities in Connecticut, Massachusetts and New Hampshire.

On June 2, 2017, Eversource announced that it had entered into an agreement to acquire Aquarion Water Company ("Aquarion") from Macquarie Infrastructure Partners for \$1.675 billion, consisting of approximately \$880 million in cash and \$795 million of assumed Aquarion debt. The transaction requires approval from PURA, the DPU, the NHPUC, the Maine PUC, and the Federal Communications Commission, and is also subject to a review under the Hart-Scott-Rodino Act. On June 29, 2017, Eversource and Aquarion filed joint applications with regulatory agencies in Connecticut, Massachusetts, New Hampshire and Maine requesting approval of the transaction. The transaction is expected to close by December 31, 2017.

The unaudited condensed consolidated financial statements of Eversource, NSTAR Electric and PSNH include the accounts of each of their respective subsidiaries. Intercompany transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements of Eversource, NSTAR Electric and PSNH and the unaudited condensed financial statements of CL&P and WMECO are herein collectively referred to as the "financial statements."

The combined notes to the financial statements have been prepared pursuant to the rules and regulations of the SEC.

Certain information and footnote disclosures included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. The accompanying financial statements should be read in conjunction with the Combined Notes to Financial Statements included in Item 8, "Financial Statements and Supplementary Data," of the Eversource 2016 Form 10-K, which was filed with the SEC. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements contain, in the opinion of management, all adjustments (including normal, recurring adjustments) necessary to present fairly Eversource's, CL&P's, NSTAR Electric's, PSNH's and WMECO's financial position as of June 30, 2017 and December 31, 2016, the results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016, and the cash flows for the six months ended June 30, 2017 and 2016.

The results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016 and



the cash flows for the six months ended June 30, 2017 and 2016 are not necessarily indicative of the results expected for a full year.

Eversource consolidates CYAPC and YAEC because CL&P's, NSTAR Electric's, PSNH's and WMECO's combined ownership interest in each of these entities is greater than 50 percent. Intercompany transactions between CL&P, NSTAR Electric, PSNH and WMECO and the CYAPC and YAEC companies have been eliminated in consolidation of the Eversource financial statements.

Eversource's utility subsidiaries' distribution (including generation assets) and transmission businesses are subject to rate-regulation that is based on cost recovery and meets the criteria for application of accounting guidance for entities with rate-regulated operations, which considers the effect of regulation on the differences in the timing of the recognition of certain revenues and expenses from those of other businesses and industries. See Note 2, "Regulatory Accounting," for further information.

Certain reclassifications of prior period data were made in the accompanying financial statements to conform to the current period presentation.

#### B. Accounting Standards

**Accounting Standards Issued but Not Yet Effective:** In May 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which amends existing revenue recognition guidance and is required to be applied retrospectively (either to each reporting period presented or cumulatively at the date of initial application). The Company is evaluating the requirements and potential impacts of ASU 2014-09 and will implement the standard in the first quarter of 2018 cumulatively at the date of initial application. While the guidance continues to be interpreted on an industry specific level, implementation of the ASU is not currently expected to have a material effect on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH and WMECO.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Liabilities, which is required to be implemented in the first quarter of 2018. The ASU will remove the available-for-sale designation for equity securities, whereby changes in fair value are recorded in accumulated other comprehensive income within shareholders' equity, and will require changes in fair value of all equity securities to be recorded in earnings beginning on January 1, 2018, with the unrealized gain or loss on available-for-sale equity securities as of that date reclassified to retained earnings as a cumulative effect of adoption. The fair value of available-for-sale equity securities subject to this guidance as of June 30, 2017 was approximately \$49 million. The remaining available-for-sale equity securities included in marketable securities on the balance sheet are held in nuclear decommissioning trusts and are subject to regulatory accounting treatment and will not be impacted by this guidance. Implementation of the ASU for other financial instruments is not expected to have a material impact on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH and WMECO.

In February 2016, the FASB issued ASU 2016-02, Leases, which changes existing lease accounting guidance and is required to be applied in the first quarter of 2019, with earlier application permitted. The ASU is required to be implemented for leases beginning on the date of initial application. For prior periods presented, leases are required to be recognized and measured using a modified retrospective approach. The Company is reviewing the requirements of ASU 2016-02, including balance sheet recognition of leases previously deemed operating leases, and expects to implement the ASU in the first quarter of 2019.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, required to be implemented in the first quarter of 2018. The ASU requires separate presentation of service cost from other components of net pension and PBOP costs, with the other components presented as non-operating income and not subject to capitalization. The Company is assessing the impacts of the ASU on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH and WMECO; however, implementation of the ASU is not expected to have a material impact on the net income of Eversource, CL&P, NSTAR Electric, PSNH and WMECO.

#### C. Provision for Uncollectible Accounts

Eversource, including CL&P, NSTAR Electric, PSNH and WMECO, presents its receivables at estimated net realizable value by maintaining a provision for uncollectible accounts. This provision is determined based upon a variety of judgments and factors, including the application of an estimated uncollectible percentage to each receivable aging category. The estimate is based upon historical collection and write-off experience and management's assessment of collectability from customers. Management continuously assesses the collectability of receivables and adjusts collectability estimates based on actual experience. Receivable balances are written off against the provision for uncollectible accounts when the customer accounts are terminated and these balances are deemed to be uncollectible.

The PURA allows CL&P and Yankee Gas to accelerate the recovery of accounts receivable balances attributable to qualified customers under financial or medical duress (uncollectible hardship accounts receivable) outstanding for greater than 180 days and 90 days, respectively. The DPU allows WMECO and NSTAR Gas also to recover in rates, amounts associated with certain uncollectible hardship accounts receivable. Certain of NSTAR Electric's uncollectible hardship accounts receivable are expected to be recovered in future rates, similar to WMECO and NSTAR Gas. These uncollectible customer account balances are included in Regulatory Assets or Other Long-Term Assets on the balance sheets.

The total provision for uncollectible accounts and for uncollectible hardship accounts, which is included in the total provision, is included in Receivables, Net on the balance sheets, and was as follows:

Total Provision for	Uncollectible
Uncollectible	Hardship

(Millions of Dollars)	Accounts			
	As of	As of	As of	As of
	June 30,	December 31,	June 30,	December 31,
	2017	2016	2017	2016
Eversource	\$199.0	\$ 200.6	\$124.5	\$ 119.9
CL&P	77.5	86.4	64.5	67.7
NSTAR Electric	54.5	54.8	30.7	26.2
PSNH	11.0	9.9	—	—
WMECO	16.4	15.5	10.6	9.9

#### D. Fair Value Measurements

Fair value measurement guidance is applied to derivative contracts that are not elected or designated as "normal purchases or normal sales" ("normal") and to the marketable securities held in trusts. Fair value measurement guidance is also applied to valuations of the investments used to calculate the funded status of pension and PBOP plans, the nonrecurring fair value measurements of nonfinancial assets such as goodwill and AROs, and the estimated fair value of preferred stock and long-term debt.

**Fair Value Hierarchy:** In measuring fair value, Eversource uses observable market data when available in order to minimize the use of unobservable inputs. Inputs used in fair value measurements are categorized into three fair value hierarchy levels for disclosure purposes. The entire fair value measurement is categorized based on the lowest level of input that is significant to the fair value measurement. Eversource evaluates the classification of assets and liabilities measured at fair value on a quarterly basis, and Eversource's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. The three levels of the fair value hierarchy are described below:

**Level 1 -** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 - Quoted market prices are not available. Fair value is derived from valuation techniques in which one or more significant inputs or assumptions are unobservable. Where possible, valuation techniques incorporate observable market inputs that can be validated to external sources such as industry exchanges, including prices of energy and energy-related products.

Determination of Fair Value: The valuation techniques and inputs used in Eversource's fair value measurements are described in Note 4, "Derivative Instruments," Note 5, "Marketable Securities," and Note 10, "Fair Value of Financial Instruments," to the financial statements.

#### E. Other Income, Net

Items included within Other Income, Net on the statements of income primarily consist of investment income/(loss), interest income, AFUDC related to equity funds, and income/(loss) related to equity method investments. Investment income/(loss) primarily relates to debt and equity securities held in trust. For further information, see Note 5, "Marketable Securities," to the financial statements. For the three and six months ended June 30, 2017, Eversource had equity in earnings of \$13.3 million and \$17.9 million, respectively, related to its equity method investments.

#### F. Other Taxes

Gross receipts taxes levied by the state of Connecticut are collected by CL&P and Yankee Gas from their respective customers. These gross receipts taxes are shown separately with collections in Operating Revenues and with payments in Taxes Other Than Income Taxes on the statements of income as follows:

(Millions of Dollars)	For the Three		For the Six	
	Months Ended		Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
Eversource	\$35.7	\$37.5	\$77.9	\$79.8
CL&P	31.8	33.6	65.7	69.6

As agents for state and local governments, Eversource's companies that serve customers in Connecticut and Massachusetts collect certain sales taxes that are recorded on a net basis with no impact on the statements of income.

#### G. Supplemental Cash Flow Information

Non-cash investing activities include plant additions included in Accounts Payable as follows:

(Millions of Dollars)	As of	As of
	June 30,	June 30,
	2017	2016
Eversource	\$172.0	\$186.3
CL&P	85.9	59.5
NSTAR Electric	29.5	38.5
PSNH	20.2	31.1
WMECO	10.6	14.6

## 2. REGULATORY ACCOUNTING

Eversource's Regulated companies are subject to rate regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the

timing of the recognition of certain revenues and expenses. The Regulated companies' financial statements reflect the effects of the rate-making process. The rates charged to the customers of Eversource's Regulated companies are designed to collect each company's costs to provide service, including a return on investment.

Management believes it is probable that each of the Regulated companies will recover its respective investments in long-lived assets, including regulatory assets. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises to any of the Regulated companies' operations, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the costs would be charged to net income in the period in which the determination is made.

Regulatory Assets: The components of regulatory assets were as follows:

Eversource	As of	As of						
(Millions of Dollars)	June 30,	December 31,						
	2017	2016						
Benefit Costs	\$1,833.6	\$ 1,817.8						
Derivative Liabilities	398.1	423.3						
Income Taxes, Net	652.5	644.5						
Storm Restoration Costs	352.9	385.3						
Goodwill-related	454.2	464.4						
Regulatory Tracker Mechanisms	584.3	576.6						
Asset Retirement Obligations	103.0	99.3						
Other Regulatory Assets	72.8	115.1						
Total Regulatory Assets	4,451.4	4,526.3						
Less: Current Portion	870.4	887.6						
Total Long-Term Regulatory Assets	\$3,581.0	\$ 3,638.7						
	As of June 30, 2017				As of December 31, 2016			
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	WMECO	CL&P	NSTAR Electric	PSNH	WMECO
Benefit Costs	\$423.5	\$445.6	\$189.7	\$ 86.4	\$429.3	\$438.6	\$184.2	\$ 86.7
Derivative Liabilities	394.8	2.3	—	—	420.5	2.8	—	—
Income Taxes, Net	440.7	91.2	22.4	31.2	437.0	89.7	24.2	30.8
Storm Restoration Costs	210.3	115.3	12.9	14.4	239.8	112.5	17.1	15.9
Goodwill-related	—	389.9	—	—	—	398.7	—	—
Regulatory Tracker Mechanisms	153.0	240.7	125.7	50.5	123.9	257.3	104.5	46.7
Asset Retirement Obligations	34.5	33.2	16.6	4.4	33.2	31.9	16.2	4.2
Other Regulatory Assets	32.7	16.1	14.7	5.3	43.4	15.6	16.5	7.1
Total Regulatory Assets	1,689.5	1,334.3	382.0	192.2	1,727.1	1,347.1	362.7	191.4
Less: Current Portion	346.5	270.2	132.4	67.3	335.5	289.4	117.2	64.1
Total Long-Term Regulatory Assets	\$1,343.0	\$1,064.1	\$249.6	\$ 124.9	\$1,391.6	\$1,057.7	\$245.5	\$ 127.3

Regulatory Costs in Other Long-Term Assets: Eversource's Regulated companies had \$103.0 million (including \$3.5 million for CL&P, \$40.1 million for NSTAR Electric, \$16.4 million for PSNH, and \$24.3 million for WMECO) and \$86.3 million (including \$5.9 million for CL&P, \$35.0 million for NSTAR Electric, \$8.2 million for PSNH, and \$20.1 million for WMECO) of additional regulatory costs as of June 30, 2017 and December 31, 2016, respectively, that were included in Other Long-Term Assets on the balance sheets. These amounts represent incurred costs for which recovery has not yet been specifically approved by the applicable regulatory agency. However, based on regulatory policies or past precedent on similar costs, management believes it is probable that these costs will ultimately be approved and recovered from customers in rates.

Regulatory Liabilities: The components of regulatory liabilities were as follows:

Eversource	As of	As of
(Millions of Dollars)	June 30,	December 31,
	2017	2016
Cost of Removal	\$ 474.4	\$ 459.7
Benefit Costs	129.5	136.2
Regulatory Tracker Mechanisms	176.3	145.3
AFUDC - Transmission	65.6	65.8
Other Regulatory Liabilities	36.8	42.1
Total Regulatory Liabilities	882.6	849.1

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Less: Current Portion	185.9	146.8							
Total Long-Term Regulatory Liabilities	\$ 696.7	\$ 702.3							
	As of June 30, 2017				As of December 31, 2016				
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	WMECO	CL&P	NSTAR Electric	PSNH	WMECO	
Cost of Removal	\$43.4	\$ 277.4	\$42.8	\$ 12.4	\$38.8	\$ 271.6	\$44.1	\$ 8.6	
Benefit Costs	—	109.4	—	—	—	113.1	—	—	
Regulatory Tracker Mechanisms	47.5	48.4	11.7	10.9	37.2	63.7	10.7	14.7	
AFUDC - Transmission	49.5	7.4	—	8.7	50.2	6.9	—	8.7	
Other Regulatory Liabilities	23.7	0.3	3.0	—	21.0	0.2	2.7	0.1	
Total Regulatory Liabilities	164.1	442.9	57.5	32.0	147.2	455.5	57.5	32.1	
Less: Current Portion	62.2	48.4	13.7	11.1	47.1	63.7	12.7	14.9	
Total Long-Term Regulatory Liabilities	\$101.9	\$ 394.5	\$43.8	\$ 20.9	\$100.1	\$ 391.8	\$44.8	\$ 17.2	

### 3. PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

The following tables summarize utility property, plant and equipment by asset category:

Eversource	As of June 30, 2017	As of December 31, 2016
(Millions of Dollars)		
Distribution - Electric	\$14,012.6	\$ 13,716.9
Distribution - Natural Gas	3,094.3	3,010.4
Transmission - Electric	8,817.6	8,517.4
Generation	1,215.4	1,224.2
Electric and Natural Gas Utility	27,139.9	26,468.9
Other <sup>(1)</sup>	594.0	591.6
Property, Plant and Equipment, Gross	27,733.9	27,060.5
Less: Accumulated Depreciation		
Electric and Natural Gas Utility	(6,706.6 )	(6,480.4 )
Other	(262.8 )	(242.0 )
Total Accumulated Depreciation	(6,969.4 )	(6,722.4 )
Property, Plant and Equipment, Net	20,764.5	20,338.1
Construction Work in Progress <sup>(2)</sup>	1,307.0	1,012.4
Total Property, Plant and Equipment, Net	\$22,071.5	\$ 21,350.5

<sup>(1)</sup> These assets are primarily comprised of building improvements, computer software, hardware and equipment at Eversource Service.

<sup>(2)</sup> As of June 30, 2017, the total CWIP related to NPT was approximately \$190 million.

(Millions of Dollars)	As of June 30, 2017				As of December 31, 2016			
	CL&P	NSTAR Electric	PSNH	WMECO	CL&P	NSTAR Electric	PSNH	WMECO
Distribution	\$5,717.1	\$5,453.3	\$2,018.6	\$863.6	\$5,562.9	\$5,402.3	\$1,949.8	\$841.9
Transmission	4,016.4	2,530.3	1,103.1	1,119.4	3,912.9	2,435.8	1,059.3	1,061.1
Generation	—	—	1,179.4	36.0	—	—	1,188.2	36.0
Property, Plant and Equipment, Gross	9,733.5	7,983.6	4,301.1	2,019.0	9,475.8	7,838.1	4,197.3	1,939.0
Less: Accumulated Depreciation	(2,156.7 )	(2,104.2 )	(1,290.1 )	(352.0 )	(2,082.4 )	(2,025.4 )	(1,254.7 )	(338.8 )
Property, Plant and Equipment, Net	7,576.8	5,879.4	3,011.0	1,667.0	7,393.4	5,812.7	2,942.6	1,600.2
Construction Work in Progress	363.6	309.1	107.5	52.8	239.0	239.1	96.7	78.1
Total Property, Plant and Equipment, Net	\$7,940.4	\$6,188.5	\$3,118.5	\$1,719.8	\$7,632.4	\$6,051.8	\$3,039.3	\$1,678.3

### 4. DERIVATIVE INSTRUMENTS

The Regulated companies purchase and procure energy and energy-related products, which are subject to price volatility, for their customers. The costs associated with supplying energy to customers are recoverable from customers in future rates. The Regulated companies manage the risks associated with the price volatility of energy and energy-related products through the use of derivative and non-derivative contracts.



Many of the derivative contracts meet the definition of, and are designated as, normal and qualify for accrual accounting under the applicable accounting guidance. The costs and benefits of derivative contracts that meet the definition of normal are recognized in Operating Expenses or Operating Revenues on the statements of income, as applicable, as electricity or natural gas is delivered.

Derivative contracts that are not designated as normal are recorded at fair value as current or long-term Derivative Assets or Derivative Liabilities on the balance sheets. For the Regulated companies, regulatory assets or regulatory liabilities are recorded to offset the fair values of derivatives, as contract settlement amounts are recovered from, or refunded to, customers in their respective energy supply rates.

The gross fair values of derivative assets and liabilities with the same counterparty are offset and reported as net Derivative Assets or Derivative Liabilities, with current and long-term portions, on the balance sheets. The following table presents the gross fair values of contracts, categorized by risk type, and the net amounts recorded as current or long-term derivative assets or liabilities:

(Millions of Dollars)	As of June 30, 2017			As of December 31, 2016		
	Commodity Supply and Price Risk Management	Netting (1)	Net Amount Recorded as a Derivative	Commodity Supply and Price Risk Management	Netting (1)	Net Amount Recorded as a Derivative
<b>Current Derivative Assets:</b>						
Level 2:						
Eversource	\$—	\$—	\$—	\$6.0	\$—	\$ 6.0
Level 3:						
Eversource, CL&P	11.2	(7.7 )	3.5	13.9	(9.4 )	4.5
<b>Long-Term Derivative Assets:</b>						
Level 2:						
Eversource	\$—	\$—	\$—	\$0.3	\$(0.1 )	\$ 0.2
Level 3:						
Eversource, CL&P	76.0	(8.0 )	68.0	77.3	(11.7 )	65.6
<b>Current Derivative Liabilities:</b>						
Level 2:						
Eversource	\$(1.1 )	\$ 0.1	\$(1.0 )	\$—	\$—	\$—
Level 3:						
Eversource	(66.5 )	—	(66.5 )	(79.7 )	—	(79.7 )
CL&P	(64.3 )	—	(64.3 )	(77.8 )	—	(77.8 )
NSTAR Electric	(2.2 )	—	(2.2 )	(1.9 )	—	(1.9 )
<b>Long-Term Derivative Liabilities:</b>						
Level 3:						
Eversource	\$(402.1 )	\$—	\$(402.1 )	\$(413.7 )	\$—	\$(413.7 )
CL&P	(402.0 )	—	(402.0 )	(412.8 )	—	(412.8 )
NSTAR Electric	(0.1 )	—	(0.1 )	(0.9 )	—	(0.9 )

(1) Amounts represent derivative assets and liabilities that Eversource elected to record net on the balance sheets. These amounts are subject to master netting agreements or similar agreements for which the right of offset exists.

For further information on the fair value of derivative contracts, see Note 1D, "Summary of Significant Accounting Policies - Fair Value Measurements," to the financial statements.

#### Derivative Contracts at Fair Value with Offsetting Regulatory Amounts

**Commodity Supply and Price Risk Management:** As required by regulation, CL&P, along with UI, has capacity-related contracts with generation facilities. CL&P has a sharing agreement with UI, with 80 percent of the costs or benefits of each contract borne by or allocated to CL&P and 20 percent borne by or allocated to UI. The combined capacity of these contracts is 787 MW. The capacity contracts extend through 2026 and obligate both CL&P and UI to make or receive payments on a monthly basis to or from the generation facilities based on the difference between a set capacity price and the capacity market price received in the ISO-NE capacity markets. In addition, CL&P has a contract to purchase 0.1 million MWh of energy per year through 2020.

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NSTAR Electric has a renewable energy contract to purchase 0.1 million MWh of energy per year through 2018 and a capacity-related contract to purchase up to 35 MW per year through 2019.

As of June 30, 2017 and December 31, 2016, Eversource had New York Mercantile Exchange ("NYMEX") financial contracts for natural gas futures in order to reduce variability associated with the purchase price of approximately 6.3 million and 9.2 million MMBtu of natural gas, respectively.

For the three months ended June 30, 2017 and 2016, there were losses of \$4.4 million and \$42.9 million, respectively, deferred as regulatory costs, which reflect the change in fair value associated with Eversource's derivative contracts. For the six months ended June 30, 2017 and 2016, these losses were \$30.9 million and \$74.4 million, respectively.