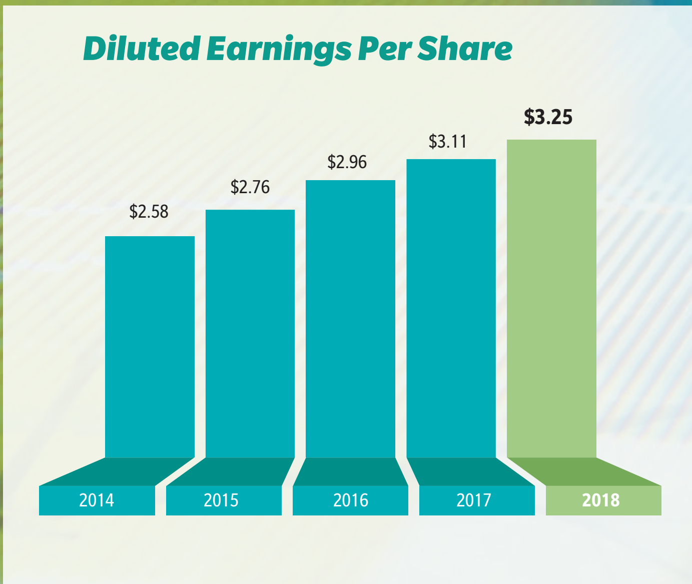
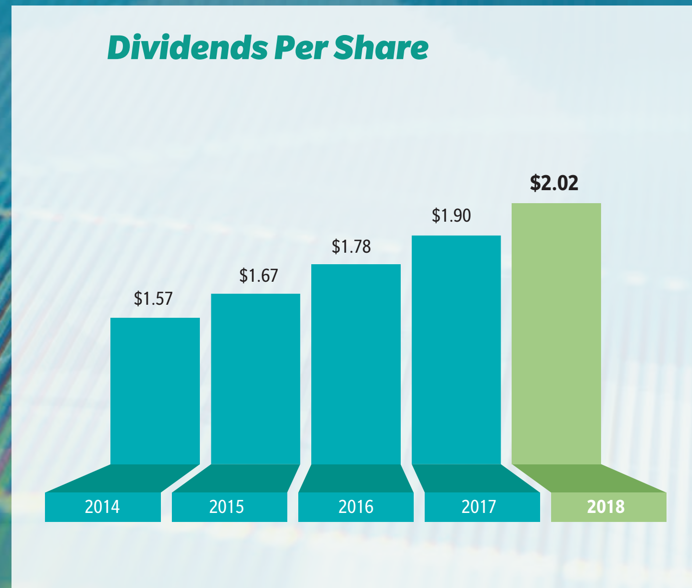
2018
ANNUAL REPORT

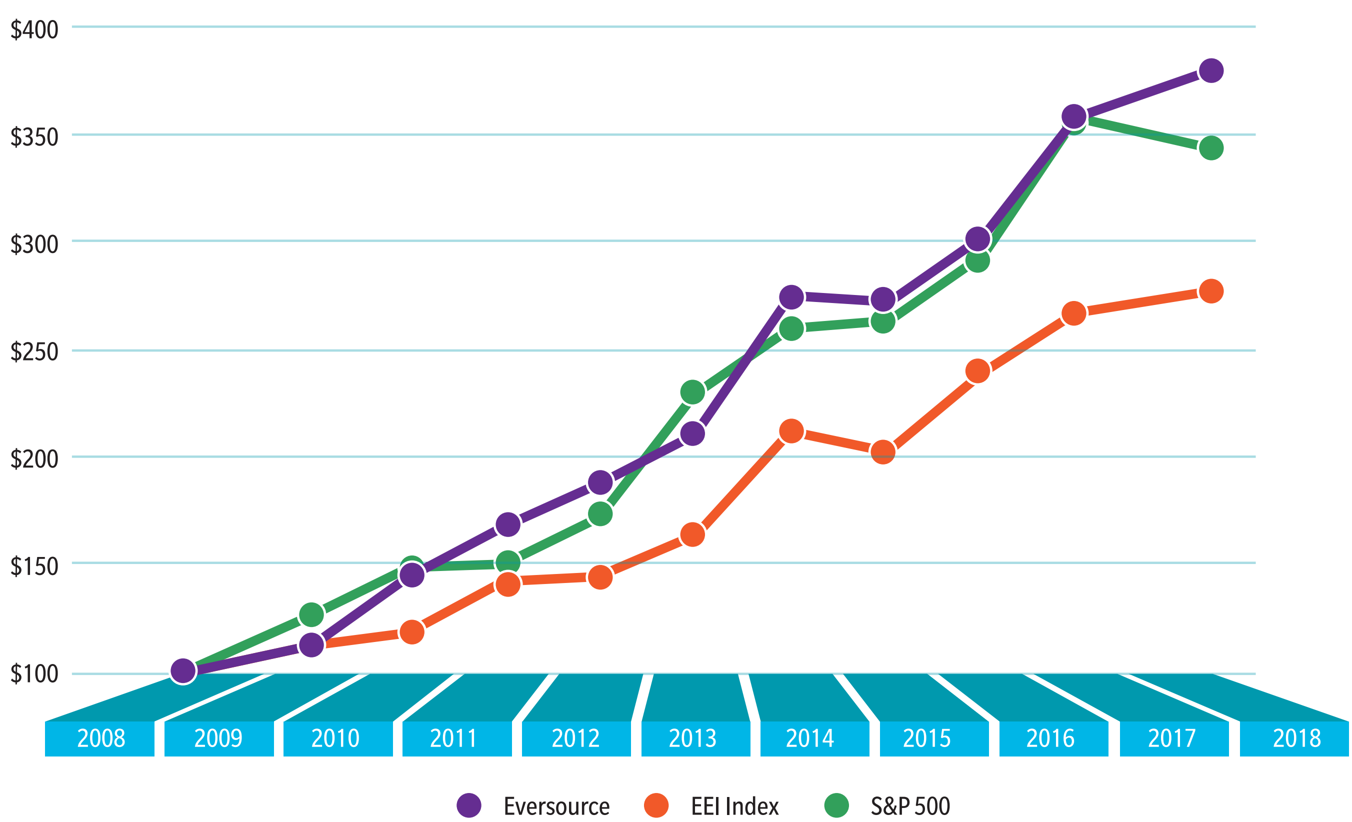
EVERSOURCE
ENERGY





Total Shareholder Return

(Assumes $100 invested on December 31, 2008 with all dividends reinvested)



Selected Financial Data

(Thousands of dollars, except share information and statistical data)

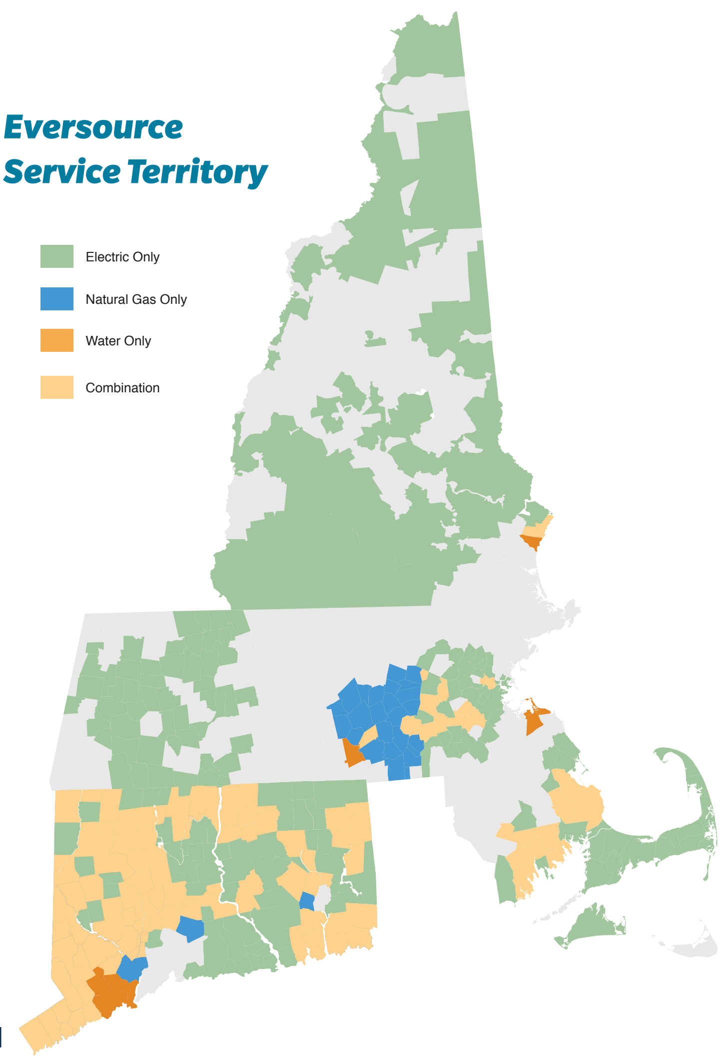
		2018		2017
Operating Revenues	$	8,448,201	$	7,751,952
Operating Income	$	1,699,930	$	1,888,249
Net Income Attributable to ES Common Shares	$	1,033,000	$	987,996
Diluted Earnings per Common Share	$	3.25	$	3.11
Diluted Common Shares Outstanding (Weighted Average)		317,993,934		318,031,580
Dividends Paid per Share	$	2.02	$	1.90
Sales of Electricity (Regulated Retail, kWh-millions)		53,381		52,246
Electric Customers (As of Year End)		3,202,992		3,187,126
Firm Sales of Natural Gas (million cubic feet)		105,957		101,026
Natural Gas Customers (As of Year End)		533,295		524,628
Water Customers (As of Year End) (1)		227,632		227,098
Sales of Water (gallons in millions) (1)		23,731		24,767
Investments in Property, Plant and Equipment	$	2,523,371	$	2,348,105
Property, Plant and Equipment, Net (As of Year End)	$	25,610,428	$	23,617,463
Market Capitalization (As of Year End)	$	20,610,253	$	20,020,845
Share Price (As of Year End)	$	65.04	$	63.18

(1) Aquarion Water Company became a wholly-owned subsidiary of Eversource Energy on December 4, 2017. Prior year sales volume has been presented for comparative purposes.

Company Profile

Eversource Energy (NYSE:ES), a Fortune 500 and Standard & Poor's 500 energy company based in Connecticut, Massachusetts and New Hampshire, operates New England's largest energy delivery system. Eversource is committed to safety, reliability, environmental leadership and stewardship for its 4 million electricity, natural gas and water customers.

Eversource Service Territory



Shareholder Letter

Dear Fellow Shareholders,

2018 was a year of strong financial and operational performance for Eversource Energy. We implemented several constructive multi-year rate plans among our distribution utilities, integrated Aquarion Water into our family of utilities, and continued to provide a total return for our shareholders that compares quite favorably over the short and long term to both our utility peers and the broad market. Also, our reliability and safety metrics remained in the upper tier of the industry.

We achieved long-term rate stability for both of our regulated electric and natural gas delivery businesses in Connecticut, negotiating three-year electric distribution rate settlements that will support increased reliability investments and provide fair returns for shareholders. We also implemented new distribution rate plans for our electric and water utilities in Massachusetts.

Achieving constructive regulatory outcomes is key to our financial success, and 2018 represented another year of attractive earnings, dividend and share price growth. We reported earnings per share of $3.25, compared to $3.11 in 2017, an increase of 14 cents or nearly 5 percent. We grew our common dividend by 6.3 percent to an annualized rate of $2.02 per share. In February 2019, we announced a common dividend increase of another 6 percent to an annualized rate of $2.14 per share.

Our total return to shareholders – the combination of the common dividend and share price appreciation – was 6.4 percent in 2018, a level of return that was significantly better than the 3.7 percent return for the EEI Index of 42 companies and the 4.4 percent decline in the S&P 500 over the same period. We consider total shareholder return to be our report card to shareholders and are very proud to report that our return over the short and long-term has outperformed the industry and the broader market.

We also responded promptly and effectively to repeated natural disasters and took a leadership role in helping a neighboring natural gas utility address an unprecedented challenge on its system. Mother Nature was unrelenting in the challenges she threw at us in the first half of 2018. A string of three March storms – "back-to-back-to-back nor'easters" – affected customers in all three of our states and caused many of our dedicated employees to work nearly an entire month without a break, clearing tree damage and restoring power to our customers. Then, in May, four tornadoes and a half-mile-wide macro-burst tore through multiple western Connecticut towns. For Eversource employees' tireless work in all these major restorations, we received the Edison Electric Institute's "Emergency Recovery Award" for outstanding power restoration.

Our Total Return to Shareholders

	2018	3-Year	5-Year	10-Year
Eversource	**6.4%**	**40.1%**	**80.4%**	**279.4%**
EEI Index	3.7%	36.0%	68.5%	176.4%
S&P 500	-4.4%	30.4%	50.3%	243.0%

On September 13, a series of explosions and fires in the Merrimack Valley area of Massachusetts disrupted gas service for thousands of non-Eversource customers. Governor Charlie Baker took the extraordinary action of directing Eversource to step in and implement its own response plan to make the impacted area safe. I am very proud of the efforts of our employees to safeguard the residents of the affected towns.

While 2018 was a successful year, we firmly believe that our best years are still ahead of us. We continue to build the infrastructure our 4 million electric, natural gas and water customers require to receive safe and reliable service. We invested a record $2.83 billion in our core businesses in 2018. In addition to improving reliability and connecting new customers, these investments support New England's policies to sharply reduce greenhouse gas emissions.

Perhaps our most exciting clean energy development is the recent expansion of our partnership with Ørsted to develop up to 4,000 megawatts of offshore wind turbines off the coast of southwest New England. Ørsted is the largest and most successful operator of offshore wind turbines in the world, and New England has perhaps the best offshore wind sites in the United States. While commercial operation of the first of these facilities is still several years off, requiring many regulatory approvals, we consider offshore wind a significant future source of clean energy for our customers and a significant opportunity for us to grow earnings.

Our efforts to support our states' energy policies involve many company initiatives, including the nearly $500 million we invest annually to help our customers use their energy more efficiently. We are very pleased that we

maintained our position as the #1 utility in the nation for energy efficiency programs as recognized in 2018 by Ceres. The American Council for an Energy-Efficient Economy also recognized Eversource with Exemplary Energy Efficiency Program awards for our energy efficiency programs in both Massachusetts and Connecticut.

We expanded our solar capacity in Massachusetts, completing construction of an additional 62 megawatts of renewable energy in the Commonwealth. The company now has 22 solar sites in the state with the capacity to power more than 11,000 homes, avoiding nearly 190 metric tons of carbon emissions per year. The 70 megawatts from this clean energy source represents a reduction in greenhouse gas emissions equivalent to taking over 7,000 cars off the road per year.

We kicked off two new clean energy initiatives in 2018. Eversource became the first utility in Massachusetts to receive approval for grid-scale energy storage. These 50-megawatt battery storage projects will be among the largest projects of their kind in the country. They will help improve reliability on Martha's Vineyard and Cape Cod and facilitate the grid connection of distributed energy sources by their expected completion in 2020.

We also are accelerating our deployment of electric-vehicle charging infrastructure in Massachusetts. With regulatory approval of our proposal in 2018, we will invest $45 million in grid modifications over the next several years, working with qualified vendors to install fast-charging technology at strategic and high-traffic locations. This project could ultimately support thousands of individual electric-vehicle charging ports.

Diversity & Inclusion (D&I) are a part of our core values, with plans in place that will result in true business outcomes. I have signed onto "CEO Action for D&I," a nationwide effort to drive inclusiveness across all regions and industries. In each of our states, D&I Councils and Business Resource Groups have been implemented to support initiatives to integrate inclusive practices and drive accountability in all areas of our business. We have received recognition by Associated Industries of Massachusetts for diversity leadership. In addition, our Board of Trustees was recognized in 2018 by the National Association of Corporate Directors as one of only eight large-cap finalists for its Board Diversity Award.

I am very proud of our long history of partnering with local and regional community organizations. Through grants, we support economic and community development, the environment, and initiatives that address local, high-priority concerns and needs. We provided nearly $18 million in grants to nonprofit organizations and worthwhile regional activities across our tri-state service area in 2018. We devoted 30,000 employee hours in 2018 to volunteerism and have strong partnerships with key community organizations across New England, including our continued support of the Eversource Walk for Boston Children's Hospital, the Eversource Hartford Marathon, the Eversource Walk and 5K Run for Easterseals of New Hampshire, the United Way and Special Olympics.

I am excited about our future and the opportunities ahead for our evolving industry. I thank all Eversource employees for their dedication to the company and the communities we serve. I look forward to providing solutions to our region's energy challenges and truly appreciate your continued support.

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2018

or

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

For the transition period from ____________ to ____________

Commission File Number	Registrant; State of Incorporation; 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

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Eversource Energy	Common Shares, $5.00 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Each Class
The Connecticut Light and Power Company	Preferred Stock, par value $50.00 per share, issuable in series, of which the following series are outstanding:

$1.90	Series	of 1947
$2.00	Series	of 1947
$2.04	Series	of 1949
$2.20	Series	of 1949
3.90%	Series	of 1949
$2.06	Series E	of 1954
$2.09	Series F	of 1955
4.50%	Series	of 1956
4.96%	Series	of 1958
4.50%	Series	of 1963
5.28%	Series	of 1967
$3.24	Series G	of 1968
6.56%	Series	of 1968

NSTAR Electric Company	Preferred Stock, par value $100.00 per share, issuable in series, of which the following series are outstanding:

4.25%	Series	of 1956
4.78%	Series	of 1958

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

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Yes	No
☒	☐

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes	No
☐	☒

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.

Yes	No
☒	☐

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).

Yes	No
☒	☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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	☒	☐	☐	☐	☐
The Connecticut Light and Power Company	☐	☐	☒	☐	☐
NSTAR Electric Company	☐	☐	☒	☐	☐
Public Service Company of New Hampshire	☐	☐	☒	☐	☐

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):

	Yes	No
Eversource Energy	☐	☒
The Connecticut Light and Power Company	☐	☒
NSTAR Electric Company	☐	☒
Public Service Company of New Hampshire	☐	☒

The aggregate market value of Eversource Energy's Common Shares, $5.00 par value, held by non-affiliates, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of Eversource Energy's most recently completed second fiscal quarter (June 30, 2018) was $18,544,847,538 based on a closing market price of $58.61 per share for the 316,410,980 common shares outstanding held by non-affiliates on June 30, 2018.

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 January 31, 2019
Eversource Energy Common Shares, $5.00 par value	316,981,088
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	200 shares
Public Service Company of New Hampshire Common Stock, $1.00 par value	301 shares

Eversource Energy holds all of the 6,035,205 shares, 200 shares and 301 shares of the outstanding common stock of The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire, respectively.

Eversource Energy, The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire each separately file this combined Form 10-K. 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 and 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, Eversource Water Ventures, Inc. (parent company of Aquarion), and other subsidiaries, which primarily includes our unregulated businesses, HWP Company, The Rocky River Realty Company (a real estate subsidiary), the consolidated operations of CYAPC and YAEC, and Eversource parent's equity ownership interests that are not consolidated
CL&P	The Connecticut Light and Power Company
NSTAR Electric	NSTAR Electric Company
PSNH	Public Service Company of New Hampshire
PSNH Funding	PSNH Funding LLC 3, a bankruptcy remote, special purpose, wholly-owned subsidiary of PSNH
NSTAR Gas	NSTAR Gas Company
Yankee Gas	Yankee Gas Services Company
Aquarion	Eversource Aquarion Holdings, Inc. and its subsidiaries (formerly known as Macquarie Utilities Inc)
NPT	Northern Pass Transmission LLC
Northern Pass	The HVDC and associated alternating-current transmission line project from Canada into New Hampshire
Eversource Service	Eversource Energy Service Company
Bay State Wind	A project being developed jointly by Eversource and Denmark-based Ørsted (formerly known as DONG Energy) to construct an offshore wind farm off the coast of Massachusetts
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 and PSNH, the natural gas distribution businesses of Yankee Gas and NSTAR Gas, NPT, Aquarion, and the solar power facilities of NSTAR Electric
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 jointly owned by Eversource, Enbridge, Inc. ("Enbridge"), and National Grid plc ("National Grid") through Algonquin Gas Transmission, LLC ("AGT")
ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance For Funds Used During Construction
AOCI	Accumulated Other Comprehensive Income
ARO	Asset Retirement Obligation
Bcf	Billion cubic feet
C&LM	Conservation and Load Management
CfD	Contract for Differences
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

ESOP	Employee Stock Ownership Plan
Eversource 2017 Form 10-K	The Eversource Energy and Subsidiaries 2017 combined Annual Report on Form 10-K as filed with the SEC
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
MG	Million gallons
MGP	Manufactured Gas Plant
MMBtu	One million British thermal units
MMcf	Million cubic feet
Moody's	Moody's Investors Services, Inc.
MW	Megawatt
MWh	Megawatt-Hours
NEEWS	New England East-West Solution
NETOs	New England Transmission Owners (including Eversource, National Grid and Avangrid)
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
PCRBs	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PPA	Pension Protection Act
RRBs	Rate Reduction Bonds
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
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 SUBSIDIARIES

2018 FORM 10-K ANNUAL REPORT

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

References in this Annual Report on Form 10-K to "Eversource," the "Company," "we," "our," and "us" refer to Eversource Energy and its consolidated subsidiaries. CL&P, NSTAR Electric, and PSNH are each doing business as Eversource Energy.

From time to time, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance or growth and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify our forward-looking statements through the use of words or phrases such as "estimate," "expect," "anticipate," "intend," "plan," "project," "believe," "forecast," "should," "could," and other similar expressions. Forward-looking statements are based on the current expectations, estimates, assumptions or projections of management and are not guarantees of future performance. These expectations, estimates, assumptions or projections may vary materially from actual results. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause our actual results to differ materially from those contained in our forward-looking statements, including, but not limited to:

- cyberattacks or breaches, including those resulting in the compromise of the confidentiality of our proprietary information and the personal information of our customers,
- acts of war or terrorism, physical attacks or grid disturbances that may damage and disrupt our transmission and distribution systems,
- ability or inability to commence and complete our major strategic development projects and opportunities,
- actions or inaction of local, state and federal regulatory, public policy and taxing bodies,
- substandard performance of third-party suppliers and service providers,
- fluctuations in weather patterns, including extreme weather due to climate change,
- changes in business conditions, which could include disruptive technology related to our current or future business model,
- increased conservation measures of customers and development of alternative energy sources,
- contamination of, or disruption in, our water supplies,
- changes in economic conditions, including impact on interest rates, tax policies, and customer demand and payment ability,
- changes in levels or timing of capital expenditures,
- disruptions in the capital markets or other events that make our access to necessary capital more difficult or costly,
- changes in laws, regulations or regulatory policy, including compliance with environmental laws and regulations,
- changes in accounting standards and financial reporting regulations,
- actions of rating agencies, and
- other presently unknown or unforeseen factors.

Other risk factors are detailed in our reports filed with the SEC and updated as necessary, and we encourage you to consult such disclosures.

All such factors are difficult to predict and contain uncertainties that may materially affect our actual results, many of which are beyond our control. You should not place undue reliance on the forward-looking statements, as each speaks only as of the date on which such statement is made, and, except as required by federal securities laws, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. For more information, see Item 1A*, Risk Factors,* included in this combined Annual Report on Form 10-K. This Annual Report on Form 10-K also describes material contingencies and critical accounting policies in the accompanying *Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Combined Notes to Financial Statements*. We encourage you to review these items.

PART I

Item 1. Business

Please refer to the Glossary of Terms for definitions of defined terms and abbreviations used in this combined Annual Report on Form 10-K.

Eversource Energy, headquartered in Boston, Massachusetts and Hartford, Connecticut, is a public utility holding company subject to regulation by the FERC under the Public Utility Holding Company Act of 2005. We are engaged primarily in the energy delivery business through the following wholly-owned utility subsidiaries:

- The Connecticut Light and Power Company (CL&P), a regulated electric utility that serves residential, commercial and industrial customers in parts of Connecticut;
- NSTAR Electric Company (NSTAR Electric), a regulated electric utility that serves residential, commercial and industrial customers in parts of eastern and western Massachusetts and owns solar power facilities;
- Public Service Company of New Hampshire (PSNH), a regulated electric utility that serves residential, commercial and industrial customers in parts of New Hampshire;
- NSTAR Gas Company (NSTAR Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Massachusetts;
- Yankee Gas Services Company (Yankee Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Connecticut; and
- Eversource Aquarion Holdings, Inc. (Aquarion), a utility holding company that owns three separate regulated water utility subsidiaries and collectively serves residential, commercial, industrial, and municipal and fire protection customers in parts of Connecticut, Massachusetts and New Hampshire. On December 4, 2017, Eversource acquired Eversource Aquarion Holdings, Inc. and its subsidiaries (formerly known as Macquarie Utilities Inc).

CL&P, NSTAR Electric and PSNH also serve New England customers through Eversource Energy's electric transmission business. Along with NSTAR Gas and Yankee Gas, each is doing business as Eversource Energy in its respective service territory.

Eversource Energy, CL&P, NSTAR Electric and PSNH each report their financial results separately. We also include information in this report on a segment basis for Eversource Energy. Eversource Energy has four reportable segments: electric distribution, electric transmission, natural gas distribution and water distribution. These segments represent substantially all of Eversource Energy's total consolidated revenues. CL&P, NSTAR Electric and PSNH do not report separate business segments.

ELECTRIC DISTRIBUTION SEGMENT

Eversource Energy's electric distribution segment consists of the distribution businesses of CL&P, NSTAR Electric and PSNH, which are engaged in the distribution of electricity to retail customers in Connecticut, Massachusetts and New Hampshire, respectively, and the solar power facilities of NSTAR Electric, and the generation facilities of PSNH before such facilities were sold in January and August 2018.

ELECTRIC DISTRIBUTION – CONNECTICUT – THE CONNECTICUT LIGHT AND POWER COMPANY

CL&P's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2018, CL&P furnished retail franchise electric service to approximately 1.25 million customers in 149 cities and towns in Connecticut, covering an area of 4,400 square miles. CL&P does not own any electric generation facilities.

Rates

CL&P is subject to regulation by the PURA, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities. CL&P's present general rate structure consists of various rate and service classifications covering residential, commercial and industrial services. CL&P's retail rates include a delivery service component, which includes distribution, transmission, conservation, renewable energy programs and other charges that are assessed on all customers.

Under Connecticut law, all of CL&P's customers are entitled to choose their energy suppliers, while CL&P remains their electric distribution company. For those customers who do not choose a competitive energy supplier, under SS rates for customers with less than 500 kilowatts of demand (residential customers and small and medium commercial and industrial customers), and LRS rates for customers with 500 kilowatts or more of demand (larger commercial and industrial customers), CL&P purchases power under standard offer contracts and passes the cost of the purchased power to customers through a combined charge on customers' bills.

The rates established by the PURA for CL&P are comprised of the following:

- An electric GSC, which recovers energy-related costs incurred as a result of providing electric generation service supply to all customers that have not migrated to competitive energy suppliers. The GSC is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- A revenue decoupling adjustment that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by the PURA of approximately $1.1 billion, effective May 1, 2018 and May 1, 2019, and $1.2 billion, effective May 1, 2020. These pre-established levels of baseline distribution delivery service revenue requirement are also subject to adjustment at each of these dates in accordance with provisions of the April 2018 rate case settlement agreement described below.

- A distribution charge, which includes a fixed customer charge and a demand and/or energy charge to collect the costs of building and expanding the infrastructure to deliver electricity to customers, as well as ongoing operating costs to maintain the infrastructure.

- An Electric System Improvements (ESI) charge, which collects the costs of building and expanding the infrastructure to deliver electricity to customers above the level recovered through the distribution charge. The ESI also recovers costs associated with CL&P's system resiliency program. The ESI is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- An FMCC, which recovers any costs imposed by the FERC as part of the New England Standard Market Design, including locational marginal pricing, locational installed capacity payments, and any costs approved by the PURA to reduce these charges. The FMCC has both a bypassable component and a non-bypassable component, and is adjusted periodically and reconciled annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.

- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market. The transmission charge is adjusted periodically and reconciled annually to actual costs incurred, and reviewed by the PURA, with any difference refunded to, or recovered from, customers.

- A CTA charge, assessed to recover stranded costs associated with electric industry restructuring such as various IPP contracts. The CTA is reconciled annually to actual costs incurred and reviewed by the PURA, with any difference refunded to, or recovered from, customers.

- An SBC, established to fund expenses associated with various hardship and low-income programs. The SBC is reconciled annually to actual costs incurred and reviewed by the PURA, with any difference refunded to, or recovered from, customers.

- A Renewable Energy Investment Charge, which is used to promote investment in renewable energy sources. Amounts collected by this charge are deposited into the Connecticut Clean Energy Fund and administered by the Connecticut Green Bank.

- A conservation charge, comprised of both a statutory rate and Conservation Adjustment Mechanism (CAM) established to implement cost-effective energy conservation programs and market transformation initiatives. The conservation charge is reconciled annually to actual costs incurred, and reviewed by the PURA, with any difference refunded to, or recovered from, customers through an approved adjustment to the following year's energy conservation spending plan budget.

As required by regulation, CL&P, jointly with UI, entered into the following contracts whereby UI will share 20 percent and CL&P will share 80 percent of the costs and benefits (CL&P's portion of these costs are either recovered from, or refunded to, customers through the FMCC):

- Four capacity CfDs (totaling approximately 787 MW of capacity) with three electric generation units and one demand response project, which extend through 2026 and have terms of up to 15 years beginning in 2009. The capacity CfDs obligate both CL&P and UI to make or receive payments on a monthly basis to or from the project and generation owners based on the difference between a contractually set capacity price and the capacity market prices that the project and generation owners receive in the ISO-NE capacity markets.

- Three peaker CfDs (totaling approximately 500 MW of peaking capacity) with three peaking generation units. The three peaker CfDs pay the generation owners the difference between capacity, forward reserve and energy market revenues and a cost-of-service payment stream for 30 years beginning in 2008 (including costs of plant operation and the prices that the generation owners receive for capacity and other products in the ISO-NE markets).

<u>Distribution Rate Case</u>: CL&P's distribution rates were established in an April 2018 PURA-approved rate case settlement agreement with rates effective May 1, 2018. For further information, see "Regulatory Developments and Rate Matters - Connecticut" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Sources and Availability of Electric Power Supply

As noted above, CL&P does not own any generation assets and purchases energy supply to serve its SS and LRS loads from a variety of competitive sources through requests for proposals. During 2018, CL&P supplied approximately 45 percent of its customer load at SS or LRS rates while the other 55 percent of its customer load had migrated to competitive energy suppliers. In terms of the total number of CL&P customers, this equates to 28 percent being on competitive supply, while 72 percent remain with SS or LRS. Because this customer migration is only for energy supply service, it has no impact on CL&P's electric distribution business or its operating income.

CL&P periodically enters into full requirements contracts for SS loads for periods of up to one year. CL&P typically enters into full requirements contracts for LRS loads every three months. Currently, CL&P has full requirements contracts in place for 100 percent of its SS loads for the first half of 2019. For the second half of 2019, CL&P has 70 percent of its SS load under full requirements contracts and intends to purchase an additional 30 percent of full requirements. None of the SS load for 2020 has been procured. CL&P has full requirements contracts in place for its LRS loads through June 2019 and intends to purchase 100 percent of full requirements for the remainder of 2019.

ELECTRIC DISTRIBUTION – MASSACHUSETTS – NSTAR ELECTRIC COMPANY

NSTAR Electric's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2018, NSTAR Electric furnished retail franchise electric service to approximately 1.47 million customers in Boston and 139 cities and towns in eastern and western Massachusetts, including Cape Cod, Martha's Vineyard and the greater Springfield metropolitan area, covering an aggregate area of approximately 3,200 square miles. NSTAR Electric does not own any generating facilities used to supply customers and purchases its energy requirements from competitive energy suppliers.

In December 2016, the DPU approved NSTAR Electric's application to develop 62 MW of new solar power facilities in addition to the 8 MW of existing solar power facilities. Currently, NSTAR Electric owns 58 MW of solar power facilities on sites in Massachusetts that were completed from 2010 through 2018. We expect the remaining 4 MW of new facilities to be completed in 2019. Similar to NSTAR Electric’s current practice on the existing 58 MW of solar power facilities, we expect that NSTAR Electric will sell energy from the new facilities into the ISO-NE market. We estimate our investment in these new facilities will be approximately $170 million.

Rates

NSTAR Electric is subject to regulation by the DPU, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, acquisition of securities, standards of service and construction and operation of facilities. The present general rate structure for NSTAR Electric consists of various rate and service classifications covering residential, commercial and industrial services.

Under Massachusetts law, all customers of NSTAR Electric are entitled to choose their energy suppliers, while NSTAR Electric remains their electric distribution company. NSTAR Electric purchases power from competitive suppliers on behalf of, and passes the related cost through to, its customers who do not choose a competitive energy supplier (basic service). Electric distribution companies in Massachusetts are required to obtain and resell power to retail customers through basic service for those who choose not to buy energy from a competitive energy supplier. Most of the residential customers of NSTAR Electric have continued to buy their power from NSTAR Electric at basic service rates. Most commercial and industrial customers have switched to a competitive energy supplier.

The Cape Light Compact, an inter-governmental organization consisting of the 21 towns and two counties on Cape Cod and Martha's Vineyard, serves 200,000 customers through the delivery of energy efficiency programs, consumer advocacy, competitive electricity supply and green power options. NSTAR Electric continues to provide electric service to these customers including the delivery of power, maintenance of infrastructure, capital investment, meter reading, billing, and customer service.

The rates established by the DPU for NSTAR Electric are comprised of the following:

- A basic service charge that represents the collection of energy costs incurred as a result of providing electric generation service supply to all customers that have not migrated to competitive energy suppliers, including costs related to charge-offs of uncollectible energy costs from customers. Basic service rates are reset every six months (every three months for large commercial and industrial customers). Additionally, the DPU has authorized NSTAR Electric to recover the cost of its NSTAR Green wind contracts through the basic service charge. Basic service costs are reconciled annually, with any differences refunded to, or recovered from, customers.

- A distribution charge, which includes a fixed customer charge and a demand and/or energy charge to collect the costs of building and expanding the distribution infrastructure to deliver electricity to its destination, as well as ongoing operating costs.

- A revenue decoupling adjustment that reconciles annual base distribution rate recovery amounts recovered from customers to the pre-established level of baseline distribution delivery service revenue requirement approved by the DPU of approximately $956 million on an annualized basis for 2018. Effective February 1, 2018, NSTAR Electric operated entirely under a decoupled rate structure. Annual base distribution amounts are adjusted for inflation and filed for approval by the DPU on an annual basis, until the next rate case. The baseline distribution delivery service revenue requirement approved by the DPU for 2019 is $988 million.

- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market. The transmission charge is reconciled annually to actual costs incurred and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- A transition charge that represents costs to be collected primarily from previously held investments in generating plants, costs related to existing above-market power contracts, and contract costs related to long-term power contract buy-outs. The transition charge is reconciled annually to actual costs incurred and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- A renewable energy charge that represents a legislatively-mandated charge to support the Massachusetts Renewable Energy Trust Fund.

- An energy efficiency charge that represents a legislatively-mandated charge to collect costs for energy efficiency programs. The energy efficiency charge is reconciled annually to actual costs incurred and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

- Reconciling adjustment charges that recover certain DPU-approved costs, including pension and PBOP benefits, low income customer discounts, credits issued to net-metering facilities installed by customers, payments to solar facilities qualified under the state solar renewable energy target program, attorney general consultant expenses, long-term renewable contracts, company owned solar facilities, vegetation management costs, credits related to the Tax Cuts and Jobs Act of 2017, and storm restoration. These charges are reconciled annually to actual costs incurred and reviewed by the DPU, with any difference refunded to, or recovered from, customers.

As required by regulation, NSTAR Electric, along with two other Massachusetts electric utilities, signed long-term commitments to purchase a combined estimated generating capacity of approximately 101 MW of wind and solar power from one wind farm in New York (28 MW), and nine solar projects in Connecticut, Maine, New Hampshire and Rhode Island (73 MW), over 20 years. One solar project began operating in January 2019, and the other eight solar projects are scheduled to begin operating in late 2019. In addition, the one wind farm in New York is scheduled to begin operating by year end 2020.

<u>Distribution Rate Case:</u> NSTAR Electric's distribution rates were established in a 2017 DPU-approved rate case with rates effective February 1, 2018. For further information, see "Regulatory Developments and Rate Matters - Massachusetts" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

<u>Service Quality Metrics:</u> NSTAR Electric is subject to service quality ("SQ") metrics that measure safety, reliability and customer service, and could be required to pay to customers a SQ charge of up to 2.5 percent of annual transmission and distribution revenues for failing to meet such metrics. NSTAR Electric will not be required to pay a SQ charge for its 2018 performance as the company achieved results at or above target for all of its SQ metrics in 2018.

Sources and Availability of Electric Power Supply

As noted above, NSTAR Electric does not own any generation assets (other than solar power facilities) and purchases its energy requirements from a variety of competitive sources through requests for proposals issued periodically, consistent with DPU regulations. NSTAR Electric enters into supply contracts for basic service for 48 percent of its residential and small commercial and industrial ("C&I") customers twice per year for twelve-month terms. NSTAR Electric enters into supply contracts for basic service for 18 percent of large C&I customers every three months.

During 2018, NSTAR Electric supplied approximately 55 percent of its residential customer load, 33 percent of its small C&I customer load, and 8 percent of its large C&I customer load at basic service rates. The remainder of its customer load was distributed between municipal aggregation and competitive supply. Because customer migration is limited to energy supply service, it has no impact on the delivery business or operating income of NSTAR Electric.

ELECTRIC DISTRIBUTION – NEW HAMPSHIRE – PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

PSNH's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2018, PSNH furnished retail franchise electric service to approximately 519,000 retail customers in 211 cities and towns in New Hampshire, covering an area of approximately 5,630 square miles.

On January 10, 2018, PSNH completed the sale of its thermal generation assets pursuant to a 2017 purchase and sale agreement. The thermal generation facilities included approximately 1,100 MW of coal, natural gas, biomass and oil-fired electricity generation facilities. On August 26, 2018, PSNH completed the sale of its hydroelectric generation assets pursuant to a separate 2017 purchase and sale agreement. For further information, see "Generation Divestiture" below. As of December 31, 2018, PSNH does not own any electric generation facilities.

Rates

PSNH is subject to regulation by the NHPUC, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of securities, standards of service and construction and operation of facilities.

Under New Hampshire law, all of PSNH's customers are entitled to choose competitive energy suppliers. During 2018, approximately 24 percent of all of PSNH's customers (approximately 56 percent of load) were taking service from competitive energy suppliers.

The rates established by the NHPUC for PSNH are comprised of the following:

- A default energy service charge recovers energy-related costs incurred as a result of providing electric generation service supply to all customers that have not migrated to competitive energy suppliers. Through March 31, 2018, the default energy service charge recovered the costs of PSNH's generation, as well as purchased power, and included an allowed ROE of 9.81 percent. Effective April

1, 2018, as a result of the completion of the divestiture of its non-hydro generation assets, PSNH purchased power for retail customers who had not chosen a competitive supplier through a periodic market solicitation with the rate set to recover the cost of that power, statutorily mandated renewable portfolio standard costs and the continued cost associated with the ownership of the Hydro generation units until the completion of the divestiture of the hydro units in August 2018. Effective September 1, 2018, any remaining costs from ownership of generation are recovered as part of the SCRC described below.

- A distribution charge, which includes kilowatt-hour and/or demand-based charges to recover costs related to the maintenance and operation of PSNH's infrastructure to deliver power to its destination, as well as power restoration and service costs. It also includes a customer charge to collect the cost of providing service to a customer; such as the installation, maintenance, reading and replacement of meters and maintaining accounts and records.

- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market.

- An SCRC, which allows PSNH to recover its stranded costs, including above-market expenses incurred under mandated power purchase obligations, other long-term investments and obligations, and the remaining costs associated with the 2018 sales of its generation facilities.

- An SBC, which funds energy efficiency programs for all customers, as well as assistance programs for residential customers within certain income guidelines.

The default energy service charge and SCRC rates change semi-annually and the transmission and SBC rates change annually. These rates are reconciled annually in accordance with the policies and procedures of the NHPUC, with any differences refunded to, or recovered from, customers.

PSNH distribution rates were established in a settlement approved by the NHPUC in 2010. Prior to the expiration of that settlement on June 30, 2015, the NHPUC approved the continuation of those rates, and increased funding via rates, of PSNH's reliability enhancement program.

Generation Divestiture

In June 2015, Eversource and PSNH entered into the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement, pursuant to which PSNH agreed to divest its generation assets, subject to NHPUC approval. The NHPUC approved this agreement as well as the final divestiture plan and auction process in 2016. On October 11, 2017, PSNH entered into two Purchase and Sale Agreements with private investors, one to sell its thermal generation assets at a purchase price of $175 million, subject to adjustment, (the “Thermal Agreement”) and a second to sell its hydroelectric generation assets at a purchase price of $83 million, subject to adjustment (the “Hydro Agreement”). The NHPUC approved these agreements in late November 2017, at which time the Company classified these assets as held for sale.

On January 10, 2018, PSNH completed the sale of its thermal generation assets pursuant to the Thermal Agreement. In accordance with the Thermal Agreement, the original purchase price of $175 million was adjusted to reflect working capital adjustments, closing date adjustments and proration of taxes and fees prior to closing, totaling $40.9 million. In the second quarter of 2018, the purchase price was further adjusted by $17.3 million relating to the valuation of certain allowances. As a result of these adjustments, net proceeds from the sale of the thermal assets totaled $116.8 million.

On July 16, 2018, FERC issued its order approving the transfer of PSNH's six hydroelectric licenses to private investors. On August 26, 2018, PSNH completed the sale of its hydroelectric generation assets pursuant to the Hydro Agreement. In accordance with the Hydro Agreement, the original purchase price of $83 million was adjusted to reflect contractual adjustments totaling $5.8 million, resulting in net proceeds of $77.2 million. The difference between the carrying value of the hydroelectric generation assets and the sale proceeds resulted in a gain of $17.3 million. An estimated gain from the sale of these assets was included as an offset to the total remaining costs associated with the sale of generation assets that were securitized on May 8, 2018.

On May 8, 2018, PSNH Funding issued $635.7 million of securitized RRBs pursuant to a finance order issued by the NHPUC on January 30, 2018 to recover remaining costs resulting from the divestiture of PSNH’s generation assets. These RRBs are secured by a non-bypassable charge recoverable from PSNH customers. PSNH recorded regulatory assets and other deferred costs in connection with the generation asset divestiture and the securitization of remaining costs, which are probable of recovery through collection of the non-bypassable charge. For further information on the securitized RRB issuance, see "Liquidity - Rate Reduction Bonds" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Sources and Availability of Electric Power Supply

From January 1, 2018 through March 31, 2018, approximately 24 percent of PSNH's default energy service load was met through its own generation and approximately 18 percent was met through long-term power supply provided pursuant to orders of the NHPUC. The remaining 58 percent of PSNH's load was met by short-term (less than one year) purchases and spot purchases in the competitive New England wholesale power market. Included in the 58 percent are PSNH's obligations to purchase power from approximately two dozen IPPs, the output of which it either uses to serve its customer load or sells into the ISO-NE market. Beginning on April 1, 2018, 100 percent of PSNH’s default energy service load was met through purchases of energy requirements from competitive sources through requests for proposals issued periodically, consistent with NHPUC regulations.

PSNH no longer owns any generation assets and enters into supply contracts for energy service twice per year for six-month terms for 76 percent of its residential and small commercial and industrial ("C&I") customers and for 15 percent of its large C&I customers.

During 2018, PSNH supplied approximately 42 percent of its customer load at default energy service rates while the other 58 percent of its customer load had migrated to competitive energy suppliers. Because this customer migration is only for energy supply service, it has no impact on PSNH's electric distribution business or its operating income.

ELECTRIC TRANSMISSION SEGMENT

Each of CL&P, NSTAR Electric and PSNH owns and maintains transmission facilities that are part of an interstate power transmission grid over which electricity is transmitted throughout New England. Each of CL&P, NSTAR Electric and PSNH, and most other New England utilities, are parties to a series of agreements that provide for coordinated planning and operation of the region's transmission facilities and the rules by which they acquire transmission services. Under these arrangements, ISO-NE, a non-profit corporation whose board of directors and staff are independent of all market participants, serves as the regional transmission organization of the New England transmission system.

Wholesale Transmission Rates

Wholesale transmission revenues are recovered through FERC-approved formula rates. Annual transmission revenue requirements include recovery of transmission costs and include a return on equity applied to transmission rate base. Transmission revenues are collected from New England customers, including distribution customers of CL&P, NSTAR Electric and PSNH. The transmission rates provide for an annual true-up of estimated to actual costs. The financial impacts of differences between actual and estimated costs are deferred for future recovery from, or refunded to, transmission customers.

FERC ROE Complaints

Four separate complaints have been filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively the "Complainants"). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE of 10.57 percent and the maximum ROE for transmission incentive ("incentive cap") of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

In response to appeals of the FERC decision in the first complaint filed by the NETOs and the Complainants, the U.S. Court of Appeals for the D.C. Circuit issued a decision on April 14, 2017 vacating and remanding the FERC's decision. On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE. For further information, see "FERC Regulatory Matters - FERC ROE Complaints" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Transmission Projects

During 2018, we were involved in the planning, development and construction of a series of electric transmission projects, including the Greater Hartford Central Connecticut projects ("GHCC") and the Greater Boston Reliability Solutions, that will be built within the next three years and that will enhance system reliability and improve capacity. We were also involved in the planning and development of the Seacoast Reliability Project, for which the New Hampshire Site Evaluation Committee ("NHSEC") indicated its unanimous approval of the project on December 10, 2018, and subsequently issued its written decision on January 31, 2019. This project is scheduled to be completed by the end of 2019.

In March 2018, the NHSEC issued a written decision denying Northern Pass' siting application after which the Massachusetts EDCs terminated the selection of, and subsequent contract negotiations with, Northern Pass under the Massachusetts Clean Energy RFP. On April 27, 2018, NPT filed a motion for rehearing with the NHSEC and on July 12, 2018, the NHSEC issued its written decision denying Northern Pass' motion for rehearing. On August 10, 2018, NPT filed an appeal to the New Hampshire Supreme Court, alleging that the NHSEC failed to follow applicable law in its review of the project. On October 12, 2018, the New Hampshire Supreme Court accepted this appeal. Subsequently, the NHSEC transmitted the record of its proceedings to the New Hampshire Supreme Court on December 11, 2018. Briefing of the appeal began on February 4, 2019. The New Hampshire Supreme Court has not set a date for oral argument. NPT intends to continue to pursue NHSEC approval to construct this project. Consistent with Eversource's and HQ's long-term relationship to bring clean energy into New England, Eversource and HQ remain committed to Northern Pass and the many benefits this project will bring to our customers and the region. For further information, see "Business Development and Capital Expenditures - Electric Transmission Business" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Transmission Rate Base

Transmission rate base under our FERC-approved tariff primarily consists of our investment in transmission net utility plant less accumulated deferred income taxes.

Under our FERC-approved tariff, and with the exception of transmission projects that received specific FERC approval to include CWIP in rate base, transmission projects generally enter rate base after they are placed in commercial operation. At the end of 2018, our estimated transmission rate base was approximately $6.7 billion, including approximately $3.0 billion at CL&P, $2.7 billion at NSTAR Electric, and $920 million at PSNH.

NATURAL GAS DISTRIBUTION SEGMENT

NSTAR Gas distributes natural gas to approximately 296,000 customers in 51 communities in central and eastern Massachusetts covering 1,067 square miles, and Yankee Gas distributes natural gas to approximately 237,000 customers in 72 cities and towns in Connecticut covering 2,187 square miles. Total throughput (sales and transportation) in 2018 was approximately 70.1 Bcf for NSTAR Gas and 58.6 Bcf for Yankee Gas. Our natural gas businesses provide firm natural gas sales and transportation service to eligible retail customers who require a continuous natural gas supply throughout the year, such as residential customers who rely on natural gas for heating, hot water and cooking needs, as well as commercial and industrial customers that rely on natural gas for space heating, hot water, cooking and commercial and industrial applications.

A portion of the storage of natural gas supply for NSTAR Gas during the winter heating season is provided by Hopkinton LNG Corp., an indirect, wholly-owned subsidiary of Eversource Energy. NSTAR Gas has access to Hopkinton LNG Corp. facilities in Hopkinton, Massachusetts consisting of a LNG liquefaction and vaporization plant and three above-ground cryogenic storage tanks having an aggregate capacity of 3.0 Bcf of liquefied natural gas. NSTAR Gas also has access to Hopkinton LNG Corp. facilities in Acushnet, Massachusetts that include additional storage capacity of 0.5 Bcf. Total vaporization capacity of these facilities is 0.21 Bcf per day. Yankee Gas owns a 1.2 Bcf LNG facility in Waterbury, Connecticut, which also has the ability to liquefy and vaporize up to 0.1 Bcf per day. This facility is used primarily to assist Yankee Gas in meeting its supplier-of-last-resort obligations and also enables it to provide economic supply and make economic refill of natural gas, typically during periods of low demand.

NSTAR Gas and Yankee Gas generate revenues primarily through the sale and/or transportation of natural gas. While all NSTAR Gas customers have the ability to choose to transport natural gas, in the past year, transportation represented only about two percent of the total residential load, while transportation represented about 56 percent of the total commercial and industrial load. Retail natural gas service in Connecticut is partially unbundled: residential customers in Yankee Gas' service territory buy natural gas supply and delivery only from Yankee Gas while commercial and industrial customers may choose their natural gas suppliers. NSTAR Gas offers firm transportation service to all customers who purchase natural gas from sources other than NSTAR Gas while Yankee Gas offers firm transportation service to its commercial and industrial customers who purchase natural gas from sources other than Yankee Gas. NSTAR Gas offers interruptible transportation and interruptible natural gas sales service to high volume commercial and industrial customers. Yankee Gas offers interruptible transportation and interruptible natural gas sales service to commercial and industrial customers that have the ability to switch from natural gas to an alternate fuel on short notice. NSTAR Gas and Yankee Gas can interrupt service to these customers during peak demand periods or at any other time to maintain distribution system integrity.

Rates

NSTAR Gas and Yankee Gas are subject to regulation by the DPU and the PURA, respectively, which, among other things, have jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities.

Retail natural gas delivery and supply rates are established by the DPU and the PURA and are comprised of:

- A distribution charge consisting of a fixed customer charge and a demand and/or energy charge that collects the costs of building, maintaining, and expanding the natural gas infrastructure to deliver natural gas supply to its customers. This also includes collection of ongoing operating costs.

- A seasonal cost of gas adjustment clause ("CGAC") at NSTAR Gas that collects natural gas supply costs, pipeline and storage capacity costs, costs related to charge-offs of uncollected energy costs and working capital related costs. The CGAC is reset semi-annually with any difference being recovered from, or refunded to, customers during the following corresponding season. In addition, NSTAR Gas files interim changes to its CGAC factor when the actual costs of natural gas supply vary from projections by more than five percent.

- A local distribution adjustment clause ("LDAC") at NSTAR Gas that collects all energy efficiency and related program costs, environmental costs, pension and PBOP related costs, attorney general consultant costs, and costs associated with low income customers. The LDAC is reset annually with any difference being recovered from, or refunded to, customers during the following period and provides for the recovery of certain costs applicable to both sales and transportation customers.

- A Purchased Gas Adjustment ("PGA") clause, which is evaluated monthly and allows Yankee Gas to recover the costs of the procurement of natural gas for its firm and seasonal customers. Differences between actual natural gas costs and collection amounts on August 31st of each year are deferred and then recovered from, or refunded to, customers during the following year. Carrying charges on outstanding balances are calculated using Yankee Gas' weighted average cost of capital in accordance with the directives of the PURA.

- Conservation Adjustment Mechanism ("CAM") at Yankee Gas, which allows 100 percent recovery of conservation costs through this mechanism including program incentives to promote energy efficiency, as well as recovery of any lost revenues associated with implementation of energy conservation measures. A reconciliation of CAM revenues to expenses is performed annually with any difference being recovered from, or refunded to, customers with carrying charges during the following year.

NSTAR Gas purchases financial contracts based on the New York Mercantile Exchange ("NYMEX") natural gas futures in order to reduce cash flow variability associated with the price for approximately one-third of its normal winter season natural gas supplies. These purchases are made under a program approved by the DPU in 2006. This practice attempts to minimize the impact of fluctuations in natural gas prices to NSTAR Gas' firm natural gas customers. These financial contracts do not procure natural gas supply. All costs incurred or benefits realized when these contracts are settled are included in the CGAC.

NSTAR Gas is subject to SQ metrics that measure safety, reliability and customer service and could be required to pay to customers a SQ charge of up to 2.5 percent of annual distribution revenues for failing to meet such metrics. NSTAR Gas will not be required to pay a SQ charge for its 2018 performance as it achieved results at or above target for all of its SQ metrics in 2018.

NSTAR Gas distribution rates were set in its 2015 DPU approved rate case. Yankee Gas distribution rates were set in a December 2018 PURA approved rate case settlement agreement, with rates effective November 15, 2018.

The 2018 Yankee Gas settlement agreement required Yankee Gas to implement a Distribution Integrity Management Program ("DIMP") cost recovery mechanism to further invest capital to replace aging infrastructure. The DIMP mechanism allows for recovery of costs associated with capital additions of approximately $26 million to $37 million annually, which is incremental to the $150 million included in base distribution rate base per year. The settlement agreement also provides Yankee Gas the opportunity to seek recovery of additional capital spending above these levels with PURA approval. PURA ordered an accelerated replacement program for Yankee Gas to fully replace its cast iron and bare steel facilities in 11 years and fully replace copper services and certain steel mains and services in 14 years. Yankee Gas was also authorized to continue its ongoing natural gas system expansion program, implement a revenue decoupling rate mechanism, and recover merger costs. The settlement agreement included a regulatory ROE of 9.3 percent. In addition, the distribution rates charged to customers were adjusted to reflect the prospective impacts of the lower federal corporate income tax rate, the overcollection of the lower income tax rate from January 1, 2018, and the EDIT from the Tax Cuts and Jobs Act. Although new rates were effective January 1, 2019, the provisions of the settlement agreement took effect November 15, 2018. For further information on the 2018 Yankee Gas settlement agreement, see "Regulatory Developments and Rate Matters - Connecticut" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Natural Gas Replacement and Expansion

Massachusetts: On July 7, 2014, Massachusetts enacted "An Act Relative to Natural Gas Leaks". This act established a uniform natural gas leak classification standard for all Massachusetts natural gas utilities and a program that accelerates the replacement of aging natural gas infrastructure. The program enabled companies, including NSTAR Gas, to better manage the scheduling and costs of replacement. The act also called for the DPU to authorize natural gas utilities to design and offer programs to customers that will increase the availability, affordability and feasibility of natural gas service for new customers.

In October of each year, pursuant to the act, NSTAR Gas files the Gas System Enhancement Program ("GSEP") with the DPU for the following construction year. NSTAR Gas' program accelerates the replacement of certain natural gas distribution facilities in the system to less than 25 years. The GSEP includes a tariff that provides NSTAR Gas an opportunity to collect the costs for the program on an annual basis through a reconciling factor. On April 30th each year, the DPU approves the GSEP rate recovery factor that goes into effect on May 1st.

Connecticut: In 2013, in accordance with Connecticut law and regulations, the PURA approved a comprehensive joint natural gas infrastructure expansion plan (the "Expansion Plan") filed by Yankee Gas and other Connecticut natural gas distribution companies. In January 2015, the PURA approved a joint settlement agreement proposed by Yankee Gas and other Connecticut natural gas distribution companies and regulatory agencies that clarified the procedures and oversight criteria applicable to the Expansion Plan. Yankee Gas has received approval from PURA for its 2014, 2015 and 2016 System Expansion Reconciliations as of November 2017. Yankee Gas filed its 2017 System Expansion Reconciliation in March 2018 and is awaiting PURA review. Yankee Gas intends to file its 2018 System Expansion Reconciliation on March 15, 2019.

Sources and Availability of Natural Gas Supply

NSTAR Gas maintains a flexible resource portfolio consisting of natural gas supply contracts, transportation contracts on interstate pipelines, market area storage and peaking services. NSTAR Gas purchases transportation, storage, and balancing services from Tennessee Gas Pipeline Company and Algonquin Gas Transmission Company, as well as other upstream pipelines that transport natural gas from major natural gas producing regions in the U.S., including the Gulf Coast, Mid-continent region, and Appalachian Shale supplies to the final delivery points in the NSTAR Gas service area. NSTAR Gas purchases all of its natural gas supply under a firm, competitively bid annual portfolio management contract. In addition to the firm transportation and natural gas storage supplies discussed above, NSTAR Gas utilizes on-system LNG facilities to meet its winter peaking demands. These LNG facilities, described below, are located within NSTAR Gas' distribution system and are used to liquefy and store pipeline natural gas during the warmer months for vaporization and use during the heating season. During the summer injection season, excess pipeline capacity and supplies are used to deliver and store natural gas in market area underground storage facilities located in Maryland and Pennsylvania. Stored natural gas is withdrawn during the winter season to supplement flowing pipeline supplies in order to meet firm heating demand. NSTAR Gas has firm underground storage contracts and total storage capacity entitlements of approximately 6.6 Bcf, of which 3.5 Bcf LNG storage is provided by Hopkinton LNG Corp. in facilities located in Hopkinton and Acushnet, MA.

The PURA requires Yankee Gas to meet the needs of its firm customers under all weather conditions. Specifically, Yankee Gas must structure its supply portfolio to meet firm customer needs under a design day scenario (defined as the coldest day in 30 years) and under a design year scenario (defined as the average of the four coldest years in the last 30 years). Yankee Gas also maintains a flexible resource portfolio consisting of natural gas supply contracts, transportation contracts on interstate pipelines, off-system storage and its on-system 1.2 Bcf LNG storage facility to meet consumption needs during the coldest days of winter. Yankee Gas obtains its interstate capacity from the three interstate pipelines that directly serve Connecticut: the Algonquin, Tennessee and Iroquois Pipelines, which connect to other upstream pipelines that transport natural gas from major natural gas producing regions, including the Gulf Coast, Mid-continent, Canadian regions and Appalachian Shale supplies.

Based on information currently available regarding projected growth in demand and estimates of availability of future supplies of pipeline natural gas, each of NSTAR Gas and Yankee Gas believes that participation in planned and anticipated pipeline and storage expansion projects will be required in order for it to meet current and future sales growth opportunities.

WATER DISTRIBUTION SEGMENT

Eversource Water Ventures, Inc., a Connecticut corporation, through its wholly-owned subsidiary, Eversource Aquarion Holdings, Inc. (Aquarion), operates three separate regulated water utilities in Connecticut (Aquarion Water Company of Connecticut, or “AWC-CT”), Massachusetts (Aquarion Water Company of Massachusetts, or “AWC-MA”) and New Hampshire (Aquarion Water Company of New Hampshire, or “AWC-NH”). These regulated companies provide water services to approximately 228,000 residential, commercial, industrial, municipal and fire protection and other customers, in 59 towns and cities in Connecticut, Massachusetts and New Hampshire. As of December 31, 2018, approximately 87 percent of Aquarion’s customers were based in Connecticut.

Rates

Aquarion's water utilities are subject to regulation by the PURA, the DPU and the NHPUC in Connecticut, Massachusetts and New Hampshire, respectively. These regulatory agencies, have jurisdiction over, among other things, rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities.

Aquarion’s general rate structure consists of various rate and service classifications covering residential, commercial, industrial, and municipal and fire protection services.

The rates established by the PURA, DPU and NHPUC are comprised of the following:

- A base rate, which is comprised of fixed charges based on meter/fire connection sizes, as well as volumetric charges based on the amount of water sold. Together these charges are designed to recover the full cost of service resulting from a general rate proceeding.

- In Connecticut, a revenue adjustment mechanism (“RAM”) that reconciles earned revenues, with certain allowed adjustments, on an annual basis, to the revenue requirement approved by the PURA in AWC-CT’s last rate case (2013), which is an annual amount of $177.9 million.

- In Connecticut and New Hampshire, a water infrastructure conservation adjustment (“WICA”) charge, which is applied between rate case proceedings and seeks recovery of allowed costs associated with WICA-eligible capital projects placed in-service. The WICA is updated semi-annually in Connecticut and annually in New Hampshire.

- In Massachusetts, treatment plant surcharges, which are a series of three surcharges in Massachusetts (one fixed and two volumetric in nature) that are designed to recover certain operating costs and the costs of the lease of the treatment plant located in Hingham. These surcharges are applicable only to customers in Hingham, Hull and Cohasset.

Sources and Availability of Water Supply

Our water utilities obtain their water supplies from owned surface water sources (reservoirs) and groundwater supplies (wells) with a total supply yield of approximately 131 million gallons per day, as well as water purchased from other water suppliers. Approximately 98 percent of our annual production is self-supplied and processed at 10 surface water treatment plants and numerous well stations, which are all located in Connecticut, Massachusetts, and New Hampshire.

The capacities of Aquarion’s sources of supply, and water treatment, pumping and distribution facilities, are considered sufficient to meet the present requirements of Aquarion’s customers under normal conditions. On occasion, drought declarations are issued for portions of Aquarion’s service territories in response to extended periods of dry weather conditions.

OFFSHORE WIND PROJECTS

Bay State Wind is an offshore wind project being jointly developed by Eversource and Denmark-based Ørsted. Bay State Wind is located in a 300-square-mile area of the Atlantic Ocean approximately 25 miles south of the coast of Massachusetts and has the ultimate potential to generate at least 2,000 MW of clean, renewable energy. Eversource and Ørsted each hold a 50 percent ownership interest in Bay State Wind. Bay State Wind has previously submitted proposals, and expects to participate in future solicitations, for offshore wind in Connecticut, Massachusetts, New York and Rhode Island based on each state's clean energy requirements.

On February 8, 2019, Eversource and Ørsted entered into a 50-50 partnership for key offshore wind assets in the Northeast. Eversource paid approximately $225 million for a 50 percent interest in Ørsted’s Revolution Wind and South Fork Wind power projects, as well as the 257-square-mile tract off the coasts of Massachusetts and Rhode Island. Revolution Wind is a 700 MW offshore wind power project located approximately 15 miles south of the Rhode Island coast, and South Fork Wind is approximately a 130 MW offshore wind power project located 35 miles east of Long Island. Subject to permitting, finalized power purchase agreements, where applicable, further development, and final investment decisions by Ørsted and Eversource, Revolution Wind is expected to be commissioned in 2023 and South Fork Wind is expected by the end of 2022.

For more information, see "Business Development and Capital Expenditures – Offshore Wind Projects" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

NATURAL GAS TRANSMISSION PROJECT

Access Northeast is a natural gas pipeline and storage project jointly owned by Eversource, Enbridge, Inc. ("Enbridge") and National Grid plc ("National Grid"), through Algonquin Gas Transmission, LLC ("AGT"). Eversource owns a 40 percent interest in the project, which is accounted for as an equity method investment. In 2018, management determined that the future cash flows of the Access Northeast project were uncertain and could no longer be reasonably estimated and that the book value of our equity method investment was not recoverable. As a result, Eversource recorded an other-than-temporary impairment of $32.9 million pre-tax within Other Income, Net on our statement of income in 2018, which represented the full carrying value of our equity method investment. For more information, see "Business Development and Capital Expenditures – Natural Gas Transmission Project" in the accompanying Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

PROJECTED CAPITAL EXPENDITURES

We project to make capital expenditures of $12.75 billion from 2019 through 2023, of which we expect $8.06 billion to be in our electric and natural gas distribution segments, $3.35 billion to be in our electric transmission segment and $0.62 billion to be in our water distribution segment. We also project to invest $0.72 billion in information technology and facilities upgrades and enhancements. These projections do not include any expected investments related to NPT or offshore wind projects.

FINANCING

Our credit facilities and indentures require that Eversource parent and certain of its subsidiaries, including CL&P, NSTAR Electric, PSNH, NSTAR Gas, Yankee Gas, and Aquarion, comply with certain financial and non-financial covenants as are customarily included in such agreements, including maintaining a ratio of consolidated debt to total capitalization of no more than 65 percent. All of these companies currently are, and expect to remain, in compliance with these covenants.

As of December 31, 2018, $801.1 million of Eversource's long-term debt, including $350.0 million, $250.0 million, $150.0 million, $50.0 million and $1.1 million for Eversource parent, CL&P, PSNH, Yankee Gas and Aquarion, respectively, will mature within the next 12 months.

NUCLEAR FUEL STORAGE

CL&P, NSTAR Electric, PSNH, and several other New England electric utilities are stockholders in three inactive regional nuclear generation companies, CYAPC, MYAPC and YAEC (collectively, the Yankee Companies). The Yankee Companies have completed the physical decommissioning of their respective generation facilities and are now engaged in the long-term storage of their spent nuclear fuel. The Yankee Companies have completed collection of their decommissioning and closure costs through the proceeds from the spent nuclear fuel litigation against the DOE and have refunded amounts to their member companies. These proceeds were used by the Yankee Companies to offset the decommissioning and closure cost amounts due from their member companies or to decrease the wholesale FERC-approved rates charged under power purchase agreements with CL&P, NSTAR Electric and PSNH and several other New England utilities. The decommissioning rates charged by the Yankee Companies have been reduced to zero. CL&P, NSTAR Electric and PSNH can recover these costs from, or refund proceeds to, their customers through state regulatory commission-approved retail rates.

We consolidate the assets and obligations of CYAPC and YAEC on our consolidated balance sheet because our ownership and voting interests are more than 50 percent of each of these companies.

OTHER REGULATORY AND ENVIRONMENTAL MATTERS

General

We are regulated in virtually all aspects of our business by various federal and state agencies, including FERC, the SEC, and various state and/or local regulatory authorities with jurisdiction over the industry and the service areas in which each of our companies operates, including the PURA, which has jurisdiction over CL&P, Yankee Gas, and Aquarion, the NHPUC, which has jurisdiction over PSNH and Aquarion, and the DPU, which has jurisdiction over NSTAR Electric, NSTAR Gas, and Aquarion.

Environmental Regulation

We are subject to various federal, state and local requirements with respect to water quality, air quality, toxic substances, hazardous waste and other environmental matters. Additionally, major generation and transmission facilities may not be constructed or significantly modified without a review of the environmental impact of the proposed construction or modification by the applicable federal or state agencies.

Renewable Portfolio Standards

Each of the states in which we do business also has Renewable Portfolio Standards ("RPS") requirements, which generally require fixed percentages of our energy supply to come from renewable energy sources such as solar, wind, hydropower, landfill gas, fuel cells and other similar sources.

New Hampshire's RPS provision requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2018, the total RPS obligation was 18.7 percent and it will ultimately reach 25.2 percent in 2025. The costs of the RECs are recovered by PSNH through rates charged to customers.

Similarly, Connecticut's RPS statute requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2018, the total RPS obligation was 25 percent and will ultimately reach 38 percent in 2020. CL&P is permitted to recover any costs incurred in complying with RPS from its customers through its GSC rate.

Massachusetts' RPS program also requires electricity suppliers to meet renewable energy standards. For 2018, the requirement was 23.365 percent, and will ultimately reach 37.75 percent in 2020. NSTAR Electric is permitted to recover any costs incurred in complying with RPS from its customers through rates. NSTAR Electric also owns renewable solar power facilities. The RECs generated from NSTAR Electric's solar power facilities are sold to other energy suppliers, and the proceeds from these sales are credited back to customers.

Hazardous Materials Regulations

We have recorded a liability for what we believe, based upon currently available information, is our reasonably estimable environmental investigation, remediation, and/or Natural Resource Damages costs for waste disposal sites for which we have probable liability. Under federal and state law, government agencies and private parties can attempt to impose liability on us for recovery of investigation and remediation costs at hazardous waste sites. As of December 31, 2018, the liability recorded for our reasonably estimable and probable environmental remediation costs for known sites needing investigation and/or remediation, exclusive of recoveries from insurance or from third parties, was $64.7 million, representing 60 sites. These costs could be significantly higher if additional remediation becomes necessary or when additional information as to the extent of contamination becomes available.

The most significant liabilities currently relate to future clean-up costs at former MGP facilities. These facilities were owned and operated by our predecessor companies from the mid-1800's to mid-1900's. By-products from the manufacture of gas using coal resulted in fuel oils, hydrocarbons, coal tar, purifier wastes, metals and other waste products that may pose a potential risk to human health and the environment. We currently have partial or full ownership responsibilities at former MGP sites that have a reserve balance of $50.1 million of the total $64.7 million as of December 31, 2018. MGP costs are recoverable through rates charged to our customers.

Electric and Magnetic Fields

For more than twenty years, published reports have discussed the possibility of adverse health effects from electric and magnetic fields ("EMF") associated with electric transmission and distribution facilities and appliances and wiring in buildings and homes. Although weak health risk associations reported in some epidemiology studies remain unexplained, most researchers, as well as numerous scientific review panels, considering all significant EMF epidemiology and laboratory studies, have concluded that the available body of scientific information does not support the conclusion that EMF affects human health.

In accordance with recommendations of various regulatory bodies and public health organizations, we reduce EMF associated with new transmission lines by the use of designs that can be implemented without additional cost or at a modest cost. We do not believe that other capital expenditures are appropriate to minimize unsubstantiated risks.

Global Climate Change and Greenhouse Gas Emission Issues

Global climate change and greenhouse gas emission issues have received an increased focus from state governments and the federal government. The EPA initiated a rulemaking addressing greenhouse gas emissions and, on December 7, 2009, issued a finding that concluded that greenhouse gas emissions are "air pollution" that endangers public health and welfare and should be regulated. The EPA has mandated greenhouse gas emission reporting beginning in 2011 for emissions for certain aspects of our business including volume of gas supplied to large customers and fugitive emissions of SF6 gas and methane.

We are continually evaluating the regulatory risks and regulatory uncertainty presented by climate change concerns. Such concerns could potentially lead to additional rules and regulations that impact how we operate our general utility business. These could include federal "cap and trade" laws, carbon taxes, and fuel and energy taxes. We expect that any costs of these rules and regulations would be recovered from customers.

EMPLOYEES

As of December 31, 2018, Eversource Energy employed a total of 7,998 employees, excluding temporary employees, of which 1,307 were employed by CL&P, 1,618 were employed by NSTAR Electric, and 736 were employed by PSNH. Approximately 50 percent of our employees are members of the International Brotherhood of Electrical Workers, the Utility Workers Union of America or The United Steelworkers, and are covered by nine collective bargaining agreements.

INTERNET INFORMATION

Our website address is www.eversource.com. We make available through our website a link to the SEC's EDGAR website (http://www.sec.gov/edgar/searchedgar/companysearch.html), at which site Eversource's, CL&P's, NSTAR Electric's and PSNH's combined Annual Reports on Form 10-K, combined Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports may be reviewed. Information contained on the Company's website or that can be accessed through the website is not incorporated into and does not constitute a part of this Annual Report on Form 10-K. Printed copies of these reports may be obtained free of charge by writing to our Investor Relations Department at Eversource Energy, 107 Selden Street, Berlin, CT 06037.

Item 1A. Risk Factors

In addition to the matters set forth under "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995" included immediately prior to Item 1, *Business,* above, we are subject to a variety of significant risks. Our susceptibility to certain risks, including those discussed in detail below, could exacerbate other risks. These risk factors should be considered carefully in evaluating our risk profile.

Cyberattacks could severely impair operations, negatively impact our business, lead to the disclosure of confidential information and adversely affect our reputation.

A successful cyberattack on the information technology systems that control our transmission and distribution systems or other assets could impair or prevent us from managing these systems and facilities, operating our systems effectively, or properly managing our data, networks and programs. The breach of certain information technology systems could adversely affect our ability to correctly record, process and report financial information. A major cyber incident could result in significant expenses to investigate and to repair system damage or security breaches and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation.

We have instituted safeguards to protect our information technology systems and assets. We devote substantial resources to network and application security, encryption and other measures to protect our computer systems and infrastructure from unauthorized access or misuse and interface with numerous external entities to improve our cybersecurity situational awareness. The FERC, through the North American Electric Reliability Corporation, requires certain safeguards to be implemented to deter cyberattacks. These safeguards may not always be effective due to the evolving nature of cyberattacks. We maintain limited cyber insurance to cover damages and defense costs related to breaches of networks or operational technology.

Any such cyberattacks could result in loss of service to customers and a significant decrease in revenues, which could have a material adverse impact on our financial position, results of operations and cash flows.

Acts of war or terrorism, both threatened and actual, or physical attacks could adversely affect our ability to operate our systems and could adversely affect our financial results and liquidity.

Acts of war or terrorism, both threatened and actual, or actual physical attacks that damage our transmission and distribution systems or other assets could negatively impact our ability to transmit or distribute energy, distribute water, or operate our systems efficiently or at all. Because our electric transmission systems are part of an interconnected regional grid, we face the risk of blackout due to grid disturbances or disruptions on a neighboring interconnected system. If our assets were physically damaged and were not recovered in a timely manner, it could result in a loss of service to customers and a significant decrease in revenues.

Any such acts of war or terrorism, physical attacks or grid disturbances could result in a significant decrease in revenues, significant expense to repair system damage, costs associated with governmental actions in response to such attacks, and liability claims, all of which could have a material adverse impact on our financial position, results of operations and cash flows.

Strategic development opportunities may not be successful and projects may not commence operation as scheduled or be completed, which could have a material adverse effect on our business prospects.

We are pursuing broader strategic development investment opportunities that will benefit the New England region related to the construction of electric transmission facilities, off-shore wind electric generation facilities, interconnections to generating resources and other investment opportunities. The development of these activities involve numerous risks. Various factors could result in increased costs or result in delays or cancellation of these projects. Risks include regulatory approval processes, new legislation, economic events or factors, environmental and community concerns, design and siting issues, difficulties in obtaining required rights of way, competition from incumbent utilities and other entities, and actions of strategic partners. Should any of these factors result in such delays or cancellations, our financial position, results of operations, and cash flows could be adversely affected or our future growth opportunities may not be realized as anticipated.

As a result of legislative and regulatory changes, the states in which we provide service have implemented new selection procedures for new major electric transmission, natural gas pipeline, off-shore wind and other clean energy facilities. These procedures require the review of competing projects and permit the selection of only those projects that are expected to provide the greatest benefit to customers. If the projects in which we have invested are not selected for construction, or even if our projects are selected, then legislative or regulatory actions could result in our projects not being probable of entering the construction phase, which could have a material adverse effect on our future financial position, results of operations and cash flows.

The actions of regulators and legislators can significantly affect our earnings, liquidity and business activities.

The rates that our electric, natural gas and water companies charge their customers are determined by their state regulatory commissions and by the FERC. These commissions also regulate the companies' accounting, operations, the issuance of certain securities and certain other matters. The FERC also regulates the transmission of electric energy, the sale of electric energy at wholesale, accounting, issuance of certain securities and certain other matters.

Under state and federal law, our electric, natural gas and water companies are entitled to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs and a reasonable ROE, to attract needed capital and maintain their financial integrity, while also protecting relevant public interests. Each of these companies prepares and submits periodic rate filings with their respective regulatory commissions for review and approval. As a result of a catastrophic event not involving Eversource, regulators and legislators could impose additional requirements resulting in additional costs to the Company.

The FERC has jurisdiction over our transmission costs recovery and our allowed ROEs. Certain outside parties have filed four complaints against all electric companies under the jurisdiction of ISO-NE alleging that our allowed ROEs are unjust and unreasonable. An adverse decision in any of these four complaints could adversely affect our financial position, results of operations and cash flows.

FERC's policy has encouraged competition for transmission projects, even within existing service territories of electric companies. Implementation of FERC's goals, including within our service territories, may expose us to competition for construction of transmission projects, additional regulatory considerations, and potential delay with respect to future transmission projects, which may adversely affect our results of operations.

There is no assurance that regulators will approve the recovery of all costs incurred by our electric, natural gas and water companies, including costs for construction, operation and maintenance, as well as a reasonable return on their respective regulated assets. The amount of costs incurred by the companies, coupled with increases in fuel and energy prices, could lead to consumer or regulatory resistance to the timely recovery of such costs, thereby adversely affecting our financial position, results of operations and cash flows.

We outsource certain business functions to third-party suppliers and service providers, and substandard performance by those third parties could harm our business, reputation and results of operations.

We outsource certain services to third parties in areas including information technology, transaction processing, human resources, payroll and payroll processing and other operational areas. Outsourcing of services to third parties could expose us to substandard quality of service delivery or substandard deliverables, which may result in missed deadlines or other timeliness issues, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, which could negatively impact our results of operations. We also continue to pursue enhancements to standardize our systems and processes. If any difficulties in the operation of these systems were to occur, they could adversely affect our results of operations, or adversely affect our ability to work with regulators, unions, customers or employees.

The effects of climate change, including severe storms, could cause significant damage to any of our facilities requiring extensive expenditures, the recovery for which is subject to approval by regulators.

Climate change creates physical and financial risks. Physical risks from climate change may include an increase in sea levels and changes in weather conditions, such as changes in precipitation and extreme weather events including drought. Customers’ energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. For water customers, conservation measures imposed by the communities we serve could impact water usage. To the extent weather conditions are affected by climate change, customers’ energy and water usage could increase or decrease depending on the duration and magnitude of the changes.

Severe weather, such as ice and snow storms, hurricanes and other natural disasters, may cause outages and property damage, which may require us to incur additional costs that may not be recoverable from customers. The cost of repairing damage to our operating subsidiaries' facilities and the potential disruption of their operations due to storms, natural disasters or other catastrophic events could be substantial, particularly as regulators and customers demand better and quicker response times to outages. If, upon review, any of our state regulatory authorities finds that our actions were imprudent, some of those restoration costs may not be recoverable from customers. The inability to recover a significant amount of such costs could have an adverse effect on our financial position, results of operations and cash flows.

Our transmission and distribution systems may not operate as expected, and could require unplanned expenditures, which could adversely affect our financial position, results of operations and cash flows.

Our ability to properly operate our transmission and distribution systems is critical to the financial performance of our business. Our transmission and distribution businesses face several operational risks, including the breakdown, failure of, or damage to operating equipment, information technology systems, or processes, especially due to age; labor disputes; disruptions in the delivery of electricity, natural gas and water, including impacts on us or our customers; increased capital expenditure requirements, including those due to environmental regulation; catastrophic events such as fires, explosions, or other similar occurrences; extreme weather conditions beyond equipment and plant design capacity; other unanticipated operations and maintenance expenses and liabilities; and potential claims for property damage or personal injuries beyond the scope of our insurance coverage. Many of our transmission projects are expected to alleviate identified reliability issues and reduce customers' costs. However, if the in-service date for one or more of these projects is delayed due to economic events or factors, or regulatory or other delays, the risk of failures in the electricity transmission system may increase. Any failure of our transmission and distribution systems to operate as planned may result in increased capital costs, reduced earnings or unplanned increases in operation and maintenance costs. The inability to recover a significant amount of such costs could have an adverse effect on our financial position, results of operations and cash flows.

New technology, conservation measures and alternative energy sources could adversely affect our operations and financial results.

Advances in technology that reduce the costs of alternative methods of producing electric energy to a level that is competitive with that of current electric production methods, could result in loss of market share and customers, and may require us to make significant expenditures to remain competitive. These changes in technology could also alter the channels through which electric customers buy or utilize energy, which could reduce our revenues or increase our expenses. Economic downturns or periods of high energy supply costs typically can lead to the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency and self-generation by customers. Customers' increased use of energy efficiency measures, distributed generation and energy storage technology could result in lower demand. Similarly, mandatory water conservation imposed by regulators due to drought conditions could result in lower demand for water. Reduced demand for electricity due to energy efficiency measures and the use of distributed generation, and reduced demand for water due to mandatory or voluntary conservation efforts, to the extent not substantially offset through ratemaking or decoupling mechanisms, could have a material adverse effect on our financial condition, results of operations and cash flows.

The unauthorized access to and the misappropriation of confidential and proprietary customer, employee, financial or system operating information could adversely affect our business operations and adversely impact our reputation.

In the regular course of business, we maintain sensitive customer, employee, financial and system operating information and are required by various federal and state laws to safeguard this information. Cyber intrusions, security breaches, theft or loss of this information by cybercrime or otherwise could lead to the release of critical operating information or confidential customer or employee information, which could adversely affect our business operations or adversely impact our reputation, and could result in significant costs, fines and litigation. We maintain limited privacy protection liability insurance to cover limited damages and defense costs arising from unauthorized disclosure of, or failure to protect, private information, as well as costs for notification to, or for credit card monitoring of, customers, employees and other persons in the event of a breach of private information. This insurance covers amounts paid to avert, prevent or stop a network attack or the disclosure of personal information, and costs of a qualified forensics firm to determine the cause, source and extent of a network attack or to investigate, examine and analyze our network to find the cause, source and extent of a data breach. While we have implemented measures designed to prevent network attacks and mitigate their effects should they occur, these measures may not be effective due to the continually evolving nature of efforts to access confidential information.

Contamination of our water supplies, the failure of dams on reservoirs providing water to our customers, or requirements to repair, upgrade or dismantle any of these dams, may disrupt our ability to distribute water to our customers and result in substantial additional costs, which could adversely affect our financial condition, and results of operations.

Our water supplies, including water provided to our customers, are subject to possible contamination from naturally occurring compounds or man-made substances.

Our water systems include impounding dams and reservoirs of various sizes. Although we believe our dams are structurally sound and well-maintained, significant damage to these facilities, or a significant decrease in the water in our reservoirs, could adversely affect our ability to provide water to our customers until the facilities and a sufficient amount of water in our reservoirs can be restored. A failure of a dam could result in personal injuries and downstream property damage for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers. Any losses or liabilities incurred due to a failure of one of our dams may not be covered by existing insurance, may exceed such insurance coverage limits, or may not be recoverable in rates. Any such losses may make it difficult for us to obtain insurance at acceptable rates in the future, and may have a material adverse effect on our financial condition, results of operations and cash flows.

Our goodwill is valued and recorded at an amount that, if impaired and written down, could adversely affect our future operating results and total capitalization.

We have a significant amount of goodwill on our consolidated balance sheet, which, as of December 31, 2018, totaled $4.4 billion. The carrying value of goodwill represents the fair value of an acquired business in excess of the fair value of identifiable assets and liabilities as of the acquisition date. We test our goodwill balances for impairment on an annual basis or whenever events occur or circumstances change that would indicate a potential for impairment. A determination that goodwill is deemed to be impaired would result in a non-cash charge that could materially adversely affect our financial position, results of operations and total capitalization. The annual goodwill impairment test in 2018 resulted in a conclusion that our goodwill was not impaired.

Eversource Energy and its utility subsidiaries are exposed to significant reputational risks, which make them vulnerable to increased regulatory oversight or other sanctions.

Because utility companies, including our electric, natural gas and water utility subsidiaries, have large customer bases, they are subject to adverse publicity focused on the reliability of their distribution services and the speed with which they are able to respond to electric outages, natural gas leaks and similar interruptions caused by storm damage or other unanticipated events. Adverse publicity of this nature could harm the reputations of Eversource Energy and its subsidiaries; may make state legislatures, utility commissions and other regulatory authorities less likely to view them in a favorable light; and may cause them to be subject to less favorable legislative and regulatory outcomes or increased regulatory oversight. Unfavorable regulatory outcomes can include more stringent laws and regulations governing our operations, such as reliability and customer service quality standards or vegetation management requirements, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material adverse effect on the business, financial position, results of operations and cash flows of Eversource Energy and each of its utility subsidiaries.

Limits on our access to and increases in the cost of capital may adversely impact our ability to execute our business plan.

We use short-term debt and the long-term capital markets as a significant source of liquidity and funding for capital requirements not obtained from our operating cash flow. If access to these sources of liquidity becomes constrained, our ability to implement our business strategy could be adversely affected. In addition, higher interest rates would increase our cost of borrowing, which could adversely impact our results of operations. A downgrade of our credit ratings or events beyond our control, such as a disruption in global capital and credit markets, could increase our cost of borrowing and cost of capital or restrict our ability to access the capital markets and negatively affect our ability to maintain and to expand our businesses.

Our counterparties may not meet their obligations to us or may elect to exercise their termination rights, which could adversely affect our earnings.

We are exposed to the risk that counterparties to various arrangements who owe us money, have contracted to supply us with energy or other commodities or services, or who work with us as strategic partners, including on significant capital projects, will not be able to perform their obligations, will terminate such arrangements or, with respect to our credit facilities, fail to honor their commitments. Should any of these counterparties fail to perform their obligations or terminate such arrangements, we might be forced to replace the underlying commitment at higher market prices and/or have to delay the completion of, or cancel a capital project. Should any lenders under our credit facilities fail to perform, the level of borrowing capacity under those arrangements could decrease. In any such events, our financial position, results of operations, or cash flows could be adversely affected.

Costs of compliance with environmental laws and regulations may increase and have an adverse effect on our business and results of operations.

Our subsidiaries' operations are subject to extensive federal, state and local environmental statutes, rules and regulations that govern, among other things, water quality, water discharges, the management of hazardous and solid waste, and air emissions. Compliance with these requirements requires us to incur significant costs relating to environmental monitoring, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with existing legal requirements or legal requirements not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have an adverse impact on our business and our financial position, results of operations and cash flows.

For further information, see Item 1, *Business - Other Regulatory and Environmental Matters*, included in this Annual Report on Form 10-K.

Market performance or changes in assumptions may require us to make significant contributions to our pension and other postretirement benefit plans.

We provide a defined benefit pension plan and other postretirement benefits for a substantial number of employees, former employees and retirees. Our future pension obligations, costs and liabilities are highly dependent on a variety of factors, many of which are beyond our control. These factors include estimated investment returns, interest rates, discount rates, health care cost trends, benefit changes, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs could increase significantly. In addition, various factors, including underperformance of plan investments and changes in law or regulation, could increase the amount of contributions required to fund our pension plan in the future. Additional large funding requirements, when combined with the financing requirements of our construction program, could impact the timing and amount of future financings and negatively affect our financial position, results of operations and cash flows. For further information, see Note 10A, "Employee Benefits - Pensions and Postretirement Benefits Other Than Pension," to the financial statements.

The loss of key personnel or the inability to hire and retain qualified employees could have an adverse effect on our business, financial position and results of operations.

Our operations depend on the continued efforts of our employees. Retaining key employees and maintaining the ability to attract new employees are important to both our operational and financial performance. We cannot guarantee that any member of our management or any key employee at the Eversource parent or subsidiary level will continue to serve in any capacity for any particular period of time. In addition, a significant portion of our workforce in our subsidiaries, including many workers with specialized skills maintaining and servicing the electric, natural gas and water infrastructure, will be eligible to retire over the next five to ten years. Such highly skilled individuals cannot be quickly replaced due to the technically complex work they perform. We have developed strategic workforce plans to identify key functions and proactively implement plans to assure a ready and qualified workforce, but we cannot predict the impact of these plans on our ability to hire and retain key employees.

As a holding company with no revenue-generating operations, Eversource parent's liquidity is dependent on dividends from its subsidiaries, its commercial paper program, and its ability to access the long-term debt and equity capital markets.

Eversource parent is a holding company and as such, has no revenue-generating operations of its own. Its ability to meet its debt service obligations and to pay dividends on its common shares is largely dependent on the ability of its subsidiaries to pay dividends to or repay borrowings from Eversource parent, and/or Eversource parent's ability to access its commercial paper program or the long-term debt and equity capital markets. Prior to funding Eversource parent, the subsidiary companies have financial obligations that must be satisfied, including among others, their operating expenses, debt service, preferred dividends of certain subsidiaries, and obligations to trade creditors. Additionally, the subsidiary companies could retain their free cash flow to fund their capital expenditures in lieu of receiving equity contributions from Eversource parent. Should the subsidiary companies not be able to pay dividends or repay funds due to Eversource parent, or if Eversource parent cannot access its commercial paper programs or the long-term debt and equity capital markets, Eversource parent's ability to pay interest, dividends and its own debt obligations would be restricted.

Item 1B. Unresolved Staff Comments

We do not have any unresolved SEC staff comments.

Item 2. Properties

Transmission and Distribution System

As of December 31, 2018, Eversource and our electric operating subsidiaries owned the following:

Eversource	Electric Distribution	Electric Transmission
Number of substations owned	495	74
Transformer capacity (in kVa)	43,632,000	16,149,000
Overhead lines (in circuit miles)	40,542	3,949
Capacity range of overhead transmission lines (in kV)	N/A	69 to 345
Underground lines (in circuit miles)	17,453	405
Capacity range of underground transmission lines (in kV)	N/A	69 to 345

	CL&P		NSTAR Electric		PSNH	
	Distribution	Transmission	Distribution	Transmission	Distribution	Transmission
Number of substations owned	181	20	174	34	140	20
Transformer capacity (in kVa)	21,752,000	3,633,000	17,568,000	7,465,000	4,312,000	5,051,000
Overhead lines (in circuit miles)	16,930	1,675	11,413	1,233	12,199	1,041
Capacity range of overhead transmission lines (in kV)	N/A	69 to 345	N/A	69 to 345	N/A	115 to 345
Underground lines (in circuit miles)	6,673	137	8,814	267	1,966	1
Capacity range of underground transmission lines (in kV)	N/A	69 to 345	N/A	115 to 345	N/A	115

	Eversource	CL&P	NSTAR Electric	PSNH
Underground and overhead line transformers in service	627,046	290,640	170,964	165,442
Aggregate capacity (in kVa)	36,601,452	15,855,590	14,157,211	6,588,651

Electric Generating Plants

On January 10, 2018, Eversource and PSNH completed the sale of PSNH's thermal generation assets, including steam, internal combustion and biomass units. The sale of hydroelectric generation assets was completed on August 26, 2018. See Note 13, "Generation Asset Sale," in the accompanying Item 8, *Financial Statements and Supplementary Data* for further information.

As of December 31, 2018, NSTAR Electric owned the following solar power facilities:

Type of Plant	Number of Sites	Year Installed	Claimed Capability** (kilowatts)
Solar Fixed Tilt, Photovoltaic	20	2010 - 2018	58,100

** Claimed capability represents the direct current nameplate capacity of the plants.

CL&P does not own any electric generating plants.

Natural Gas Distribution System

As of December 31, 2018, Yankee Gas owned 28 active gate stations, 199 district regulator stations, and approximately 3,398 miles of natural gas main pipeline. Yankee Gas also owns a liquefaction and vaporization plant and above ground storage tank with a storage capacity equivalent of 1.2 Bcf of natural gas in Waterbury, Connecticut.

As of December 31, 2018, NSTAR Gas owned 21 active gate stations, 164 district regulator stations, and approximately 3,299 miles of natural gas main pipeline. Hopkinton, another subsidiary of Eversource, owns a satellite vaporization plant and above ground storage tanks in Acushnet, MA (0.5 Bcf of natural gas). In addition, Hopkinton owns a liquefaction and vaporization plant with above ground storage tanks in Hopkinton, MA (3.0 Bcf of natural gas). Combined, the two plants' tanks have an aggregate storage capacity equivalent to 3.5 Bcf of natural gas that is provided to NSTAR Gas under contract.

Water Distribution System

Aquarion’s properties consist of water transmission and distribution mains and associated valves, hydrants and service lines, water treatment plants, pumping facilities, wells, tanks, meters, dams, reservoirs, buildings, and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage, and distribution of water.

As of December 31, 2018, Aquarion owned and operated sources of water supply with a combined yield of approximately 131 million gallons per day; 3,625 miles of transmission and distribution mains; 10 surface water treatment plants; 31 dams; and 107 wellfields.

Franchises

CL&P Subject to the power of alteration, amendment or repeal by the General Assembly of Connecticut and subject to certain approvals, permits and consents of public authority and others prescribed by statute, CL&P has, subject to certain exceptions not deemed material, valid franchises free from burdensome restrictions to provide electric transmission and distribution services in the respective areas in which it is now supplying such service.

In addition to the right to provide electric transmission and distribution services as set forth above, the franchises of CL&P include, among others, limited rights and powers, as set forth under Connecticut law and the special acts of the General Assembly constituting its charter, to manufacture, generate, purchase and/or sell electricity at retail, including to provide Standard Service, Supplier of Last Resort service and backup service, to sell electricity at wholesale and to erect and maintain certain facilities on public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. The franchises of CL&P include the power of eminent domain. Connecticut law prohibits an electric distribution company from owning or operating generation assets. However, under "An Act Concerning Electricity and Energy Efficiency," enacted in 2007, an electric distribution company, such as CL&P, is permitted to purchase an existing electric generating plant located in Connecticut that is offered for sale, subject to prior approval from the PURA and a determination by the PURA that such purchase is in the public interest.

NSTAR Electric Through its charter, which is unlimited in time, NSTAR Electric has the right to engage in the business of delivering and selling electricity within its respective service territory, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon electric companies under Massachusetts laws. The locations in public ways for electric transmission and distribution lines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases, the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, no other entity may provide electric delivery service to retail customers within NSTAR Electric service territory without the written consent of NSTAR Electric. This consent must be filed with the DPU and the municipality so affected. The franchises of NSTAR Electric include the power of eminent domain, obtained through application to the DPU.

The Massachusetts restructuring legislation defines service territories as those territories actually served on July 1, 1997 and following municipal boundaries to the extent possible. The restructuring legislation further provides that until terminated by law or otherwise, distribution companies shall have the exclusive obligation to serve all retail customers within their service territories and no other person shall provide distribution service within such service territories without the written consent of such distribution companies.

PSNH The NHPUC, pursuant to statutory requirements, has issued orders granting PSNH exclusive franchises to distribute electricity in the respective areas in which it is now supplying such service.

In addition to the right to distribute electricity as set forth above, the franchises of PSNH include, among others, rights and powers to manufacture, generate, purchase, and transmit electricity, to sell electricity at wholesale to other utility companies and municipalities and to erect and maintain certain facilities on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. PSNH's status as a public utility gives it the ability to petition the NHPUC for the right to exercise eminent domain for distribution services and for transmission eligible for regional cost allocation.

PSNH is also subject to certain regulatory oversight by the Maine Public Utilities Commission and the Vermont Public Utility Commission.

NSTAR Gas Through its charter, which is unlimited in time, NSTAR Gas has the right to engage in the business of delivering and selling natural gas within its respective service territory, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon natural gas companies under Massachusetts laws. The locations in public ways for natural gas distribution pipelines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases, the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, no other entity may provide natural gas delivery service to retail customers within the NSTAR Gas service territory without the written consent of NSTAR Gas. This consent must be filed with the DPU and the municipality so affected.

Yankee Gas Yankee Gas holds valid franchises to sell natural gas in the areas in which Yankee Gas supplies natural gas service, which it acquired either directly or from its predecessors in interest. Generally, Yankee Gas holds franchises to serve customers in areas designated by those franchises as well as in most other areas throughout Connecticut so long as those areas are not occupied and served by another natural gas utility under a valid franchise of its own or are not subject to an exclusive franchise of another natural gas utility or by consent. Yankee Gas' franchises are perpetual but remain subject to the power of alteration, amendment or repeal by the General Assembly of the State of Connecticut, the power of revocation by the PURA and certain approvals, permits and consents of public authorities and others prescribed by statute. Generally, Yankee Gas' franchises include, among other rights and powers, the right and power to manufacture, generate, purchase, transmit and distribute natural gas and to erect and maintain certain facilities on public highways and grounds, and the right of eminent domain, all subject to such consents and approvals of public authorities and others as may be required by law.

Aquarion Water Company of Connecticut AWC-CT derives its rights and franchises to operate from special acts of the Connecticut General Assembly and subject to certain approvals, permits and consents of public authority and others prescribed by statute and by its charter, AWC-CT has, with minor exceptions, solid franchises free from burdensome restrictions and unlimited as to time, and is authorized to sell potable water in the towns (or parts thereof) in which water is now being supplied by AWC-CT.

In addition to the right to sell water as set forth above, the franchises of AWC-CT include rights and powers to erect and maintain certain facilities on public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law. Under the Connecticut General Statutes, AWC-CT may, upon payment of compensation, take and use such lands, springs, streams or ponds, or such rights or interests therein as the Connecticut Superior Court, upon application, may determine is necessary to enable AWC-CT to supply potable water for public or domestic use in its franchise areas.

Aquarion Water Company of Massachusetts Through its charters, which are unlimited in time, AWC-MA has the right to engage in the business of distributing and selling water within its service territories, and has the power incidental thereto and is entitled to all the rights and privileges of and subject to the duties imposed upon water companies under Massachusetts laws. AWC-MA has the right to construct and maintain its mains and distribution pipes in and under any public ways and to take and hold water within its respective service territories. Subject to DPU regulation, AWC-MA has the right to establish and fix rates for use of the water distributed and to establish reasonable regulations regarding the same. Certain of the towns within our service area have the right, at any time, to purchase the corporate property and all rights and privileges of AWC-MA according to pricing formulas and procedures specifically described in AWC-MA's respective charters and in compliance with Massachusetts law.

Aquarion Water Company of New Hampshire The NHPUC, pursuant to statutory law, has issued orders granting and affirming AWC-NH’s exclusive franchise to own, operate, and manage plant and equipment and any part of the same, for the conveyance of water for the public located within its franchise territory. That franchise territory encompasses the towns of Hampton, North Hampton and Rye. Subject to NHPUC’s regulations, AWC-NH has the right to establish and fix rates for use of the water distributed and to establish reasonable regulations regarding the same.

In addition to the right to provide water supply, the franchise also allows AWC-NH to sell water at wholesale to other water utilities and municipalities and to construct plant and equipment and maintain such plant and equipment on certain public highways and grounds, all subject to such consents and approvals of public authority and others as may be required by law.

AWC-NH's status as a regulated public utility gives it the ability to petition the NHPUC for the right to exercise eminent domain for the establishment of plant and equipment. It can also petition the NHPUC for exemption from the operation of any local ordinance when certain utility structures are reasonably necessary for the convenience or welfare of the public and the local conditions, and, if the purpose of the structure relates to water supply withdrawal, the exemption is recommended by the New Hampshire Department of Environmental Services.

Item 3. Legal Proceedings

1. Yankee Companies v. U.S. Department of Energy

DOE Phase I Damages - In 1998, the Yankee Companies filed separate complaints against the DOE in the Court of Federal Claims seeking monetary damages resulting from the DOE's failure to begin accepting spent nuclear fuel for disposal by January 31, 1998 pursuant to the terms of the 1983 spent fuel and high-level waste disposal contracts between the Yankee Companies and the DOE ("DOE Phase I Damages"). Phase I covered damages for the years 1998 through 2002. Following multiple appeals and cross-appeals in December 2012, the judgment awarding $39.6 million, $38.3 million and $81.7 million to CYAPC, YAEC and MYAPC, respectively, became final.

In January 2013, the proceeds from the DOE Phase I Damages Claim were received by the Yankee Companies and transferred to each Yankee Company's respective decommissioning trust.

In June 2013, FERC approved CYAPC, YAEC and MYAPC to reduce rates in their wholesale power contracts through the application of the DOE proceeds for the benefit of customers. Changes to the terms of the wholesale power contracts became effective on July 1, 2013. In accordance with the FERC order, CL&P, NSTAR Electric and PSNH began receiving the benefit of the DOE proceeds, and the benefits have been passed on to customers.

On September 17, 2014, in accordance with the MYAPC refund plan, MYAPC returned a portion of the DOE Phase I Damages proceeds to the member companies, including CL&P, NSTAR Electric and PSNH, in the amount of $3.2 million, $1.9 million and $1.4 million, respectively.

DOE Phase II Damages - In December 2007, the Yankee Companies each filed subsequent lawsuits against the DOE seeking recovery of actual damages incurred related to the alleged failure of the DOE to provide for a permanent facility to store spent nuclear fuel generated in years 2001 through 2008 for CYAPC and YAEC and from 2002 through 2008 for MYAPC ("DOE Phase II Damages"). In November 2013, the court issued a final judgment awarding $126.3 million, $73.3 million, and $35.8 million to CYAPC, YAEC and MYAPC, respectively. On January 14, 2014, the Yankee Companies received a letter from the U.S. Department of Justice stating that the DOE will not appeal the court's final judgment.

In March and April 2014, CYAPC, YAEC and MYAPC received payment of $126.3 million, $73.3 million and $35.8 million, respectively, of the DOE Phase II Damages proceeds and made the required informational filing with FERC in accordance with the process and methodology outlined in the 2013 FERC order. The Yankee Companies returned the DOE Phase II Damages proceeds to the member companies, including CL&P, NSTAR Electric and PSNH, for the benefit of their respective customers, on June 1, 2014. Refunds to CL&P's, NSTAR Electric's and PSNH's customers for these DOE proceeds began in the third quarter of 2014 and all refunds under these proceedings have been disbursed.

DOE Phase III Damages - In August 2013, the Yankee Companies each filed subsequent lawsuits against the DOE seeking recovery of actual damages incurred in the years 2009 through 2012 ("DOE Phase III"). The DOE Phase III trial concluded on July 1, 2015, followed by a post-trial briefing that concluded on October 4, 2015. On March 25, 2016, the court issued its decision and awarded CYAPC, YAEC and MYAPC damages of $32.6 million, $19.6 million and $24.6 million, respectively. In total, the Yankee Companies were awarded $76.8 million of the $77.9 million in damages sought in the DOE Phase III. The decision became final on July 18, 2016, and the Yankee Companies received the awards from the DOE on October 14, 2016. The Yankee Companies received FERC approval of their proposed distribution of certain amounts of the awarded damages proceeds to member companies, including CL&P, NSTAR Electric and PSNH, which CYAPC and MYAPC made in December 2016. MYAPC also refunded $56.5 million from its spent nuclear fuel trust, a portion of which was also refunded to the Eversource utility subsidiaries. In total, Eversource received $26.1 million, of which CL&P, NSTAR Electric and PSNH received $13.6 million, $8.6 million and $3.9 million, respectively. These amounts have been refunded to the customers of the respective Eversource utility subsidiaries.

DOE Phase IV Damages - On May 22, 2017, each of the Yankee Companies filed subsequent lawsuits against the DOE in the Court of Federal Claims seeking monetary damages totaling approximately $100 million for CYAPC, YAEC and MYAPC, resulting from the DOE's failure to begin accepting spent nuclear fuel for disposal covering the years from 2013 to 2016 (“DOE Phase IV”). On February 21, 2019, the Yankee Companies received a partial summary judgment and partial final judgment in their favor for the undisputed amount of monetary damages, which is the vast majority of the damages being sought. The DOE Phase IV trial for the remaining amount of damages is expected to begin in 2019.

2. Other Legal Proceedings

For further discussion of legal proceedings, see Item 1, *Business:* "– Electric Distribution Segment," "– Electric Transmission Segment," and "– Natural Gas Distribution Segment" for information about various state and federal regulatory and rate proceedings, civil lawsuits related thereto, and information about proceedings relating to power, transmission and pricing issues; "– Nuclear Fuel Storage" for information related to nuclear waste; and "– Other Regulatory and Environmental Matters" for information about proceedings involving toxic substances and hazardous waste, electric and magnetic fields, and other matters. In addition, see Item 1A, *Risk Factors*, for general information about several significant risks.

Item 4. Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the executive officers of Eversource Energy as of February 26, 2019. All of the Company's officers serve terms of one year and until their successors are elected and qualified:

Name	Age	Title
James J. Judge	63	President and Chief Executive Officer
Philip J. Lembo	63	Executive Vice President and Chief Financial Officer
Gregory B. Butler	61	Executive Vice President and General Counsel
Christine M. Carmody	56	Executive Vice President-Human Resources and Information Technology
Joseph R. Nolan, Jr.	55	Executive Vice President-Customer and Corporate Relations
Leon J. Olivier	71	Executive Vice President-Enterprise Energy Strategy and Business Development
Werner J. Schweiger	59	Executive Vice President and Chief Operating Officer
Jay S. Buth	49	Vice President, Controller and Chief Accounting Officer

James J. Judge. Mr. Judge has served as Chairman of the Board, President and Chief Executive Officer of Eversource Energy since May 3, 2017; as a Trustee of Eversource Energy and as Chairman of CL&P, NSTAR Electric and PSNH since May 4, 2016; and as Chairman, President and Chief Executive Officer of Eversource Service and Chairman of NSTAR Gas and Yankee Gas since May 9, 2016. Mr. Judge has served as a Director of CL&P, PSNH, Yankee Gas and Eversource Service since April 10, 2012; of NSTAR Electric and NSTAR Gas since September 27, 1999; and of Eversource Aquarion Holdings, Inc. Previously, Mr. Judge served as President and Chief Executive Officer of Eversource Energy from May 4, 2016 until May 3, 2017; and as Executive Vice President and Chief Financial Officer of Eversource Energy, CL&P, NSTAR Electric and PSNH from April 10, 2012 until May 4, 2016; of NSTAR Gas, Yankee Gas and Eversource Service from April 10, 2012 until May 9, 2016. Mr. Judge has served as Chairman of the Board of Eversource Energy Foundation, Inc. since May 9, 2016; and as a Director since April 10, 2012. He previously served as Treasurer of Eversource Energy Foundation, Inc. from April 10, 2012 until May 9, 2016. He has served as a Trustee of the NSTAR Foundation since December 12, 1995.

Philip J. Lembo. Mr. Lembo has served as Executive Vice President and Chief Financial Officer of Eversource Energy since May 3, 2017; and of CL&P, NSTAR Electric, NSTAR Gas, PSNH, Yankee Gas and Eversource Service since March 31, 2017. Mr. Lembo has served as a Director of CL&P, NSTAR Electric and PSNH since May 4, 2016; of NSTAR Gas, Yankee Gas and Eversource Service since May 9, 2016; and of Eversource Aquarion Holdings, Inc. Mr. Lembo previously served as Executive Vice President, Chief Financial Officer and Treasurer of Eversource Energy from August 8, 2016 until May 3, 2017; of CL&P, NSTAR Electric, PSNH, NSTAR Gas, Yankee Gas and Eversource Service from August 8, 2016 until March 31, 2017; as Senior Vice President, Chief Financial Officer and Treasurer of Eversource Energy, CL&P, NSTAR Electric and PSNH from May 4, 2016 until August 8, 2016; and of NSTAR Gas, Yankee Gas and Eversource Service from May 9, 2016 until August 8, 2016; as Vice President and Treasurer of Eversource Energy, CL&P and PSNH from April 10, 2012 until May 4, 2016; and of Yankee Gas and Eversource Service from April 10, 2012 until May 9, 2016. Mr. Lembo served as Vice President and Treasurer of NSTAR Electric and NSTAR Gas from March 29, 2006 until May 4, 2016. Mr. Lembo has served as a Director of Eversource Energy Foundation, Inc. since May 9, 2016. He previously served as Treasurer of Eversource Energy Foundation, Inc. from May 9, 2016 until March 31, 2017. He has served as a Trustee of the NSTAR Foundation since May 9, 2016.

Gregory B. Butler. Mr. Butler has served as Executive Vice President and General Counsel of Eversource Energy, CL&P, NSTAR Electric, NSTAR Gas, PSNH, Yankee Gas and Eversource Service since August 8, 2016. Mr. Butler has served as a Director of NSTAR Electric and NSTAR Gas since April 10, 2012; of Eversource Service since November 27, 2012; of CL&P, PSNH and Yankee Gas since April 22, 2009; and of Eversource Aquarion Holdings, Inc. Mr. Butler previously served as Senior Vice President and General Counsel of Eversource Energy from May 1, 2014 until August 8, 2016; of NSTAR Electric and NSTAR Gas from April 10, 2012 until August 8, 2016; of CL&P, PSNH, Yankee Gas and

Eversource Service from March 9, 2006 until August 8, 2016; and as Senior Vice President, General Counsel and Secretary of Eversource Energy from April 10, 2012 until May 1, 2014. He has served as a Director of Eversource Energy Foundation, Inc. since December 1, 2002. He has been a Trustee of the NSTAR Foundation since April 10, 2012.

Christine M. Carmody. Ms. Carmody has served as Executive Vice President-Human Resources and Information Technology of Eversource Energy and Eversource Service since August 8, 2016. Ms. Carmody has served as a Director of Eversource Service since November 27, 2012. Previously Ms. Carmody served as Senior Vice President-Human Resources of Eversource Energy from May 4, 2016 until August 8, 2016; of Eversource Service from April 10, 2012 until August 8, 2016; as Senior Vice President-Human Resources of CL&P, PSNH and Yankee Gas from November 27, 2012 until September 29, 2014; of NSTAR Electric and NSTAR Gas from August 1, 2008 until September 29, 2014; and as a Director of CL&P, PSNH and Yankee Gas from April 10, 2012 until September 29, 2014; and of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014. Ms. Carmody has served as a Director of Eversource Energy Foundation, Inc. since April 10, 2012. She has served as a Trustee of the NSTAR Foundation since August 1, 2008.

Joseph R. Nolan, Jr. Mr. Nolan has served as Executive Vice President-Customer and Corporate Relations of Eversource Energy and Eversource Service since August 8, 2016. Mr. Nolan has served as a Director of Eversource Service since November 27, 2012. Previously Mr. Nolan served as Senior Vice President-Corporate Relations of Eversource Energy from May 4, 2016 until August 8, 2016; of Eversource Service from April 10, 2012 to August 8, 2016; of NSTAR Electric and NSTAR Gas from April 10, 2012 until September 29, 2014; and of CL&P, PSNH and Yankee Gas from November 27, 2012 until September 29, 2014. Mr. Nolan previously served as a Director of CL&P, PSNH and Yankee Gas from April 10, 2012 until September 29, 2014; and of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014. Mr. Nolan has served as a Director of Eversource Energy Foundation, Inc. since April 10, 2012, and as Executive Director of Eversource Energy Foundation, Inc. since October 15, 2013. He has served as a Trustee of the NSTAR Foundation since October 1, 2000.

Leon J. Olivier. Mr. Olivier has served as Executive Vice President-Enterprise Energy Strategy and Business Development of Eversource Energy since September 2, 2014; and of Eversource Service since August 11, 2014. Mr. Olivier has served as a Director of Eversource Service since January 17, 2005. Mr. Olivier previously served as Executive Vice President and Chief Operating Officer of Eversource Energy from May 13, 2008 until September 2, 2014; of Eversource Service from May 13, 2008 until August 11, 2008; as Chief Executive Officer of NSTAR Electric and NSTAR Gas from April 10, 2012 until August 11, 2014; of CL&P, PSNH and Yankee Gas from January 15, 2007 until August 11, 2014; as a Director of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014; of PSNH and Yankee Gas from January 17, 2005 until September 29, 2014; and of CL&P from September 10, 2001 until September 29, 2014. He has served as a Director of Eversource Energy Foundation, Inc. since April 1, 2006. Mr. Olivier has served as a Trustee of the NSTAR Foundation since April 10, 2012.

Werner J. Schweiger. Mr. Schweiger has served as Executive Vice President and Chief Operating Officer of Eversource Energy since September 2, 2014; of Eversource Service since August 11, 2014; and as Chief Executive Officer of CL&P, NSTAR Electric, NSTAR Gas, PSNH and Yankee Gas since August 11, 2014. Mr. Schweiger has served as a Director of Eversource Service, NSTAR Gas and Yankee Gas since September 29, 2014; and of CL&P, PSNH and NSTAR Electric since May 28, 2013. He previously served as President of CL&P from June 2, 2015 until June 27, 2016; as President of NSTAR Gas and Yankee Gas from September 29, 2014 until November 10, 2014; as President-Electric Distribution of Eversource Service from January 16, 2013 until August 11, 2014; as President of NSTAR Electric from April 10, 2012 until January 16, 2013; and as a Director of NSTAR Electric from November 27, 2012 until January 16, 2013. Mr. Schweiger has served as a Director of Eversource Energy Foundation, Inc. since September 29, 2014. He has served as a Trustee of the NSTAR Foundation since September 29, 2014.

Jay S. Buth. Mr. Buth has served as Vice President, Controller and Chief Accounting Officer of Eversource Energy, CL&P, NSTAR Electric, NSTAR Gas, PSNH, Yankee Gas and Eversource Service since April 10, 2012.

PART II

Item 5. Market for the Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

Our common shares are listed on the New York Stock Exchange. The ticker symbol is "ES." There is no established public trading market for the common stock of CL&P, NSTAR Electric and PSNH. All of the common stock of CL&P, NSTAR Electric and PSNH is held solely by Eversource.

(b) Holders

As of January 31, 2019, there were 35,874 registered common shareholders of our company on record. As of the same date, there were a total of 316,981,088 shares outstanding.

(c) Dividends

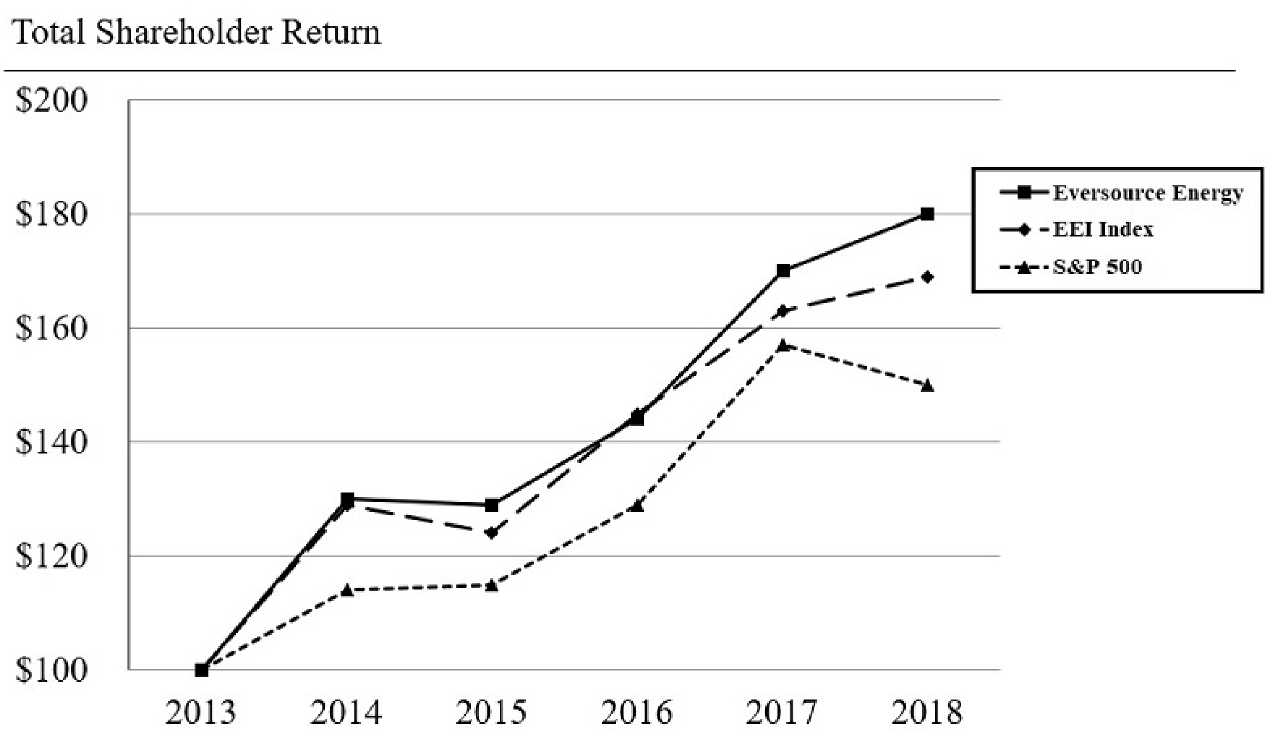
Information with respect to dividends and dividend restrictions for Eversource, CL&P, NSTAR Electric and PSNH is contained in Item 8, *Financial Statements and Supplementary Data*, in the *Combined Notes to Financial Statements*, within this Annual Report on Form 10-K.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under equity compensation plans, see Item 12, *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*, included in this Annual Report on Form 10-K.

(e) Performance Graph

The performance graph below illustrates a five-year comparison of cumulative total returns based on an initial investment of $100 in 2013 in Eversource Energy common stock, as compared with the S&P 500 Stock Index and the EEI Index for the period 2013 through 2018, assuming all dividends are reinvested.



	December 31,					
	2013	2014	2015	2016	2017	2018
Eversource Energy	$100	$130	$129	$144	$170	$180
EEI Index	$100	$129	$124	$145	$163	$169
S&P 500	$100	$114	$115	$129	$157	$150

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table discloses purchases of our common shares made by us or on our behalf for the periods shown below. The common shares purchased consist of open market purchases made by the Company or an independent agent. These share transactions related to shares awarded under the company's incentive plan and dividend reinvestment plan and matching contributions under the Eversource 401k Plan.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans and Programs (at month end)
October 1 - October 31, 2018	95,834	$ 61.32	—	—
November 1 - November 30, 2018	2,248	64.62	—	—
December 1 - December 31, 2018	180,526	64.42	—	—
Total	278,608	$ 63.36	—	—

Item 6. Selected Consolidated Financial Data

Eversource Selected Consolidated Financial Data (Unaudited)

(Thousands of Dollars, except percentages and common share information)	2018	2017	2016	2015	2014
Balance Sheet Data:					
Property, Plant and Equipment, Net	$ 25,610,428	$ 23,617,463	$ 21,350,510	$ 19,892,441	$ 18,647,041
Total Assets	38,241,256	36,220,386	32,053,173	30,580,309	29,740,387
Common Shareholders' Equity	11,486,817	11,086,242	10,711,734	10,352,215	9,976,815
Noncontrolling Interest - Preferred Stock of Subsidiaries	155,570	155,570	155,568	155,568	155,568
Long-Term Debt [(a)]	13,086,062	12,325,520	9,603,237	9,034,457	8,851,600
Obligations Under Capital Leases [(a)]	10,735	9,898	8,924	8,222	9,434
Income Statement Data:					
Operating Revenues	$ 8,448,201	$ 7,751,952	$ 7,639,129	$ 7,954,827	$ 7,741,856
Net Income	$ 1,040,519	$ 995,515	$ 949,821	$ 886,004	$ 827,065
Net Income Attributable to Noncontrolling Interests	7,519	7,519	7,519	7,519	7,519
Net Income Attributable to Common Shareholders	$ 1,033,000	$ 987,996	$ 942,302	$ 878,485	$ 819,546
Common Share Data:					
Net Income Attributable to Common Shareholders:					
Basic Earnings Per Common Share	$ 3.25	$ 3.11	$ 2.97	$ 2.77	$ 2.59
Diluted Earnings Per Common Share	$ 3.25	$ 3.11	$ 2.96	$ 2.76	$ 2.58
Dividends Declared Per Common Share	$ 2.02	$ 1.90	$ 1.78	$ 1.67	$ 1.57
Market Price - Closing (end of year) [(b)]	$ 65.04	$ 63.18	$ 55.23	$ 51.07	$ 53.52
Book Value Per Common Share (end of year)	$ 36.25	$ 34.98	$ 33.80	$ 32.64	$ 31.47
Tangible Book Value Per Common Share (end of year) [(c)]	$ 22.27	$ 21.00	$ 22.70	$ 21.54	$ 20.37
Rate of Return Earned on Average Common Equity (%) [(d)]	9.2	9.1	9.0	8.7	8.4
Market-to-Book Ratio (end of year) [(e)]	1.8	1.8	1.6	1.6	1.7

(a) Includes portions due within one year.
(b) Market price information reflects closing prices as reflected by the New York Stock Exchange.
(c) Common Shareholders' Equity adjusted for goodwill and intangibles divided by total common shares outstanding.
(d) Net Income Attributable to Common Shareholders divided by average Common Shareholders' Equity.
(e) The closing market price divided by the book value per share.

See the *Combined Notes to Financial Statements* in this Annual Report on Form 10-K for a description of the sale of PSNH's thermal and hydroelectric generation assets in 2018 and the December 31, 2017 classification of these generation assets as held for sale, the acquisition of Aquarion on December 4, 2017, and any accounting changes materially affecting the comparability of the information reflected in the tables above.

CL&P Selected Financial Data (Unaudited) have been omitted from this report but are set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

EVERSOURCE ENERGY AND SUBSIDIARIES

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related combined notes included in this combined Annual Report on Form 10-K. References in this combined Annual Report on Form 10-K to "Eversource," the "Company," "we," "us," and "our" refer to Eversource Energy and its consolidated subsidiaries. All per-share amounts are reported on a diluted basis. The consolidated financial statements of Eversource, NSTAR Electric and PSNH and the financial statements of CL&P are herein collectively referred to as the "financial statements."

Refer to the Glossary of Terms included in this combined Annual Report on Form 10-K for abbreviations and acronyms used throughout this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The only common equity securities that are publicly traded are common shares of Eversource. The earnings and EPS of each business discussed below do not represent a direct legal interest in the assets and liabilities of such business but rather represent a direct interest in our assets and liabilities as a whole. EPS by business is a financial measure not recognized under GAAP calculated by dividing the Net Income Attributable to Common Shareholders of each business by the weighted average diluted Eversource common shares outstanding for the period. We use this non-GAAP financial measure to evaluate and provide details of earnings results by business. We believe that the non-GAAP presentation is a meaningful representation of our financial performance and provides additional and useful information to readers of this report in analyzing historical and future performance by business. This non-GAAP financial measure should not be considered as an alternative to reported Net Income Attributable to Common Shareholders or EPS determined in accordance with GAAP as an indicator of operating performance.

The results of Aquarion and its subsidiaries, hereinafter referred to as "Aquarion," are included from the date of the acquisition, December 4, 2017, through December 31, 2018 throughout this *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Financial Condition and Business Analysis

<u>Executive Summary</u>

The following items in this executive summary are explained in more detail in this combined Annual Report on Form 10-K:

Earnings Overview and Future Outlook:

- We earned $1.03 billion, or $3.25 per share, in 2018, compared with $988.0 million, or $3.11 per share, in 2017.

- Our electric distribution segment earned $455.4 million, or $1.44 per share, in 2018, compared with $497.4 million, or $1.57 per share, in 2017. Our electric transmission segment earned $427.2 million, or $1.34 per share, in 2018, compared with $391.9 million, or $1.23 per share, in 2017. Our natural gas distribution segment earned $93.2 million, or $0.29 per share, in 2018, compared with $74.6 million, or $0.23 per share, in 2017. Our water distribution segment earned $30.9 million, or $0.10 per share, in 2018, compared with a net loss of $1.2 million in 2017.

- Eversource parent and other companies earned $26.3 million, or $0.08 per share, in 2018, compared with $25.3 million, or $0.08 per share, in 2017.

- We currently project 2019 earnings of between $3.40 per share and $3.50 per share.

Liquidity:

- Cash flows provided by operating activities totaled $1.78 billion in 2018, compared with $2.00 billion in 2017. Investments in property, plant and equipment totaled $2.52 billion in 2018 and $2.35 billion in 2017. Cash and cash equivalents totaled $108.1 million as of December 31, 2018, compared with $38.2 million as of December 31, 2017.

- In 2018, we issued $2.20 billion of new long-term debt, consisting of $1.55 billion at Eversource parent, $500 million at CL&P, $50 million at Yankee Gas, and $100 million at NSTAR Gas. Proceeds from these new issuances were used primarily to repay short-term borrowings and repay long-term debt at maturity. In 2018, PSNH issued $635.7 million of securitized RRBs. In 2018, we repaid, at maturity, $1.05 billion of previously issued long-term debt, consisting of $450 million at Eversource parent, $300 million at CL&P, $199.3 million at PSNH and $100 million at Yankee Gas.

- In 2018, we paid cash dividends of $640.1 million, or $2.02 per common share, compared with $602.1 million, or $1.90 per common share, in 2017. On February 6, 2019, our Board of Trustees approved a common share dividend payment of $0.535 per share, payable on March 29, 2019 to shareholders of record as of March 5, 2019. The 2019 dividend represents an increase of 5.9 percent over the dividend paid in December 2018, and is the equivalent to dividends on common shares of approximately $678 million on an annual basis.

- We project to make capital expenditures of $12.75 billion from 2019 through 2023, of which we expect $8.06 billion to be in our electric and natural gas distribution segments, $3.35 billion to be in our electric transmission segment and $0.62 billion to be in our water distribution segment. We also project to invest $0.72 billion in information technology and facilities upgrades and enhancements. These projections do not include any expected investments related to NPT or offshore wind projects.

- In December 2018, CYAPC paid $145 million to the DOE to partially settle its pre-1983 spent nuclear fuel obligation, which is classified as long-term debt on Eversource's consolidated balance sheet. CYAPC funded this payment from proceeds of its spent nuclear fuel trust, which is classified as marketable securities on Eversource's consolidated balance sheet. Eversource consolidates CYAPC because CL&P's, NSTAR Electric's and PSNH's combined ownership and voting interests in CYAPC is 63 percent. As a result of consolidating CYAPC, CYAPC's payment to the DOE is included in operating cash flows on Eversource's 2018 consolidated statement of cash flows.

Strategic, Legislative, Regulatory, Policy and Other Items:

- On February 8, 2019, Eversource and Ørsted entered into a 50-50 partnership for key offshore wind assets in the Northeast. Eversource paid approximately $225 million for a 50 percent interest in Ørsted's Revolution Wind and South Fork Wind power projects, as well as the 257-square-mile tract off the coasts of Massachusetts and Rhode Island. Revolution Wind is a 700 MW offshore wind power project located approximately 15 miles south of the Rhode Island coast, and South Fork Wind is approximately a 130 MW offshore wind power project located 35 miles east of Long Island. Subject to permitting, finalized power purchase agreements, where applicable, further development, and final investment decisions by Ørsted and Eversource, Revolution Wind is expected to be commissioned in 2023 and South Fork Wind is expected by the end of 2022.

- On December 12, 2018, PURA approved the Yankee Gas distribution rate case settlement agreement, which included, among other things, rate increases of $1.4 million, $15.8 million and $13.0 million, for rate years beginning November 15, 2018, January 1, 2020, and January 1, 2021, respectively. As a result of this decision, we recognized an $11.7 million pre-tax benefit to earnings in 2018 ($4.0 million at the natural gas distribution segment and $7.7 million at Eversource Parent and Other Companies).

Earnings Overview

Consolidated: Below is a summary of our earnings by business, which also reconciles the non-GAAP financial measure of EPS by business to the most directly comparable GAAP measure of diluted EPS.

	For the Years Ended December 31,					
	2018		2017 [1]		2016	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net Income Attributable to Common Shareholders (GAAP)	$ 1,033.0	$ 3.25	$ 988.0	$ 3.11	$ 942.3	$ 2.96
Regulated Companies	$ 1,006.7	$ 3.17	$ 962.7	$ 3.03	$ 911.3	$ 2.86
Eversource Parent and Other Companies	26.3	0.08	25.3	0.08	31.0	0.10
Net Income Attributable to Common Shareholders (GAAP)	$ 1,033.0	$ 3.25	$ 988.0	$ 3.11	$ 942.3	$ 2.96

Regulated Companies: Our regulated companies comprise the electric distribution (including NSTAR Electric's solar power facilities and PSNH's generation facilities prior to sale in 2018), electric transmission, natural gas distribution and water distribution segments. A summary of our segment earnings and EPS is as follows:

	For the Years Ended December 31,					
	2018		2017 [1]		2016	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Electric Distribution	$ 455.4	$ 1.44	$ 497.4	$ 1.57	$ 462.8	$ 1.46
Electric Transmission	427.2	1.34	391.9	1.23	370.8	1.16
Natural Gas Distribution	93.2	0.29	74.6	0.23	77.7	0.24
Water Distribution	30.9	0.10	(1.2)	—	N/A	N/A
Net Income - Regulated Companies	$ 1,006.7	$ 3.17	$ 962.7	$ 3.03	$ 911.3	$ 2.86

[1] Our water distribution business was determined to be a reportable segment beginning in 2018. The 2017 segment information has been recast to conform to the current year presentation.

Our electric distribution segment earnings decreased $42.0 million in 2018, as compared to 2017, due primarily to lower generation earnings of $29.7 million at PSNH resulting from the sales of its thermal and hydroelectric generation assets in 2018, higher depreciation expense, higher operations and maintenance expense, higher interest expense, and higher property and other tax expense. The earnings decrease was partially offset by higher non-service income from our benefit plans, the impact of the CL&P base distribution rate increase effective May 1, 2018, and the recognition of carrying charges on PSNH storm costs approved for recovery. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act.

Our electric transmission segment earnings increased $35.3 million in 2018, as compared to 2017, due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure, partially offset by a reduction in the benefits from tax reform as compared to 2017 and approximately $6 million (after-tax) in tax-related regulatory assets that we concluded were not recoverable from customers.

Our natural gas distribution segment earnings increased $18.6 million in 2018, as compared to 2017, due primarily to an increase in sales volumes and demand revenues driven by colder January, April, October and November weather in Connecticut in 2018, as compared to the same periods in 2017, as well as growth in new customer base, and an earnings benefit resulting from the Yankee Gas rate case settlement approved by PURA in December 2018. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act. The increase in earnings was partially offset by higher operations and maintenance expense and higher depreciation expense. Effective November 15, 2018, fluctuations in Connecticut natural gas sales volumes no longer impact earnings as a result of a decoupled rate structure at Yankee Gas approved in the 2018 rate case settlement.

Our 2018 and 2017 water distribution segment results reflect the earnings of the Aquarion water distribution business, which was acquired on December 4, 2017.

Eversource Parent and Other Companies: Eversource parent and other companies earned $26.3 million in 2018, compared with $25.3 million in 2017. Earnings were positively impacted by a lower effective tax rate due in part to an $18 million aggregate after-tax benefit resulting from both federal and Connecticut tax law changes, unrealized gains on our investment in a renewable energy fund, and an income tax benefit associated with our investments. The increase in earnings was offset by a pre-tax $32.9 million ($26 million after-tax) other-than-temporary impairment to our equity method investment in the Access Northeast project, higher interest expense, and a lower earnings benefit in 2018, as compared to 2017, related to the allowed recovery of certain previously expensed merger-related costs in distribution rates. For further information on the impairment of our Access Northeast project, see "Business Development and Capital Expenditures - Natural Gas Transmission Project" in this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Electric, Natural Gas and Water Sales Volumes: Weather, fluctuations in energy supply costs, conservation measures (including utility-sponsored energy efficiency programs), and economic conditions affect customer energy usage and water consumption. Industrial sales volumes are less sensitive to temperature variations than residential and commercial sales volumes. In our service territories, weather impacts both electric and water sales volumes during the summer and both electric and natural gas sales volumes during the winter; however, natural gas sales volumes are more sensitive to temperature variations than electric sales volumes. Customer heating or cooling usage may not directly correlate with historical levels or with the level of degree-days that occur.

Fluctuations in retail electric sales volumes at PSNH and natural gas sales volumes at Yankee Gas prior to November 15, 2018 impacted earnings ("Traditional" in the table below). For CL&P, NSTAR Electric (effective February 1, 2018 as a result of a DPU-approved rate case decision), Yankee Gas (effective November 15, 2018 as a result of a PURA-approved rate case settlement) and NSTAR Gas, fluctuations in retail sales volumes do not impact earnings due to their respective regulatory commission-approved distribution revenue decoupling mechanisms ("Decoupled" in the table below). These distribution revenues are decoupled from their customer sales volumes, which breaks the relationship between sales volumes and revenues recognized. Fluctuations in water sales volumes largely do not impact earnings as our Connecticut water distribution business is also decoupled.

A 2016 DPU-approved energy efficiency plan at NSTAR Electric authorized recovery of LBR in its eastern Massachusetts service territory until LBR was covered under a decoupled rate structure, which occurred on February 1, 2018. NSTAR Electric recognized LBR of $7.0 million in 2018, compared to $73.7 million in 2017, and no longer has an LBR recovery mechanism effective February 1, 2018.

A summary of our retail electric GWh sales volumes, our firm natural gas MMcf sales volumes, and our water MG sales volumes, and percentage changes, for the years ended December 31, 2018 and 2017, is as follows:

	Electric			Firm Natural Gas			Water		
	Sales Volumes (GWh)		Percentage Increase	Sales Volumes (MMcf)		Percentage Increase/ (Decrease)	Sales Volumes (MG)		Percentage Increase/ (Decrease)
	2018	2017 [1]		2018	2017 [2]		2018	2017 [3]	
Traditional	9,790	9,465	3.4%	44,715	39,455	13.3 %	2,252	2,202	2.3 %
Decoupled and Special Contracts [4]	43,591	42,781	1.9%	61,242	61,571	(0.5)%	21,479	22,565	(4.8)%
Total Sales Volumes	53,381	52,246	2.2%	105,957	101,026	4.9 %	23,731	24,767	(4.2)%

(1) In 2017 and in the month of January 2018, NSTAR Electric operated under two different rate structures (traditional and decoupled) based on its service territory geography. Effective February 1, 2018, NSTAR Electric operated entirely under a decoupled rate structure. The 2017 sales volumes for NSTAR Electric have been recast to present February through December 2017 as decoupled, to conform to the current year presentation.

(2) In 2017 and until November 14, 2018, Yankee Gas operated under a traditional rate structure. Effective November 15, 2018, Yankee Gas operated under a decoupled rate structure. The 2017 sales volumes for Yankee Gas have been recast to present November 15th through December 2017 as decoupled, to conform to the current year presentation.

(3) Eversource acquired its water distribution business on December 4, 2017. Full 2017 sales volumes have been presented for comparative purposes.

(4) Special contracts are unique to Yankee Gas natural gas distribution customers who take service under such an arrangement and generally specify the amount of distribution revenue to be paid to Yankee Gas regardless of the customers' usage.

Traditional retail electric sales volumes were higher in 2018, as compared to 2017, due primarily to warmer summer weather in 2018 and colder weather in January 2018 at NSTAR Electric (prior to its decoupled rate structure). Cooling degree days in 2018 were 25.8 percent higher in

New Hampshire, as compared to 2017. Heating degree days in January of 2018 were 21.7 percent higher in the Boston metropolitan area, as compared to January 2017.

Our firm natural gas sales volumes are subject to many of the same influences as our retail electric sales volumes. In addition, they have benefited from customer growth in our natural gas distribution segment. Traditional firm natural gas sales volumes were higher in 2018, as compared to 2017, due primarily to colder January, April, October and November weather in 2018. Heating degree days in January through November 2018 were 9.1 percent higher in Connecticut, as compared to the same period in 2017.

Liquidity

Cash and cash equivalents totaled $108.1 million as of December 31, 2018, compared with $38.2 million as of December 31, 2017.

Short Term Debt - Commercial Paper Programs and Credit Agreements: Eversource parent has a $1.45 billion commercial paper program allowing Eversource parent to issue commercial paper as a form of short-term debt. Eversource parent, CL&P, PSNH, NSTAR Gas and Yankee Gas are also parties to a five-year $1.45 billion revolving credit facility. Effective December 10, 2018, the revolving credit facility's termination date was extended for one additional year to December 8, 2023. The revolving credit facility serves to backstop Eversource parent's $1.45 billion commercial paper program.

NSTAR Electric has a $650 million commercial paper program allowing NSTAR Electric to issue commercial paper as a form of short-term debt. NSTAR Electric is also a party to a five-year $650 million revolving credit facility. Effective December 10, 2018, the revolving credit facility's termination date was extended for one additional year to December 8, 2023. The revolving credit facility serves to backstop NSTAR Electric's $650 million commercial paper program.

The amount of borrowings outstanding and available under the commercial paper programs were as follows:

	Borrowings Outstanding as of December 31,		Available Borrowing Capacity as of December 31,		Weighted-Average Interest Rate as of December 31,	
(Millions of Dollars)	2018	2017	2018	2017	2018	2017
Eversource Parent Commercial Paper Program	$ 631.5	$ 979.3	$ 818.5	$ 470.7	2.77%	1.86%
NSTAR Electric Commercial Paper Program	278.5	234.0	371.5	416.0	2.50%	1.55%

There were no borrowings outstanding on either the Eversource parent or NSTAR Electric revolving credit facilities as of December 31, 2018 or 2017. Eversource's water distribution segment has a $100.0 million revolving credit facility, which expires on August 19, 2019, and there were no amounts outstanding as of December 31, 2018 and $76.0 million outstanding as of December 31, 2017.

Amounts outstanding under the commercial paper programs and revolving credit facility are included in Notes Payable and classified in current liabilities on the Eversource and NSTAR Electric balance sheets as all borrowings are outstanding for no more than 364 days at one time. As a result of the Eversource parent long-term debt issuances on January 8, 2018, the net proceeds of which were used to repay short-term borrowings outstanding under its commercial paper program, $201.2 million of commercial paper borrowings under the Eversource parent commercial paper program were reclassified as Long-Term Debt as of December 31, 2017.

Intercompany Borrowings: Eversource parent uses its available capital resources to provide loans to its subsidiaries to assist in meeting their short-term borrowing needs. In addition, growth in Eversource's key business initiatives requires cash infusion to those subsidiaries. Eversource parent records intercompany interest income from its loans to subsidiaries, which is eliminated in consolidation. Intercompany loans from Eversource parent to its subsidiaries are eliminated in consolidation on Eversource's balance sheets. As of December 31, 2018, there were intercompany loans from Eversource parent to PSNH of $57.0 million. As of December 31, 2017, there were intercompany loans from Eversource parent of $69.5 million to CL&P and $262.9 million to PSNH. Intercompany loans from Eversource parent are included in Notes Payable to Eversource Parent and are classified in current liabilities on the respective subsidiary's balance sheets.

Long-Term Debt: The following table summarizes long-term debt issuances and repayments:

(Millions of Dollars)	Issue Date	Issuances/ (Repayments)	Maturity Date	Use of Proceeds for Issuances/ Repayment Information
CL&P:				
4.00% 2018 Series A First Mortgage Bonds	March 2018	$ 500.0	April 2048	Repaid long-term debt that matured in 2018 and repaid short-term borrowings
5.65% 2008 Series A First Mortgage Bonds	May 2008	(300.0)	May 2018	Repaid at maturity on May 1, 2018
PSNH:				
6.00% 2008 Series O First Mortgage Bonds	May 2008	(110.0)	May 2018	Repaid at maturity on May 1, 2018
2001 Series A Pollution Control Revenue Bonds	December 2001	(89.3)	May 2021	Redeemed on November 28, 2018 at a redemption price of $89.3 million
Other:				
Eversource Parent 2.50% Series I Senior Notes (1)	January 2018	200.0	March 2021	Repaid short-term borrowings
Eversource Parent 3.30% Series M Senior Notes	January 2018	450.0	January 2028	Repaid long-term debt that matured in 2018
Eversource Parent 3.80% Series N Senior Notes	December 2018	400.0	December 2023	Repaid short-term borrowings
Eversource Parent 4.25% Series O Senior Notes	December 2018	500.0	April 2029	Repaid short-term borrowings
Eversource Parent 1.60% Series G Senior Notes	January 2015	(150.0)	January 2018	Repaid at maturity on January 15, 2018
Eversource Parent 1.45% Series E Senior Notes	May 2013	(300.0)	May 2018	Repaid at maturity on May 1, 2018
Yankee Gas 4.13% Series O First Mortgage Bonds	September 2018	50.0	October 2048	Repaid long-term debt that matured in 2018
Yankee Gas 6.90% Series J First Mortgage Bonds	October 2008	(100.0)	October 2018	Repaid at maturity on October 1, 2018
NSTAR Gas 4.09% Series P First Mortgage Bonds	September 2018	100.0	October 2048	Repaid short-term borrowings

(1) These notes are part of the same series issued by Eversource parent in March 2016. The aggregate outstanding principal amount of these notes is now $450 million.

Rate Reduction Bonds: PSNH Funding LLC 3 (PSNH Funding) is a bankruptcy remote, special purpose, wholly-owned, consolidated subsidiary of PSNH. PSNH Funding was formed solely to issue RRBs to finance PSNH’s unrecovered remaining costs associated with the divestiture of its generation assets.

On May 8, 2018, PSNH Funding issued $635.7 million of securitized RRBs in multiple tranches with a weighted average interest rate of 3.66 percent, and final maturity dates ranging from 2026 to 2035. The RRBs are expected to be repaid by February 1, 2033. RRB payments consist of principal and interest and will be paid semi-annually, beginning on February 1, 2019. The RRBs were issued pursuant to a finance order issued by the NHPUC on January 30, 2018 to recover remaining costs resulting from the divestiture of PSNH’s generation assets.

Cash Flows: Cash flows provided by operating activities totaled $1.78 billion in 2018, compared with $2.00 billion in 2017. The decrease in operating cash flows was due primarily to cash payments made in 2018 for storm restoration costs of approximately $252 million, an increase of $128 million in income tax payments made in 2018, as compared to 2017, and the unfavorable impacts related to the timing of payments of our working capital items, including accounts receivable and accounts payable. In addition, in December 2018, CYAPC paid $145 million to the DOE to partially settle its pre-1983 spent nuclear fuel obligation, as described below. Partially offsetting these unfavorable impacts were the timing of cash collected for regulatory tracking mechanisms and a decrease of $47.9 million in 2018 of pension and PBOP contributions.

CYAPC is obligated to pay the DOE for the costs to dispose of spent nuclear fuel and high-level radioactive waste generated from its nuclear fuel facility prior to April 7, 1983. Eversource consolidates CYAPC because CL&P's, NSTAR Electric's and PSNH's combined ownership and voting interests in CYAPC is 63 percent. CYAPC's obligation to the DOE is classified as long-term debt on Eversource's consolidated balance sheet. In December 2018, CYAPC paid $145 million to the DOE to partially settle its pre-1983 spent nuclear fuel obligation. CYAPC funded this payment from proceeds of its spent nuclear fuel trust, which is classified as marketable securities on Eversource's consolidated balance sheet. As a result of consolidating CYAPC, Eversource has reflected CYAPC's payment to the DOE within operating cash flows on its 2018 consolidated statement of cash flows.

In 2018, we paid cash dividends of $640.1 million, or $2.02 per common share, compared with $602.1 million, or $1.90 per common share, in 2017. Our quarterly common share dividend payment was $0.505 per share in 2018, as compared to $0.475 per common share in 2017. On February 6, 2019, our Board of Trustees approved a common share dividend payment of $0.535 per share, payable on March 29, 2019 to shareholders of record as of March 5, 2019. The 2019 dividend represents an increase of 5.9 percent over the dividend paid in December 2018, and is the equivalent to dividends on common shares of approximately $678 million on an annual basis.

In 2018, CL&P, NSTAR Electric and PSNH paid $60.0 million, $228.0 million and $150.0 million, respectively, in common stock dividends to Eversource parent.

Beginning in 2019, Eversource began using treasury stock to fund the payment of shares awarded under the company's incentive plan and dividend reinvestment plan and matching contributions under the Eversource 401k Plan.

Investments in Property, Plant and Equipment on the statements of cash flows do not include amounts incurred on capital projects but not yet paid, cost of removal, AFUDC related to equity funds, and the capitalized and deferred portions of pension and PBOP expense. In 2018, investments for Eversource, CL&P, NSTAR Electric and PSNH were $2.52 billion, $864.1 million, $725.8 million and $277.3 million, respectively.

Eversource, CL&P, NSTAR Electric and PSNH each uses its available capital resources to fund its respective construction expenditures, meet debt requirements, pay operating costs, including storm-related costs, pay dividends, and fund other corporate obligations, such as pension contributions. Eversource's regulated companies recover their electric, natural gas and water distribution construction expenditures as the related project costs are depreciated over the life of the assets. This impacts the timing of the revenue stream designed to fully recover the total investment plus a return on the equity and debt used to finance the investments. The current growth in Eversource's construction expenditures utilizes a significant amount of cash for projects that have a long-term return on investment and recovery period, totaling approximately $2.52 billion in cash capital spend in 2018. In addition, growth in Eversource's key business initiatives in 2018 required cash contributions of $205.2 million, which are recognized as long-term assets. These factors have resulted in current liabilities exceeding current assets by $1.82 billion, $188.7 million, $430.8 million, and $158.6 million at Eversource, CL&P, NSTAR Electric and PSNH, respectively, as of December 31, 2018.

As of December 31, 2018, $801.1 million of Eversource's long-term debt, including $350.0 million, $250.0 million, $150.0 million, $50.0 million and $1.1 million for Eversource parent, CL&P, PSNH, Yankee Gas and Aquarion, respectively, will mature within the next 12 months. Included in the current portion of long-term debt is $36.2 million related to fair value adjustments from our business combinations that will be amortized within the next 12 months and have no cash flow impact. Eversource, with its strong credit ratings, has several options available in the financial markets to repay or refinance these maturities with the issuance of new long-term debt. Eversource, CL&P, NSTAR Electric and PSNH will reduce their short-term borrowings with operating cash flows or with the issuance of new long-term debt, determined by considering capital requirements and maintenance of Eversource's credit rating and profile.

We expect the future operating cash flows of Eversource, CL&P, NSTAR Electric and PSNH, along with the access to both debt and equity markets, will be sufficient to meet any future operating requirements and capital investment forecasted opportunities.

Credit Ratings: On February 12, 2019, S&P changed the outlook on all its credit ratings for Eversource, CL&P, NSTAR Electric and PSNH from stable to negative.

A summary of our corporate credit ratings and outlooks by Moody's, S&P and Fitch is as follows:

	Moody's		S&P		Fitch	
	Current	Outlook	Current	Outlook	Current	Outlook
Eversource Parent	Baa1	Stable	A+	Negative	BBB+	Positive
CL&P	A3	Stable	A+	Negative	A-	Stable
NSTAR Electric	A2	Positive	A+	Negative	A	Stable
PSNH	A3	Stable	A+	Negative	A-	Stable

A summary of the current credit ratings and outlooks by Moody's, S&P and Fitch for senior unsecured debt of Eversource parent and NSTAR Electric, and senior secured debt of CL&P and PSNH is as follows:

	Moody's		S&P		Fitch	
	Current	Outlook	Current	Outlook	Current	Outlook
Eversource Parent	Baa1	Stable	A	Negative	BBB+	Positive
CL&P	A1	Stable	AA-	Negative	A+	Stable
NSTAR Electric	A2	Positive	A+	Negative	A+	Stable
PSNH	A1	Stable	AA-	Negative	A+	Stable

Business Development and Capital Expenditures

Our consolidated capital expenditures, including amounts incurred but not paid, cost of removal, AFUDC, and the capitalized and deferred portions of pension and PBOP expense (all of which are non-cash factors), totaled $2.86 billion in 2018, $2.52 billion in 2017, and $2.21 billion in 2016. These amounts included $184.6 million in 2018, $165.9 million in 2017, and $137.7 million in 2016 related to information technology and facilities upgrades and enhancements, primarily at Eversource Service and The Rocky River Realty Company.

Electric Transmission Business: Our consolidated electric transmission business capital expenditures increased by $91.1 million in 2018, as compared to 2017. A summary of electric transmission capital expenditures by company is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	2016
CL&P	$ 465.5	$ 431.5	$ 338.3
NSTAR Electric	334.3	301.9	398.7
PSNH	194.2	155.6	119.0
NPT	29.4	43.3	40.9
Total Electric Transmission Segment	$ 1,023.4	$ 932.3	$ 896.9

Northern Pass: Northern Pass is Eversource's planned 1,090 MW HVDC transmission line that will interconnect from the Québec-New Hampshire border to Franklin, New Hampshire and an associated alternating current radial transmission line between Franklin and Deerfield, New Hampshire.

Northern Pass has achieved several key milestones, including receiving the following major permits:

- National Energy Board of Canada permit issued, which authorizes the construction of the transmission line that will connect with Northern Pass at the Québec-New Hampshire border on March 6, 2018;
- NHPUC approval on February 12, 2018 for the proposed lease of certain land and easement rights from PSNH to NPT, concluding that the lease is in the public interest;
- U.S. Forest Service Record of Decision on January 5, 2018, which allows NPT to install approximately 11 miles of underground transmission lines along existing roads through the White Mountain National Forest;
- Province of Québec permit granted to HQ on December 21, 2017 to construct the hydroelectric transmission line that will connect at the border of New Hampshire;
- DOE Record of Decision and Presidential Permit on November 16, 2017, which will allow construction of transmission facilities at the Québec-New Hampshire border; and
- DOE final Environmental Impact Statement issued on August 10, 2017, which concluded that the proposed Northern Pass route is the preferred alternative, providing substantial benefits with only minimal impacts.

The following permits remain outstanding: the NHSEC Certificate of Site and Facility approving construction of the project in New Hampshire, the U.S. Forest Service Special Use Permit, as authorized by the January 5, 2018 Record of Decision, and the Army Corps of Engineers Permit allowing the discharge of dredging material or other fill into wetlands and other waters under Section 404 of the Clean Water Act and Section 10 of the River and Harbors Act.

On January 25, 2018, Northern Pass was selected from the 46 proposal packages submitted as the winning bidder in the Massachusetts clean energy request for proposal ("RFP"), which successfully positioned Northern Pass to provide a firm delivery of hydropower to Massachusetts. On February 1, 2018, the NHSEC voted to deny Northern Pass' siting application. On March 28, 2018, the Massachusetts EDCs, in coordination with the DOER and an independent evaluator, notified Northern Pass that the EDCs had terminated its selection and all contract negotiations.

On March 30, 2018, the NHSEC released its written decision confirming its denial. On April 27, 2018, NPT filed a motion for rehearing with the NHSEC, and on July 12, 2018, the NHSEC issued its written decision denying Northern Pass' motion for rehearing. On August 10, 2018, NPT filed an appeal to the New Hampshire Supreme Court, alleging that the NHSEC failed to follow applicable law in its review of the project. On October 12, 2018, the New Hampshire Supreme Court accepted this appeal. Subsequently, the NHSEC transmitted the record of its proceedings to the New Hampshire Supreme Court on December 11, 2018. Briefing of the appeal began on February 4, 2019. The New Hampshire Supreme Court has not set a date for oral argument. NPT intends to continue to pursue NHSEC approval to construct this project.

The March 2018 NHSEC decision denying Northern Pass' siting application caused us to review the recoverability of our Northern Pass project costs in the first quarter of 2018. In this recoverability review, we estimated undiscounted expected project cash flows and compared the result to our estimated project costs to determine whether the recorded amount was recoverable. Our undiscounted cash flows were substantially in excess of our estimated project costs. We completed this analysis and concluded that our project costs were recoverable as of March 31, 2018, based on our expectation that the Northern Pass project remains probable of being placed in service.

Consistent with Eversource's and HQ's long-term relationship to bring clean energy into New England, Eversource and HQ remain committed to Northern Pass and the many benefits this project will bring to our customers and the region. If, as a result of future events and changes in circumstances, a new recoverability review were to conclude that our project costs are not recoverable, then we would reduce Northern Pass' project costs to the estimated fair value, which could result in most of our $307 million of capitalized project costs being impaired. Such an impairment could have a material adverse effect on our financial position and results of operations.

<u>Greater Boston Reliability Solution:</u> In February 2015, ISO-NE selected the Greater Boston and New Hampshire Solution (the "Solution"), proposed by Eversource and National Grid, to satisfy the requirements identified in the Greater Boston study. The Solution consists of a portfolio of electric transmission upgrades in southern New Hampshire and northern Massachusetts and continuing into the greater Boston metropolitan area, of which 28 upgrades are in Eversource's service territory. The NHSEC issued its written order approving the New Hampshire upgrades on October 4, 2016. All the New Hampshire upgrades, including the Merrimack Valley Reliability Project, have been completed and placed in service. We are currently pursuing the necessary regulatory and siting application approvals in Massachusetts. To date, we have received approval for five of these projects from the Massachusetts Energy Facilities Siting Board and anticipate approval of two additional projects in the second quarter of 2019. Construction has also begun on numerous smaller projects, several of which have been placed in service. Most upgrades are expected to be completed by the end of 2019. Two projects are expected to be in service by the end of 2020 and another project by mid-2021. We estimate our portion of the investment in the Solution will be approximately $560 million, of which $357.3 million has been spent and capitalized through December 31, 2018.

<u>GHCC</u>: The Greater Hartford Central Connecticut ("GHCC") projects, which have been approved by ISO-NE, consist of 27 projects with an expected investment of approximately $350 million that are expected to be placed in service through 2019. As of December 31, 2018, 23 projects have been placed in service, and four projects are in active construction. As of December 31, 2018, CL&P had spent and capitalized $232.0 million in costs associated with GHCC.

<u>Seacoast Reliability Project</u>: On April 12, 2016, PSNH filed a siting application with the NHSEC for the Seacoast Reliability Project, a 13-mile, 115kV transmission line within several New Hampshire communities, which proposes to use a combination of overhead, underground and underwater line design to help meet the growing demand for electricity in the Seacoast region. On December 10, 2018, the NHSEC indicated its unanimous approval of the project, and subsequently issued its written decision on January 31, 2019. This project is scheduled to be completed by

the end of 2019. We estimate the investment in this project to be approximately $84 million, of which PSNH had spent and capitalized $31.2 million in costs through December 31, 2018.

Distribution Business: A summary of distribution capital expenditures is as follows:

	For the Years Ended December 31,						
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	Total Electric	Natural Gas	Water [1]	Total
2018							
Basic Business	$ 256.3	$ 217.7	$ 69.3	$ 543.3	$ 72.9	$ 17.0	$ 633.2
Aging Infrastructure	151.6	133.3	73.0	357.9	280.2	81.1	719.2
Load Growth and Other	79.7	94.3	15.6	189.6	51.4	3.6	244.6
Total Distribution	487.6	445.3	157.9	1,090.8	404.5	101.7	1,597.0
Solar and Generation	—	53.4	0.9	54.3	—	—	54.3
Total	$ 487.6	$ 498.7	$ 158.8	$ 1,145.1	$ 404.5	101.7	$ 1,651.3
2017							
Basic Business	$ 214.0	$ 166.1	$ 67.2	$ 447.3	$ 67.7	N/A	$ 515.0
Aging Infrastructure	180.7	95.4	87.8	363.9	219.9	N/A	583.8
Load Growth and Other	52.3	96.6	13.2	162.1	47.7	N/A	209.8
Total Distribution	447.0	358.1	168.2	973.3	335.3	N/A	1,308.6
Solar and Generation	—	100.1	8.5	108.6	—	N/A	108.6
Total	$ 447.0	$ 458.2	$ 176.7	$ 1,081.9	$ 335.3	N/A	$ 1,417.2
2016							
Basic Business	$ 179.8	$ 146.0	$ 70.0	$ 395.8	$ 70.7	N/A	$ 466.5
Aging Infrastructure	144.7	105.7	84.7	335.1	155.9	N/A	491.0
Load Growth and Other	48.6	89.2	17.3	155.1	44.2	N/A	199.3
Total Distribution	373.1	340.9	172.0	886.0	270.8	N/A	1,156.8
Generation	—	—	17.5	17.5	—	N/A	17.5
Total	$ 373.1	$ 340.9	$ 189.5	$ 903.5	$ 270.8	N/A	$ 1,174.3

(1) Our water distribution business was acquired on December 4, 2017. Amounts are immaterial for the year ended December 31, 2017.

For the electric distribution business, basic business includes the purchase of meters, tools, vehicles, information technology, transformer replacements, equipment facilities, and the relocation of plant. Aging infrastructure relates to reliability and the replacement of overhead lines, plant substations, underground cable replacement, and equipment failures. Load growth and other includes requests for new business and capacity additions on distribution lines and substation additions and expansions.

For the natural gas distribution business, basic business addresses daily operational needs including meters, pipe relocations due to public works projects, vehicles, and tools. Aging infrastructure projects seek to improve the reliability of the system through enhancements related to cast iron and bare steel replacement of main and services, corrosion mediation, and station upgrades. Load growth and other reflects growth in existing service territories including new developments, installation of services, and expansion.

For the water distribution business, basic business addresses daily operational needs including periodic meter replacement, water main relocation, facility maintenance, and tools. Aging infrastructure relates to reliability and the replacement of water mains, regulators, storage tanks, pumping stations, wellfields, reservoirs, and treatment facilities. Load growth and other reflects growth in our territory including improvements to acquisitions, installation of new services, and interconnections of systems.

Projected Capital Expenditures: A summary of the projected capital expenditures for the regulated companies' electric transmission and for the total electric distribution, natural gas distribution and water distribution for 2019 through 2023, including information technology and facilities upgrades and enhancements on behalf of the regulated companies, is as follows:

(Millions of Dollars)	2019	2020	2021	2022	2023	2019 - 2023 Total
	Years					
CL&P Transmission	$ 392	$ 179	$ 148	$ 135	$ 124	$ 978
NSTAR Electric Transmission	431	434	309	293	244	1,711
PSNH Transmission	164	133	116	120	123	656
Total Electric Transmission	$ 987	$ 746	$ 573	$ 548	$ 491	$ 3,345
Electric Distribution	$ 1,217	$ 1,131	$ 1,132	$ 1,143	$ 1,109	$ 5,732
Natural Gas Distribution	459	473	439	483	476	2,330
Total Electric and Natural Gas Distribution	$ 1,676	$ 1,604	$ 1,571	$ 1,626	$ 1,585	$ 8,062
Water Distribution	$ 109	$ 112	$ 126	$ 133	$ 143	$ 623
Information Technology and All Other	$ 199	$ 137	$ 131	$ 128	$ 127	$ 722
Total	$ 2,971	$ 2,599	$ 2,401	$ 2,435	$ 2,346	$ 12,752

The projections do not include investments related to NPT or offshore wind projects. Actual capital expenditures could vary from the projected amounts for the companies and years above.

Offshore Wind Projects:

Bay State Wind: Bay State Wind is an offshore wind project being jointly developed by Eversource and Denmark-based Ørsted. Bay State Wind is located in a 300-square-mile area of the Atlantic Ocean approximately 25 miles south of the coast of Massachusetts and has the ultimate potential to generate at least 2,000 MW of clean, renewable energy. Eversource and Ørsted each hold a 50 percent ownership interest in Bay State Wind. Bay State Wind expects to participate, or has submitted proposals, in the following opportunities for future solicitations for offshore wind based on each state's clean energy requirements:

- The New York State Energy Research and Development Authority ("NYSERDA") issued an RFP for 800 MW in November 2018. NYSERDA has the authority to award more than 800 MW in the first solicitation if sufficient attractive offers are received. On February 14, 2019, Bay State Wind submitted proposals, called Sunrise Wind, in response to the RFP. Contracts are expected to be awarded in 2019.

- Massachusetts' second offshore wind RFP for 400 MW to 800 MW is expected to be issued no later than mid-2019.

Bay State Wind previously participated in certain other New England RFPs during 2018, but was not selected.

Revolution Wind and South Fork Wind: On February 8, 2019, Eversource and Ørsted entered into a 50-50 partnership for key offshore wind assets in the Northeast. Eversource paid approximately $225 million for a 50 percent interest in Ørsted's Revolution Wind and South Fork Wind power projects, as well as the 257-square-mile tract off the coasts of Massachusetts and Rhode Island, owned by North East Offshore LLC. Ørsted acquired all three assets in November 2018 as part of its Deepwater Wind transaction.

This transaction builds upon the Eversource and Ørsted Bay State Wind partnership, which is on a separate 300-square-mile ocean tract adjacent to the North East Offshore area. Together, the Bay State Wind and the North East Offshore lease sites jointly owned by Eversource and Ørsted could eventually host at least 4,000 MW of offshore wind. The two companies will jointly manage permitting requirements for upcoming projects and will honor all planned local investments and agreements entered prior to this partnership.

Revolution Wind is a 700 MW offshore wind power project, located approximately 15 miles south of the Rhode Island coast, that will deliver power to Rhode Island (400 MW) and Connecticut (300 MW). South Fork Wind is approximately a 130 MW offshore wind power project, located 35 miles east of Long Island, that will interconnect into eastern Long Island where it will deliver power to households under a long-term power purchase agreement with the Long Island Power Authority. Subject to permitting, finalized power purchase agreements, where applicable, further development, and final investment decisions by Ørsted and Eversource, Revolution Wind is expected to be commissioned in 2023 and South Fork Wind is expected by the end of 2022.

Natural Gas Transmission Project: Access Northeast is a natural gas pipeline and storage project jointly owned by Eversource, Enbridge, Inc. ("Enbridge") and National Grid plc ("National Grid"), through Algonquin Gas Transmission, LLC ("AGT"). Eversource owns a 40 percent interest in the project, which is accounted for as an equity method investment.

In 2015 and 2016, AGT sought to secure long-term natural gas pipeline capacity contracts with EDCs in Massachusetts, Connecticut, New Hampshire, Maine, and Rhode Island. Subsequently, in 2016, the Massachusetts Supreme Judicial Court and the NHPUC each ruled that state statutes precluded the state regulatory agencies from approving those contracts in Massachusetts and New Hampshire, respectively. The New Hampshire Supreme Court overruled the NHPUC decision in May 2018. Legislative changes are needed in Massachusetts to allow the DPU to approve natural gas pipeline capacity contracts. No such changes have occurred during any legislative session to date.

In September 2018, a series of non-Eversource natural gas explosions in eastern Massachusetts resulted in widespread property and system damage, personal injuries, and a fatality. As a result of these events, compounded by the failure to secure Massachusetts legislation to date, we believe there is significant uncertainty around the future timing of, and ability to secure, needed legislative change affecting the natural gas industry and pipeline expansion, which may significantly delay the completion of the Access Northeast project.

Eversource identified the September 2018 natural gas series of explosions, compounded by the adverse legislative environment, as negative evidence that indicated potential impairment. Our impairment assessment used a discounted cash flow approach, including consideration of the severity and duration of any decline in fair value of our investment in the project, and involved significant management judgment and estimation, including projections of the project's discounted cash flows and assumptions about exit price. In the third quarter of 2018, management determined that the future cash flows of the Access Northeast project were uncertain and could no longer be reasonably estimated and that the book value of our equity method investment was not recoverable. As a result, Eversource recorded an other-than-temporary impairment of $32.9 million pre-tax within Other Income, Net on our statement of income in 2018, which represented the full carrying value of our equity method investment.

<u>FERC Regulatory Matters</u>

FERC Transmission Rate Settlement: On December 28, 2015, FERC initiated a proceeding to review the New England transmission owners' (NETOs) regional and local transmission rates due to a lack of transparency. The FERC also found that the formula rates generally lacked sufficient details to determine how costs are derived and recovered in rates. This proceeding was set for hearing but held in abeyance to provide time for settlement judge procedures. On August 17, 2018, a signed Settlement Agreement between twenty-eight parties, including all six New England state regulatory commissions, the NETOs (including CL&P, NSTAR Electric and PSNH) and other settling parties, was filed at the FERC. The Settlement Agreement includes, among other things, a new formula rate template, effective on January 1, 2020, in which all regional and local transmission revenue requirements will be determined through a single formula rate. The Settlement Agreement was contested by a group of municipal entities and the FERC Trial Staff. On November 5, 2018, the Settlement Administrative Law Judge reported the contested settlement to the FERC. The NETOs are awaiting an order from the FERC.

FERC ROE Complaints: Four separate complaints have been filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively the "Complainants"). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE billed of 10.57 percent and the maximum ROE for transmission incentive ("incentive cap") of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

The ROE originally billed during the period October 1, 2011 (beginning of the first complaint period) through October 15, 2014 consisted of a base ROE of 11.14 percent and incentives up to 13.1 percent. On October 16, 2014, the FERC set the base ROE at 10.57 percent and the incentive cap at 11.74 percent for the first complaint period. This was also effective for all prospective billings to customers beginning October 16, 2014. This FERC order was vacated on April 14, 2017 by the U.S. Court of Appeals for the D.C. Circuit (the "Court").

All amounts associated with the first complaint period have been refunded. Eversource has recorded a reserve of $39.1 million (pre-tax and excluding interest) for the second complaint period as of December 31, 2018. This reserve represents the difference between the billed rates during the second complaint period and a 10.57 percent base ROE and 11.74 percent incentive cap. The reserve consisted of $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH as of December 31, 2018.

On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE. The parties to these proceedings were directed to submit briefs on this new proposed framework and how they would apply the proposed framework in each of the four complaint proceedings. Initial briefs were filed by the NETOs, Complainants and FERC Trial Staff on January 11, 2019. The NETOs' brief was supportive of the overall ROE methodology determined in the October 16, 2018 order providing the FERC does not change the proposed methodology or alter its implementation in a manner that has a material impact on the results. Reply briefs will be filed on March 8, 2019.

The FERC order included illustrative calculations for the first complaint using FERC's proposed frameworks with financial data from that complaint. Those preliminary calculations indicated that for the first complaint period, for the NETOs that FERC concludes are of average financial risk, (1) a preliminary range of presumptively just and reasonable base ROEs is 9.60 percent to 10.99 percent; (2) the pre-existing base ROE of 11.14 percent is therefore unjust and unreasonable; (3) the preliminary just and reasonable base ROE is 10.41 percent; and (4) the preliminary incentive cap on total ROE is 13.08 percent.

If the results of these illustrative calculations were included in a final FERC order for each of the complaint periods, then a 10.41 percent base ROE and a 13.08 percent incentive cap would not have a significant impact on our financial statements for all of the complaint periods.

Although the order provided illustrative calculations, FERC stated that these calculations are merely preliminary. The FERC's preliminary calculations are not binding and do not represent what we believe to be the most likely outcome of a final FERC order, as changes to the methodology by FERC are possible as a result of the parties' arguments and calculations in the briefing process. Until FERC issues a final decision on each of these four complaints, there is significant uncertainty, and at this time, the Company cannot reasonably estimate a range of gain or loss for any of the four complaint proceedings. The October 16, 2018 FERC order or the January 11, 2019 briefs did not provide a reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods.

Eversource, CL&P, NSTAR Electric and PSNH currently record revenues at the 10.57 percent base ROE and incentive cap at 11.74 percent established in the October 16, 2014 FERC order.

The average impact of a 10 basis point change to the base ROE for each of the 15-month complaint periods would affect Eversource's after-tax earnings by approximately $3 million.

U.S. Federal Corporate Income Taxes: Effective January 1, 2018, the local transmission service rates were updated to reflect the lower U.S. federal corporate income tax rate that resulted from the Tax Cuts and Jobs Act. On June 28, 2018, FERC granted a one-time waiver of tariff provisions related to the federal corporate income tax rate so that, effective June 1, 2018, the regional transmission service rates also reflect the reduced federal corporate income tax rate of 21 percent. The local and regional transmission service rates do not currently reflect amortization of excess ADIT (EDIT) balances that resulted from the act. On November 15, 2018, FERC issued a Policy Statement and a separate Notice of Proposed Rulemaking addressing accounting and rate issues related to ADIT changes resulting from the act. After issuance of a final rule by FERC, Eversource expects to file a compliance filing and, after acceptance by FERC, begin the refund of any EDIT through local and regional transmission service rates.

Regulatory Developments and Rate Matters

Electric, Natural Gas and Water Utility Base Distribution Rates: Each Eversource utility subsidiary is subject to the regulatory jurisdiction of the state in which it operates: CL&P, Yankee Gas and Aquarion operate in Connecticut and are subject to PURA regulation; NSTAR Electric, NSTAR Gas and Aquarion operate in Massachusetts and are subject to DPU regulation; and PSNH and Aquarion operate in New Hampshire and are subject to NHPUC regulation. The regulated companies' distribution rates are set by their respective state regulatory commissions, and their tariffs include mechanisms for periodically adjusting their rates for the recovery of specific incurred costs.

In Connecticut, electric and natural gas utilities are required to file a distribution rate case, or for PURA to initiate a rate review, within four years of the last rate case. CL&P's distribution rates were established in an April 2018 PURA-approved rate case settlement agreement with rates effective May 1, 2018. Yankee Gas' distribution rates were established in a December 2018 PURA-approved rate case settlement agreement with rates effective November 15, 2018. See "Regulatory Developments and Rate Matters - Connecticut" in this *Management's Discussion and Analysis of Financial Condition and Results of Operations,* for more information. Aquarion is not required to initiate a rate review with the PURA. Aquarion rates were established in a 2013 PURA-approved rate case.

In Massachusetts, electric distribution companies are required to file at least one distribution rate case every five years, and natural gas local distribution companies to file at least one distribution rate case every 10 years, and those companies are limited to one settlement agreement in any 10-year period. NSTAR Electric's distribution rates were established in a 2017 DPU-approved rate case with rates effective February 1, 2018. See "Regulatory Developments and Rate Matters - Massachusetts" in this *Management's Discussion and Analysis of Financial Condition and Results of Operations,* for more information. NSTAR Gas' distribution rates were established in a 2015 DPU-approved rate case. Aquarion is not required to initiate a rate review with the DPU. Aquarion rates were established in an October 2018 DPU-approved rate case.

In New Hampshire, PSNH distribution rates were established in a settlement approved by the NHPUC in 2010. Prior to the expiration of that settlement, the NHPUC approved the continuation of those rates, and increased funding via rates, of PSNH's reliability enhancement program. Aquarion rates were established in a 2013 NHPUC-approved rate case, further revised in 2016.

Electric, Natural Gas and Water Utility Retail Rates: The Eversource electric distribution companies obtain and resell power to retail customers who choose not to buy energy from a competitive energy supplier. The natural gas distribution companies procure natural gas for firm and seasonal customers. These energy supply procurement costs are recovered from customers in energy supply rates that are approved by the respective state regulatory commission. The rates are reset periodically and are fully reconciled to their costs. Each electric and natural gas distribution company fully recovers its energy supply costs through approved regulatory rate mechanisms on a timely basis and, therefore, such costs have no impact on earnings.

The electric and natural gas distribution companies also recover certain other costs on a fully reconciling basis through regulatory commission-approved cost tracking mechanisms and, therefore, such costs have no impact on earnings. Costs recovered through cost tracking mechanisms include energy efficiency program costs, electric retail transmission charges, restructuring and stranded costs resulting from deregulation, and additionally for our Massachusetts companies, pension and PBOP benefits and net metering for distributed generation. The reconciliation filings compare the total actual costs allowed to revenue requirements related to these services and the difference between the costs incurred (or the rate recovery allowed) and the actual costs allowed is deferred and included, to be either recovered or refunded, in future customer rates. These cost tracking mechanisms also include certain incentives earned and carrying charges that are billed in rates to customers.

U.S. Federal Corporate Income Taxes: On December 22, 2017, the Tax Cuts and Jobs Act became law, which amended existing federal tax rules to reduce the U.S. federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018. For our regulated companies, the most significant changes are (1) the benefit of incurring a lower federal income tax expense and (2) the reduction in ADIT liabilities (now excess ADIT or EDIT), which are estimated to be approximately $2.9 billion and included in regulatory liabilities as of December 31, 2018. The refund of these EDIT regulatory liabilities to customers will generally be made over the same period as the remaining useful lives of the underlying assets that gave rise to the ADIT liabilities.

Eversource established a regulatory liability, recorded as a reduction to revenue, to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018 as a result of the Tax Cuts and Jobs Act, until rates billed to customers reflect the lower federal tax rate. As of December 31, 2018, this liability, net of amounts refunded to customers, was $24.6 million.

Eversource's regulated companies are in the process of, or will, refund the decrease in the income tax rate based on orders issued by applicable state regulatory commissions. A summary of the timing of refunds related to the change in the tax rate is as follows:

Eversource Utility and Jurisdiction	EDIT Refund Timing	Effective Date of New Tax Rate Reflected in Rates	January 1, 2018 Change in Tax Rate Prior to Effective Date of New Rates
Connecticut			
CL&P	Refunds will be incorporated into May 1, 2019 distribution rate change	May 1, 2018	January 1, 2018 through April 30, 2018 fully refunded to customers as of December 31, 2018
Yankee Gas	Refunds began to be reflected in rates effective November 15, 2018	November 15, 2018	January 1, 2018 through November 14, 2018 began to be refunded to customers, beginning November 15, 2018
Massachusetts			
NSTAR Electric	Refunds began to be reflected in rates effective January 1, 2019	February 1, 2018	Refunds not required for the period January 1, 2018 to January 31, 2018
NSTAR Gas	Refunds began to be reflected in rates effective February 1, 2019	July 1, 2018	Refunds not required for the period January 1, 2018 to June 30, 2018
New Hampshire			
PSNH	Refunds will be addressed as part of the next distribution rate case filing Refunds for EDIT related to PSNH's divested generation assets began to be reflected in rates effective August 1, 2018	No later than July 1, 2019 for distribution	January 1, 2018 through effective date of next distribution rate change will be refunded to customers
Transmission			
CL&P, NSTAR Electric and PSNH	Refunds will be made based on expected guidance from FERC	January 1, 2018	Effective January 1, 2018 for local transmission service, and effective June 1, 2018 for regional transmission service, rates reflected the reduced federal corporate income tax rate

For further information on filings with regulatory commissions and the impact to customer rates, see "Connecticut," "Massachusetts," and "New Hampshire" sections below and "FERC Regulatory Matters - U.S. Federal Corporate Income Taxes" in this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Connecticut:

<u>CL&P Rate Case Settlement:</u> On April 18, 2018, PURA approved the distribution rate case settlement agreement that was reached by CL&P, the Prosecutorial Unit of PURA, and the Office of Consumer Counsel ("OCC") on December 15, 2017, as amended on March 23, 2018. The distribution rate case settlement agreement included, among other things, rate increases of $64.3 million, $31.1 million, and $29.2 million, effective May 1, 2018, 2019, and 2020, respectively; an authorized regulatory ROE of 9.25 percent; 53 percent common equity in CL&P's capital structure; and a new capital tracker, effective July 1, 2018, for core capital additions in excess of $270 million per rate year and for capital additions for system resiliency and grid modernization. The new capital tracker also included a provision to return to customers the impact of a lower federal corporate income tax rate from the Tax Cuts and Jobs Act from January through April 2018, offset by the impacts of rate base growth since the previous rate case for the same period. In addition, the base distribution rates charged to customers were adjusted to reflect the prospective impacts of a lower federal income tax rate resulting from the Tax Cuts and Jobs Act. Amounts related to the EDIT liabilities will be incorporated as refunds to customers in May 1, 2019 base distribution rates. The settlement agreement also incorporated $18.6 million of rate base recovery for catastrophic storms occurring after December 31, 2016, subject to a storm filing. On November 16, 2018, CL&P filed for recovery of $153 million of storm costs incurred from 2017 through 2018, with recovery incorporated into the May 1, 2019 distribution rate change. The storm filing is pending PURA approval.

<u>Yankee Gas Rate Case Settlement</u>: On December 12, 2018, PURA approved the distribution rate case settlement agreement that was reached by Yankee Gas, the prosecutorial division of the PURA, and the OCC on September 21, 2018. The distribution rate case settlement agreement included, among other things, rate increases of $1.4 million, $15.8 million and $13.0 million, for rate years beginning November 15, 2018, January 1, 2020, and January 1, 2021, respectively, and for Yankee Gas to implement a Distribution Integrity Management Program ("DIMP") cost recovery mechanism to further invest capital to replace aging infrastructure. The DIMP mechanism allows for recovery of costs associated with capital additions of approximately $26 million to $37 million annually, which is incremental to the $150 million included in base distribution rate base per year. The settlement agreement also provides Yankee Gas the opportunity to seek recovery of additional capital spending above these levels with PURA approval. PURA ordered an accelerated replacement program for Yankee Gas to fully replace its cast iron and bare steel facilities in 11 years and fully replace copper services and certain steel mains and services in 14 years. In addition, Yankee Gas was authorized to continue its ongoing natural gas system expansion program, implement a revenue decoupling rate mechanism, and recover merger costs. The settlement agreement included a regulatory ROE of 9.3 percent. In addition, the distribution rates charged to customers were adjusted to reflect the prospective impacts of the lower federal corporate income tax rate, the overcollection of the lower income tax rate from January 1, 2018, and the EDIT from the Tax Cuts and Jobs Act. Although new rates were effective January 1, 2019, the provisions of the settlement agreement took effect November 15, 2018. The settlement agreement resulted in an $11.7 million pre-tax benefit to earnings in 2018 ($4.0 million at the natural gas distribution segment primarily for DIMP costs allowed for recovery, and $7.7 million at Eversource Parent and Other Companies for the allowed recovery of previously expensed merger-related costs).

<u>Clean Energy RFP:</u> On December 28, 2018, under Public Act 17-3, "An Act Concerning Zero Carbon Solicitation and Procurement," the DEEP selected the Millstone nuclear power generation facility, alongside smaller generation facilities, as the winner of the zero-carbon electricity-generating resource. CL&P was directed by DEEP to enter into a ten-year contract with Millstone for approximately 9 million MWh annually. DEEP requested negotiations among all parties conclude by March 31, 2019.

Massachusetts:

NSTAR Electric Distribution Rate Case Decision: On November 30, 2017, the DPU issued its decision in the NSTAR Electric distribution rate case, which approved an annual distribution rate increase of $37 million, with rates effective February 1, 2018. On January 3, 2018, NSTAR Electric filed a motion to reflect a revenue requirement reduction of $56 million due to the decrease in the federal corporate income tax rate, as part of the Tax Cuts and Jobs Act, resulting in an annual net decrease in rates of $19 million. NSTAR Electric's new rates took effect on February 1, 2018, following approval of NSTAR Electric's compliance filing on February 2, 2018. The DPU also approved, in part, NSTAR Electric's request for recalculation, resulting in an increase of $3.5 million in the approved revenue requirement, effective March 1, 2018. In addition to its decision regarding rates, the DPU approved an authorized regulatory ROE of 10 percent, the establishment of a revenue decoupling rate mechanism for the portion of the NSTAR Electric business that did not previously have a decoupling mechanism, and the implementation of an inflation-based adjustment mechanism with a five-year stay-out until January 1, 2023. As part of this inflation-based mechanism, NSTAR Electric submitted its first annual Performance Based Rate Adjustment (PBRA) filing on September 19, 2018 and the DPU approved a $31.9 million increase to base distribution rates on December 27, 2018 for effect on January 1, 2019.

NSTAR Electric Grid Modernization Plan: On May 10, 2018, the DPU issued an order approving a grid modernization plan for NSTAR Electric. In the order, the DPU pre-authorized $133 million in grid-facing investments over three years, adopted a regulatory review construct for pre-authorization of grid modernization investments, and allowed targeted cost recovery of eligible incremental grid-modernization capital and operations and maintenance expenses. The pre-authorized $133 million is in addition to $100 million associated with energy storage and electric vehicle infrastructure previously approved by the DPU in the November 30, 2017 order issued in the NSTAR Electric distribution rate case.

U.S. Federal Corporate Income Taxes: The DPU opened an investigation into the impact of the Tax Cuts and Jobs Act on Massachusetts regulated utilities. On June 29, 2018, the DPU issued a decision ordering NSTAR Gas to lower rates effective July 1, 2018 by an annualized $7.3 million. For NSTAR Electric, lower rates due to the reduction in the federal corporate income tax rate were effective February 1, 2018.

A second phase of the investigation addressed the EDIT issue and any potential refunds for the periods January 1, 2018 to the effective dates of the rate changes that have occurred. On December 21, 2018, the DPU issued a decision ordering Massachusetts regulated utilities to refund the distribution related EDIT to customers through a new reconciling factor ("Tax Act Credit Factor"). The order also required these companies to include any EDIT that relates to existing reconciling tracking mechanisms to be refunded within those individual mechanisms. The DPU approved compliance filings for NSTAR Electric on December 27, 2018 and for NSTAR Gas on January 18, 2019 for the Tax Act Credit Factor to be included in rates effective January 1, 2019 for NSTAR Electric and effective February 1, 2019 for NSTAR Gas. Additionally, the December 21, 2018 DPU order indicated that the DPU will not require a revision to base rates for any potential refunds for the periods January 1, 2018 to the effective dates of the rate changes. Therefore, as of December 31, 2018, a reserve was not recorded for the reduction in the federal corporate income tax rate in customer billings from January 1, 2018 to the dates of the rate changes at NSTAR Electric (February 1, 2018) and NSTAR Gas (July 1, 2018).

Eversource and NSTAR Electric Boston Harbor Civil Action: On July 15, 2016, the United States Attorney on behalf of the United States Army Corps of Engineers filed a civil action in the United States District Court for the District of Massachusetts under provisions of the Rivers and Harbors Act of 1899 and the Clean Water Act against NSTAR Electric, Harbor Electric Energy Company, a wholly-owned subsidiary of NSTAR Electric ("HEEC"), and the Massachusetts Water Resources Authority (together with NSTAR Electric and HEEC, the "Defendants"). The action alleged that the Defendants failed to comply with certain permitting requirements related to the placement of the HEEC-owned electric distribution cable beneath Boston Harbor. The action sought an order to compel HEEC to comply with cable depth requirements in the United States Army Corps of Engineers' permit or alternatively to remove the electric distribution cable and cease unauthorized work in U.S. waterways. The action also sought civil penalties and other costs.

The parties reached a settlement pursuant to which HEEC agreed to install a new 115kV distribution cable across Boston Harbor to Deer Island, utilizing a different route, and remove portions of the existing cable. Upon the installation and completion of the new cable and the removal of the portions of the existing cable, all issues surrounding the current permit from the United States Army Corps of Engineers are expected to be resolved, and such litigation is expected to be dismissed with prejudice.

In 2017, as a result of the settlement, NSTAR Electric expensed $4.9 million (pre-tax) of previously incurred capitalized costs associated with engineering work performed on the existing cable that will no longer be used. In addition, NSTAR Electric agreed to provide a rate base credit of $17.5 million to the Massachusetts Water Resources Authority for the new cable. This negotiated credit resulted in the initial $17.5 million of construction costs on the new cable being expensed as incurred, all of which was fully expensed in 2018. Construction of the new cable is underway and is expected to be completed in 2019.

New Hampshire:

Generation Divestiture: In June 2015, Eversource and PSNH entered into the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement, pursuant to which PSNH agreed to divest its generation assets, subject to NHPUC approval. The NHPUC approved this agreement as well as the final divestiture plan and auction process in 2016. On October 11, 2017, PSNH entered into two Purchase and Sale Agreements with private investors, one to sell its thermal generation assets at a purchase price of $175 million, subject to adjustment, (the "Thermal Agreement") and a second to sell its hydroelectric generation assets at a purchase price of $83 million, subject to adjustment (the "Hydro Agreement"). The NHPUC approved these agreements in late November 2017, at which time the Company classified these assets as held for sale.

On January 10, 2018, PSNH completed the sale of its thermal generation assets pursuant to the Thermal Agreement. In accordance with the Thermal Agreement, the original purchase price of $175 million was adjusted to reflect working capital adjustments, closing date adjustments and proration of taxes and fees prior to closing, totaling $40.9 million. In the second quarter of 2018, the purchase price was further adjusted by $17.3

million relating to the valuation of certain allowances. As a result of these adjustments, net proceeds from the sale of the thermal assets totaled $116.8 million.

On July 16, 2018, FERC issued its order approving the transfer of PSNH's six hydroelectric licenses to private investors. On August 26, 2018, PSNH completed the sale of its hydroelectric generation assets pursuant to the Hydro Agreement. In accordance with the Hydro Agreement, the original purchase price of $83 million was adjusted to reflect contractual adjustments totaling $5.8 million, resulting in net proceeds of $77.2 million. The difference between the carrying value of the hydroelectric generation assets and the sale proceeds resulted in a gain of $17.3 million. An estimated gain from the sale of these assets was included as an offset to the total remaining costs associated with the sale of generation assets that were securitized on May 8, 2018.

On May 8, 2018, PSNH Funding issued $635.7 million of securitized RRBs pursuant to a finance order issued by the NHPUC to recover remaining costs resulting from the divestiture of PSNH's generation assets. These RRBs are secured by a non-bypassable charge recoverable from PSNH customers. PSNH recorded regulatory assets and other deferred costs in connection with the generation asset divestiture and the securitization of remaining costs, which are probable of recovery through collection of the non-bypassable charge. For further information on the securitized RRB issuance, see "Liquidity - Rate Reduction Bonds" in this *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

U.S. Federal Corporate Income Taxes: On September 27, 2018, the NHPUC issued a decision on the impact of the U.S. federal corporate income tax rate reduction from the Tax Cuts and Jobs Act. The NHPUC concluded that the tax law change qualified as an exogenous event, as defined in the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement, and that the benefit of incurring the lower federal income tax expense would be passed back to customers with carrying charges. The next PSNH distribution rate case shall address the impacts of EDIT, the lower federal income tax rate, and the overcollection of the lower income tax rate from January 1, 2018 to the rate adjustment effective date of July 1, 2019, or earlier if a rate case is filed for rates effective prior to July 1, 2019. As of December 31, 2018, PSNH has recorded a reserve of $12.6 million to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018. The EDIT balance related to PSNH's divested generation assets has been included as a component of the securitization of the stranded generation assets and has started to be refunded to customers via the Stranded Cost Recovery Charge effective August 1, 2018.

2011 through 2013 Storm Costs: On September 17, 2018, the NHPUC approved the recovery of $49 million, plus carrying charges, in storm costs incurred from August 2011 through March 2013 and the transfer of funding from PSNH's major storm reserve to offset those costs. The costs of these storms (excluding the equity return component of the carrying charges) were deferred as regulatory assets, and the funding reserve collected from customers was accrued as a regulatory liability. The storm cost deferral is separate from the major storm funding reserve that is being collected from customers. As a result of the duration of time between incurring storm costs in August 2011 through March 2013 and final approval from the NHPUC in 2018, PSNH recognized $8.7 million (pre-tax) for the equity return component of the carrying charges, which have been collected from customers, within Other Income, Net on our statement of income in 2018. Storm costs incurred from December 2013 through April 2016 have been audited by the NHPUC staff and are pending NHPUC approval. As of December 31, 2018, the pre-tax equity return component of the carrying charges related to storms incurred after March 2013 was $7.9 million, which will be recognized to earnings upon NHPUC approval of those storm costs.

Reliability Enhancement Program: On December 28, 2018, the NHPUC approved PSNH's extension of the Reliability Enhancement Program for 2019. The extension included cost recovery associated with vegetation management costs. The vegetation management spending, which is consistent with prior years' spending, will be deferred and offset against amounts due to customers as a result of federal income tax reform.

Legislative and Policy Matters

New Hampshire: On January 11, 2018, the New Hampshire Supreme Court issued a decision that affirmed the lower court's October 2016 decision that the Town of Bow, New Hampshire had over-assessed the value of the property owned by PSNH for the 2012 and 2013 property tax years. As a result of this decision, PSNH received $7.4 million in property tax refunds and interest in 2018.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and, at times, difficult, subjective or complex judgments. Changes in these estimates, assumptions and judgments, in and of themselves, could materially impact our financial position, results of operations or cash flows. Our management discusses with the Audit Committee of our Board of Trustees significant matters relating to critical accounting policies. Our critical accounting policies are discussed below. See the combined notes to our financial statements for further information concerning the accounting policies, estimates and assumptions used in the preparation of our financial statements.

Regulatory Accounting: Our 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 application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. In some cases, we record regulatory assets before approval for recovery has been received from the applicable regulatory commission. We must use judgment to conclude that costs deferred as regulatory assets are probable of future recovery. We base our conclusion on certain factors, including, but not limited to, regulatory precedent. Regulatory liabilities represent revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

We use judgment when recording regulatory assets and liabilities; however, regulatory commissions can reach different conclusions about the recovery of costs, and those conclusions could have a material impact on our financial statements. We believe it is probable that each of the regulated companies will recover the regulatory assets that have been recorded. If we determine that we can no longer apply the accounting guidance applicable to rate-regulated enterprises to our operations, or that we cannot conclude it is probable that costs will be recovered from customers in future rates, the costs would be charged to earnings in the period in which the determination is made.

Pension, SERP and PBOP: We sponsor Pension, SERP and PBOP Plans to provide retirement benefits to our employees. For each of these plans, several significant assumptions are used to determine the projected benefit obligation, funded status and net periodic benefit cost. These assumptions include the expected long-term rate of return on plan assets, discount rate, compensation/progression rate and mortality and retirement assumptions. We evaluate these assumptions at least annually and adjust them as necessary. Changes in these assumptions could have a material impact on our financial position, results of operations or cash flows.

<u>Expected Long-Term Rate of Return on Plan Assets</u>: In developing the expected long-term rate of return, we consider historical and expected returns, as well as input from our consultants. Our expected long-term rate of return on assets is based on assumptions regarding target asset allocations and corresponding expected rates of return for each asset class. We routinely review the actual asset allocations and periodically rebalance the investments to the targeted asset allocations when appropriate. For the year ended December 31, 2018, our expected long-term rate-of-return assumption used to determine our pension and PBOP expense was 8.25 percent for the Eversource Service plans and 7 percent for the Aquarion plans. For the forecasted 2019 pension and PBOP expense, an expected long-term rate of return of 8.25 percent for the Eversource Service plans and 7 percent for the Aquarion plans will be used reflecting our target asset allocations.

<u>Discount Rate</u>: Payment obligations related to the Pension, SERP and PBOP Plans are discounted at interest rates applicable to the expected timing of each plan's cash flows. The discount rate that was utilized in determining the 2018 pension, SERP and PBOP obligations was based on a yield-curve approach. This approach utilizes a population of bonds with an average rating of AA based on bond ratings by Moody's, S&P and Fitch, and uses bonds with above median yields within that population. As of December 31, 2018, the discount rates used to determine the funded status were within a range of 4.22 percent to 4.45 percent for the Pension and SERP Plans, and within a range of 4.38 percent to 4.41 percent for the PBOP Plans. As of December 31, 2017, the discount rates used were within a range of 3.43 percent to 3.75 percent for the Pension and SERP Plans, and within a range of 3.55 percent to 3.70 percent for the PBOP Plans. The increase in the discount rates used to calculate the funded status resulted in a decrease to the Pension and PBOP Plans' liability of approximately $465 million and $88 million, respectively, as of December 31, 2018.

The Company uses the spot rate methodology for the service and interest cost components of Pension, SERP and PBOP expense for the Eversource plans because it provides a more precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve. The discount rates used to estimate the 2018 expense were within a range of 3.85 percent to 4.62 percent for the Pension and SERP Plans, and within a range of 3.28 percent to 3.94 percent for the PBOP Plans.

<u>Mortality Assumptions:</u> Assumptions as to mortality of the participants in our Pension, SERP and PBOP Plans are a key estimate in measuring the expected payments a participant may receive over their lifetime and the corresponding plan liability we need to record. In 2018, a revised scale for the mortality table was released, and we utilized it in our measurements.

<u>Compensation/Progression Rate</u>: This assumption reflects the expected long-term salary growth rate, including consideration of the levels of increases built into collective bargaining agreements, and impacts the estimated benefits that Pension and SERP Plan participants receive in the future. As of December 31, 2018 and 2017, the compensation/progression rate used to determine the funded status was 3.50 percent for the Eversource Service plans and 4 percent for the Aquarion plans.

<u>Health Care Cost</u>: In August 2016, we amended the Eversource PBOP Plan to standardize benefit design and make benefit changes. As a result, this plan is no longer subject to health care cost trends. The Aquarion PBOP Plan is still subject to heath care cost trends. For the Aquarion PBOP Plan, the health care trend rate is a range of 3.5 percent to 6.75 percent, with an ultimate rate of 3.5 percent to 5 percent in 2019 and 2023, for post-65 and pre-65 retirees, respectively.

<u>Actuarial Determination of Expense</u>: Pension, SERP and PBOP expense is determined by our actuaries and consists of service cost and prior service cost, interest cost based on the discounting of the obligations, and amortization of actuarial gains and losses, offset by the expected return on plan assets. Actuarial gains and losses represent the amortization of differences between assumptions and actual information or updated assumptions. Pre-tax net periodic benefit expense for the Pension and SERP Plans was $39.6 million, $64.9 million and $71.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. For the PBOP Plans, there was net periodic PBOP income of $45.0 million, $39.6 million and $17.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The expected return on plan assets is determined by applying the assumed long-term rate of return to the Pension and PBOP Plan asset balances. This calculated expected return is compared to the actual return or loss on plan assets at the end of each year to determine the investment gains or losses to be immediately reflected in unamortized actuarial gains and losses.

<u>Forecasted Expenses and Expected Contributions</u>: We estimate that expense in 2019 for the Pension and SERP Plans will be approximately $72 million and income in 2019 for the PBOP Plans will be approximately $38 million. Pension, SERP and PBOP expense for subsequent years will depend on future investment performance, changes in future discount rates and other assumptions, and various other factors related to the populations participating in the plans.

Our policy is to fund the Pension Plans annually in an amount at least equal to the amount that will satisfy all federal funding requirements. We contributed $185.6 million to the Pension Plans in 2018. We currently estimate contributing approximately $112 million to the Pension Plans in 2019.

For the PBOP Plans, it is our policy to fund the PBOP Plans annually through tax deductible contributions to external trusts. We contributed $9.3 million to the PBOP Plans in 2018. We currently estimate contributing $11 million to the PBOP Plans in 2019.

Sensitivity Analysis: The following represents the hypothetical increase to the Pension Plans' (excluding the SERP Plans) reported annual cost and a decrease to the PBOP Plans' reported annual income as a result of a change in the following assumptions by 50 basis points:

(Millions of Dollars)	**Increase in Pension Plan Cost**		**Decrease in PBOP Plan Income**	
Assumption Change	**As of December 31,**		**As of December 31,**	
Eversource	**2018**	**2017**	**2018**	**2017**
Lower expected long-term rate of return	$ 23.7	$ 20.4	$ 4.5	$ 4.1
Lower discount rate	25.5	19.7	2.9	3.6
Higher compensation rate	6.8	9.3	N/A	N/A

Goodwill: We recorded goodwill on our balance sheet associated with previous mergers and acquisitions. On December 4, 2017, we completed the acquisition of Aquarion, resulting in the addition of $0.9 billion of goodwill. As of December 31, 2018, a total of $4.4 billion of goodwill is recorded on our balance sheet. We have identified our reporting units for purposes of allocating and testing goodwill as Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution. Electric Distribution and Electric Transmission reporting units include carrying values for the respective components of CL&P, NSTAR Electric and PSNH. The Natural Gas Distribution reporting unit includes the carrying values of NSTAR Gas and Yankee Gas. The Water Distribution reporting unit was created upon completion of the acquisition of Aquarion and includes the water utility businesses. As of December 31, 2018, goodwill was allocated to the reporting units as follows: $2.5 billion to Electric Distribution, $0.6 billion to Electric Transmission, $0.4 billion to Natural Gas Distribution and $0.9 billion to Water Distribution.

We are required to test goodwill balances for impairment at least annually by considering the fair values of the reporting units, which requires us to use estimates and judgments. We have selected October 1st of each year as the annual goodwill impairment testing date. Goodwill impairment is deemed to exist if the carrying amount of a reporting unit exceeds its estimated fair value and if the implied fair value of goodwill based on the estimated fair values of the reporting units' assets and liabilities is less than the carrying amount of the goodwill. If goodwill were deemed to be impaired, it would be written down in the current period to the extent of the impairment.

We performed an impairment test of goodwill as of October 1, 2018 for the Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reporting units. This evaluation required the consideration of several factors that impact the fair value of the reporting units, including conditions and assumptions that affect the future cash flows of the reporting units. Key considerations include discount rates, utility sector market performance and merger transaction multiples, and internal estimates of future cash flows and net income.

The 2018 goodwill impairment test resulted in a conclusion that goodwill is not impaired and no reporting unit is at risk of a goodwill impairment. The fair value of the reporting units was substantially in excess of carrying value.

Long-Lived Assets: Impairment evaluations of long-lived assets, including property, plant and equipment and strategic, infrastructure and other investments, involve a significant degree of estimation and judgment, including identifying circumstances that indicate an impairment may exist. Impairment analysis is required when events or changes in circumstances indicate that the carrying value of a long-lived asset may not be recoverable. Indicators of potential impairment include a deteriorating business climate, unfavorable regulatory action, decline in value that is other than temporary in nature, plans to dispose of a long-lived asset significantly before the end of its useful life, and accumulation of costs that are in excess of amounts allowed for recovery. The review of long-lived assets for impairment utilizes significant assumptions about operating strategies and external developments, including assessment of current and projected market conditions that can impact future cash flows.

Access Northeast: Eversource recorded an other-than-temporary impairment of $32.9 million within Other Income, Net on our statement of income in 2018, related to Access Northeast, an equity method investment. In September 2018, a series of non-Eversource natural gas explosions in eastern Massachusetts resulted in widespread property and system damage, personal injuries, and a fatality. Eversource identified the September 2018 natural gas series of explosions, compounded by the adverse legislative environment, as negative evidence that indicated potential impairment of our investment in Access Northeast. Our impairment assessment used a discounted cash flow approach, including consideration of the severity and duration of any decline in fair value of our investment in the project, and involved significant management judgment and estimation, including projections of the project’s discounted cash flows and assumptions about exit price. In the third quarter of 2018, management determined that the future cash flows of the Access Northeast project were uncertain and could no longer be reasonably estimated and that the book value of our equity method investment was not recoverable. For further information, see Note 1K, "Investments," to the financial statements.

NPT: In March 2018, the New Hampshire Site Evaluation Committee ("NHSEC") issued a written decision denying Northern Pass' siting application after which the Massachusetts EDCs terminated the selection of, and subsequent contract negotiations with, Northern Pass under the Massachusetts Clean Energy RFP. The March 2018 NHSEC decision denying Northern Pass' siting application caused us to review the recoverability of our Northern Pass project costs in the first quarter of 2018. In this recoverability review, we estimated undiscounted expected project cash flows and compared the result to our estimated project costs to determine whether the recorded amount was recoverable. Our undiscounted cash flows were substantially in excess of our estimated project costs. We completed this analysis and concluded that our project costs were recoverable as of March 31, 2018, based on our expectation that the Northern Pass project remains probable of being placed in service. If as a result of future events and changes in circumstances a new recoverability review were to conclude that our project costs are not recoverable, then we would reduce Northern Pass' project costs to the estimated fair value, which could result in most of our $307 million of capitalized project costs being impaired. Such an impairment could have a material adverse effect on our financial position and results of operations.

As of December 31, 2018, we did not identify any other impairment indicators for our long-lived assets. If events or changes in circumstances indicate the carrying value of a long-lived asset may not be recoverable, we would perform an impairment analysis. An impairment analysis would consist of two steps: first, the estimated undiscounted future cash flows attributable to the asset would be compared with the carrying value of the asset, and second, if the carrying value is greater than the undiscounted future cash flows, an impairment charge would be recognized equal to the amount by which the carrying value of the asset exceeds its estimated fair value.

Income Taxes: Income tax expense is estimated for each of the jurisdictions in which we operate and is recorded each quarter using an estimated annualized effective tax rate. This process to record income tax expense involves estimating current and deferred income tax expense or benefit and the impact of temporary differences resulting from differing treatment of items for financial reporting and income tax return reporting purposes. Such differences are the result of timing of the deduction for expenses, as well as any impact of permanent differences, non-tax deductible expenses, or other items that directly impact income tax expense as a result of regulatory activity (flow-through items). The temporary differences and flow-through items result in deferred tax assets and liabilities that are included in the balance sheets.

We also account for uncertainty in income taxes, which applies to all income tax positions previously filed in a tax return and income tax positions expected to be taken in a future tax return that have been reflected on our balance sheets. The determination of whether a tax position meets the recognition threshold under applicable accounting guidance is based on facts and circumstances available to us.

On December 22, 2017, the Tax Cuts and Jobs Act became law, which amended existing federal tax rules and included numerous provisions that impacted corporations. In particular, the act reduced the U.S. federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018. For our regulated companies, the most significant changes are (1) the benefit of incurring a lower federal income tax expense and (2) the reduction in ADIT liabilities (now excess ADIT or EDIT), which are estimated to be approximately $2.9 billion and included in regulatory liabilities as of December 31, 2018. The refund of these regulatory liabilities to customers will generally be made over the same period as the remaining useful lives of the underlying assets that gave rise to the ADIT liabilities.

We have completed our evaluation of the impacts of the act as of December 31, 2018. The ultimate outcome was not materially different from the provisional estimates recorded as of December 31, 2017. While we have recorded the impacts of the act based on interpretation of the provisions as enacted, it is expected the U.S. Department of Treasury and the IRS will issue additional interpretative guidance in the future that could result in changes to previously finalized provisions. At this time, some of the states in which we do business have issued guidance regarding the act and the impact was not material. Amortization of the EDIT liabilities began in 2018 at our PSNH and Yankee Gas subsidiaries. The total amortization for 2018 was $4.4 million and $0.6 million for PSNH and Yankee Gas, respectively.

Accounting for Environmental Reserves: Environmental reserves are accrued when assessments indicate it is probable that a liability has been incurred and an amount can be reasonably estimated. Increases to estimates of environmental liabilities could have an adverse impact on earnings. We estimate these liabilities based on findings through various phases of the assessment, considering the most likely action plan from a variety of available remediation options (ranging from no action required to full site remediation and long-term monitoring), current site information from our site assessments, remediation estimates from third party engineering and remediation contractors, and our prior experience in remediating contaminated sites. If a most likely action plan cannot yet be determined, we estimate the liability based on the low end of a range of possible action plans. A significant portion of our environmental sites and reserve amounts relate to former MGP sites that were operated several decades ago and manufactured gas from coal and other processes, which resulted in certain by-products remaining in the environment that may pose a potential risk to human health and the environment, for which we may have potential liability. Estimates are based on the expected remediation plan. Our estimates are subject to revision in future periods based on actual costs or new information from other sources, including the level of contamination at the site, the extent of our responsibility or the extent of remediation required, recently enacted laws and regulations or a change in cost estimates due to certain economic factors.

Fair Value Measurements: We follow fair value measurement guidance that defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We have applied this guidance to our Company's derivative contracts that are not elected or designated as "normal purchases or normal sales" (normal), to marketable securities held in trusts, to our investments in our Pension and PBOP Plans, and to nonfinancial assets such as goodwill and AROs. This guidance was also applied in estimating the fair value of preferred stock, long-term debt and RRBs.

Changes in fair value of the derivative contracts are recorded as Regulatory Assets or Liabilities, as we recover the costs of these contracts in rates charged to customers. These valuations are sensitive to the prices of energy and energy-related products in future years for which markets have not yet developed and assumptions are made.

We use quoted market prices when available to determine the fair value of financial instruments. If quoted market prices are not available, fair value is determined using quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments that are not active and model-derived valuations. When quoted prices in active markets for the same or similar instruments are not available, we value derivative contracts using models that incorporate both observable and unobservable inputs. Significant unobservable inputs utilized in the models include energy and energy-related product prices for future years for long-dated derivative contracts and market volatilities. Discounted cash flow valuations incorporate estimates of premiums or discounts, reflecting risk-adjusted profit that would be required by a market participant to arrive at an exit price, using available historical market transaction information. Valuations of derivative contracts also reflect our estimates of nonperformance risk, including credit risk.

Other Matters

Accounting Standards: For information regarding new accounting standards, see Note 1C, "Summary of Significant Accounting Policies - Accounting Standards," to the financial statements.

Contractual Obligations and Commercial Commitments: Information regarding our contractual obligations and commercial commitments as of December 31, 2018, is summarized annually through 2023 and thereafter as follows:

Eversource *(Millions of Dollars)*	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Long-term debt maturities [a]	$ 801.1	$ 296.1	$ 1,033.5	$ 1,188.9	$ 1,665.2	$ 7,977.7	$ 12,962.5
Rate reduction bond maturities	52.3	43.2	43.2	43.2	43.2	410.6	635.7
Estimated interest payments on existing debt [b]	498.0	459.5	440.7	406.4	373.4	3,526.1	5,704.1
Capital leases [c]	3.4	3.4	2.9	1.5	0.7	13.9	25.8
Operating leases [d]	11.5	9.8	8.7	7.2	4.7	32.7	74.6
Funding of pension obligations [d] [e]	112.0	—	—	—	—	—	112.0
Funding of PBOP obligations [d] [e]	11.0	—	—	—	—	—	11.0
Estimated future annual long-term contractual costs [f]	609.2	607.9	528.7	494.1	461.7	2,905.9	5,607.5
Total [g]	$ 2,098.5	$ 1,419.9	$ 2,057.7	$ 2,141.3	$ 2,548.9	$ 14,866.9	$ 25,133.2

CL&P *(Millions of Dollars)*	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Long-term debt maturities [a]	$ 250.0	$ —	$ —	$ —	$ 400.0	$ 2,615.3	$ 3,265.3
Estimated interest payments on existing debt [b]	141.7	134.8	134.8	134.8	129.8	1,843.0	2,518.9
Capital leases [c]	2.0	2.0	1.5	—	—	—	5.5
Operating leases [d]	1.5	1.4	1.2	1.1	0.5	0.2	5.9
Funding of pension obligations [d] [e]	44.0	—	—	—	—	—	44.0
Estimated future annual long-term contractual costs [f]	179.9	205.2	197.2	195.7	200.4	959.7	1,938.1
Total [g]	$ 619.1	$ 343.4	$ 334.7	$ 331.6	$ 730.7	$ 5,418.2	$ 7,777.7

(a) Long-term debt maturities exclude the CYAPC pre-1983 spent nuclear fuel obligation, net unamortized premiums, discounts and debt issuance costs, and other fair value adjustments.

(b) Estimated interest payments on fixed-rate debt are calculated by multiplying the coupon rate on the debt by its scheduled notional amount outstanding for the period of measurement.

(c) The capital lease obligations include interest.

(d) Amounts are not included on our balance sheets.

(e) These amounts represent expected pension and PBOP contributions for 2019. Future contributions will vary depending on many factors, including the performance of existing plan assets, valuation of the plans' liabilities and long-term discount rates.

(f) Other than certain derivative contracts held by the regulated companies, these obligations are not included on our balance sheets.

(g) Does not include other long-term liabilities recorded on our balance sheet, such as environmental reserves, employee medical insurance, workers compensation and long-term disability insurance reserves, ARO liability reserves and other reserves, as we cannot make reasonable estimates of the timing of payments. Also, does not include amounts not included on our balance sheets for future funding of Eversource's equity method investments, as we cannot make reasonable estimates of the periods or the investment contributions.

For further information regarding our contractual obligations and commercial commitments, see Note 6, "Asset Retirement Obligations," Note 7, "Short-Term Debt," Note 8, "Long-Term Debt," Note 9, "Rate Reduction Bonds and Variable Interest Entities," Note 10A, "Employee Benefits - Pension Benefits and Postretirement Benefits Other Than Pension," Note 12, "Commitments and Contingencies," and Note 14, "Leases," to the financial statements.

RESULTS OF OPERATIONS – EVERSOURCE ENERGY AND SUBSIDIARIES

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for Eversource for the years ended December 31, 2018 and 2017 included in this Annual Report on Form 10-K:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	Increase/(Decrease)
Operating Revenues	$ 8,448.2	$ 7,752.0	$ 696.2
Operating Expenses:			
Purchased Power, Fuel and Transmission	3,139.0	2,535.3	603.7
Operations and Maintenance	1,335.2	1,307.0	28.2
Depreciation	819.9	773.8	46.1
Amortization	252.0	90.0	162.0
Energy Efficiency Programs	472.4	480.8	(8.4)
Taxes Other Than Income Taxes	729.8	676.8	53.0
Total Operating Expenses	6,748.3	5,863.7	884.6
Operating Income	1,699.9	1,888.3	(188.4)
Interest Expense	498.8	421.8	77.0
Other Income, Net	128.4	107.9	20.5
Income Before Income Tax Expense	1,329.5	1,574.4	(244.9)
Income Tax Expense	289.0	578.9	(289.9)
Net Income	1,040.5	995.5	45.0
Net Income Attributable to Noncontrolling Interests	7.5	7.5	—
Net Income Attributable to Common Shareholders	$ 1,033.0	$ 988.0	$ 45.0

Operating Revenues

Sales Volumes: A summary of our retail electric GWh sales volumes, our firm natural gas sales volumes in MMcf, and our water MG sales volumes, and percentage changes, for the years ended December 31, 2018 and 2017, is as follows:

	Electric			Firm Natural Gas			Water		
	Sales Volumes (GWh)		Percentage Increase	Sales Volumes (MMcf)		Percentage Increase/ (Decrease)	Sales Volumes (MG)		Percentage Increase/ (Decrease)
	2018	2017 [1]		2018	2017 [2]		2018	2017 [3]	
Traditional	9,790	9,465	3.4%	44,715	39,455	13.3 %	2,252	2,202	2.3 %
Decoupled and Special Contracts [4]	43,591	42,781	1.9%	61,242	61,571	(0.5)%	21,479	22,565	(4.8)%
Total Sales Volumes	53,381	52,246	2.2%	105,957	101,026	4.9 %	23,731	24,767	(4.2)%

(1) In 2017 and in the month of January 2018, NSTAR Electric operated under two different rate structures (traditional and decoupled) based on its service territory geography. Effective February 1, 2018, NSTAR Electric operated entirely under a decoupled rate structure. The 2017 sales volumes for NSTAR Electric have been recast to present February through December 2017 as decoupled, to conform to the current year presentation.

(2) In 2017 and until November 14, 2018, Yankee Gas operated under a traditional rate structure. Effective November 15, 2018, Yankee Gas operated under a decoupled rate structure. The 2017 sales volumes for Yankee Gas have been recast to present November 15th through December 2017 as decoupled, to conform to the current year presentation.

(3) Eversource acquired its water distribution business on December 4, 2017. Full 2017 sales volumes have been presented for comparative purposes.

(4) Special contracts are unique to Yankee Gas natural gas distribution customers who take service under such an arrangement and generally specify the amount of distribution revenue to be paid to Yankee Gas regardless of the customers' usage.

Fluctuations in retail electric sales volumes at PSNH and natural gas sales volumes at Yankee Gas prior to November 15, 2018 impacted earnings ("Traditional" in the table above). For CL&P, NSTAR Electric (effective February 1, 2018 as a result of a DPU-approved rate case decision), Yankee Gas (effective November 15, 2018 as a result of a PURA-approved rate case settlement) and NSTAR Gas, fluctuations in retail sales volumes do not impact earnings due to their respective regulatory commission-approved distribution revenue decoupling mechanisms ("Decoupled" in the table above). These distribution revenues are decoupled from their customer sales volumes, which breaks the relationship between sales volumes and revenues recognized. Fluctuations in water sales volumes largely do not impact earnings as our Connecticut water distribution business is decoupled.

Operating Revenues: Operating Revenues by segment increased/(decreased) in 2018, as compared to 2017, as follows (the variance in electric distribution revenues reflects intercompany transmission billings in both periods):

(Millions of Dollars)	Increase/(Decrease)
Electric Distribution	$ 405.6
Natural Gas Distribution	74.9
Electric Transmission	(15.4)
Water Distribution	196.1
Other	5.3
Eliminations	29.7
Total Operating Revenues	$ 696.2

Electric Distribution Revenues:

- Base electric distribution revenues decreased $49.3 million due primarily to lower base distribution rates at NSTAR Electric, as per the DPU-approved rate case decision that became effective February 1, 2018. NSTAR Electric's rates were adjusted to reflect the new lower federal corporate income tax rate and the movement of certain costs from base distribution rates to fully-reconciled cost tracking mechanisms (most of which did not impact earnings). The decrease in revenues was partially offset by CL&P's base distribution rate increase as a result of the PURA-approved rate case settlement that became effective May 1, 2018 (a portion of which did not impact earnings), and an increase in non-decoupled sales volumes primarily driven by colder weather in January 2018 at NSTAR Electric (prior to its decoupled rate structure) and warmer summer weather in 2018 at PSNH. Effective February 1, 2018, NSTAR Electric operated entirely under a decoupled rate structure.

- Electric distribution revenues also decreased $28.9 million due to the liability established to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018 as a result of the Tax Cuts and Jobs Act. Effective February 1, 2018 for NSTAR Electric and May 1, 2018 for CL&P, rates charged to customers have been adjusted to reflect the new federal corporate income tax rate. PSNH will refund the overcollection in rates from January 1, 2018 to customers in a future period.

- Tracked revenues consist of certain costs that are recovered from customers in retail rates through regulatory commission-approved cost tracking mechanisms and therefore, have no impact on earnings. Costs recovered through cost tracking mechanisms include energy supply procurement and other energy-related costs, retail transmission charges, energy efficiency program costs, restructuring and stranded cost recovery revenues (including securitized RRB charges), and additionally for NSTAR Electric, pension and PBOP benefits and net metering for distributed generation. In addition, tracked revenues include certain incentives earned and carrying charges that are billed in rates to customers. Tracked retail electric distribution revenues increased as a result of an increase in electric energy supply costs ($219.1 million), an increase in stranded cost recovery revenues ($80.5 million), an increase in retail electric transmission charges ($39.3 million), and an increase in other distribution tracking mechanisms ($84.0 million). Tracked revenues also include wholesale market sales transactions, such as sales of energy and energy-related products into the ISO-NE wholesale electricity market and the sale of RECs to various counterparties, which increased $48.7 million.

Natural Gas Distribution Revenues:

- Base natural gas distribution revenues increased $17.8 million due primarily to an increase in sales volumes and demand revenues driven by colder January, April, October and November weather in Connecticut in 2018, as well as growth in new customer base. Effective November 15, 2018, fluctuations in Connecticut sales volumes no longer impact earnings as a result of a decoupled rate structure at Yankee Gas approved in the 2018 rate case settlement.

- Natural gas distribution revenues decreased $8.3 million due to the liability established to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018 as a result of the Tax Cuts and Jobs Act. Effective July 1, 2018 for NSTAR Gas and November 15, 2018 for Yankee Gas, rates charged to customers have been adjusted to reflect the new federal corporate income tax rate.

- Tracked natural gas distribution revenues increased as a result of an increase in natural gas supply costs ($42.8 million), an increase in energy efficiency program revenues ($7.9 million), and an increase in wholesale sales of natural gas to third party marketers ($14.6 million).

Water Distribution: Water distribution revenues increased $196.1 million for the year ended December 31, 2018 as a result of the acquisition of Aquarion on December 4, 2017.

Electric Transmission Revenues: The electric transmission segment revenues decreased by $15.4 million due primarily to lower revenue requirements primarily related to the lower federal corporate income tax rate that was reflected in 2018 transmission revenues, partially offset by an increase related to ongoing investments in our transmission infrastructure.

Purchased Power, Fuel and Transmission expense includes costs associated with purchasing electricity, natural gas and water, on behalf of our customers. These supply costs are recovered from customers in rates through commission-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). Purchased Power, Fuel and Transmission expense increased in 2018, as compared to 2017, due primarily to the following:

(Millions of Dollars)		Increase
Electric Distribution	$	436.9
Natural Gas Distribution		48.8
Transmission		73.6
Water Distribution		1.6
Eliminations		42.8
Total Purchased Power, Fuel and Transmission	$	603.7

The variance in electric distribution reflects intercompany transmission charges in both periods. The increase in purchased power expense at the electric distribution business in 2018, as compared to 2017, was driven primarily by higher prices associated with the procurement of energy supply. As a result of the sale of PSNH's thermal generation assets on January 10, 2018, and the sale of PSNH's hydroelectric assets on August 26, 2018, PSNH purchased power in place of its self-generation output in 2018. The increase in natural gas supply costs at our natural gas distribution business was due to higher average prices and sales volumes.

The increase in transmission costs in 2018, as compared to 2017, was primarily the result of an increase in costs billed by ISO-NE that support regional grid investment and an increase in the retail transmission cost deferral, which reflects the actual costs of transmission service compared to estimated amounts billed to customers. This was partially offset by a decrease in Local Network Service charges, which reflect the cost of transmission service provided by Eversource over our local transmission network.

Operations and Maintenance expense includes tracked costs and costs that are part of base electric, natural gas and water distribution rates with changes impacting earnings (non-tracked costs). Operations and Maintenance expense increased in 2018, as compared to 2017, due primarily to the following:

(Millions of Dollars)		Increase/(Decrease)
Base Electric Distribution (Non-Tracked Costs):		
Employee-related expenses, including labor and benefits	$	8.5
Bad debt expense		11.2
HEEC Boston Harbor distribution cable costs		(12.5)
Storm restoration costs		(6.3)
Other non-tracked operations and maintenance		13.0
Total Base Electric Distribution (Non-Tracked Costs)		13.9
Base Natural Gas Distribution (Non-Tracked Costs) - Increase due primarily to higher employee-related expenses of $4.5 million and higher bad debt expense of $4.3 million		9.8
Water Distribution - Increase of Aquarion operations and maintenance expenses due to acquisition on December 4, 2017		73.3
Tracked Costs (Electric Distribution, Electric Transmission and Natural Gas Distribution) - Decrease due primarily to lower PSNH generation operations expenses of $53.3 million due to the 2018 sales of thermal and hydroelectric generation assets and lower transmission expenses of $18.5 million		(83.3)
Other and eliminations:		
Absence of merger-related costs allowed for recovery through NSTAR Electric distribution rates as a result of the 2017 DPU distribution rate case decision (absence of 2017 earnings benefit)		30.5
Merger-related costs allowed for recovery through Yankee Gas distribution rates as a result of the 2018 PURA distribution rate case settlement agreement (earnings benefit)		(7.7)
Eversource Parent and Other Companies - other operations and maintenance		0.8
Eliminations		(9.1)
Total Operations and Maintenance	$	28.2

Depreciation expense increased in 2018, as compared to 2017, due primarily to higher utility plant in service balances and new depreciation rates effective with the CL&P distribution rate case settlement agreement. Partially offsetting these increases was lower depreciation expense at PSNH as a result of the sale of the thermal and hydroelectric generation assets in 2018.

Amortization expense includes the deferral of energy supply and energy-related costs included in certain regulatory commission-approved cost tracking mechanisms, and the amortization of certain costs. This deferral adjusts expense to match the corresponding revenues. Amortization increased in 2018, as compared to 2017, due primarily to the deferral of energy supply and energy-related costs which can fluctuate from period to period based on the timing of costs incurred and the related rate changes to recover these costs. Energy supply and energy-related costs are recovered from customers in rates and have no impact on earnings. In addition, the increase includes amortization of PSNH's securitized regulatory asset of $27.3 million related to the 2018 RRB issuance.

Energy Efficiency Programs expense decreased in 2018, as compared to 2017, due primarily to a State of Connecticut policy change requiring CL&P to remit 2018 energy efficiency funds to the State of Connecticut, which totaled $46.8 million in 2018, as compared to $25.4 million in 2017. These costs were collected from CL&P's customers and remitted to the State of Connecticut; as such we have classified these amounts as Taxes Other than Income Taxes. The costs for the majority of the state energy policy initiatives and expanded energy efficiency programs are recovered from customers in rates and have no impact on earnings. Partially offsetting this decrease was an increase in allowed distribution revenue at PSNH that funded a higher level of expenditures, and higher spending for our natural gas energy efficiency programs.

Taxes Other Than Income Taxes expense increased in 2018, as compared to 2017, due primarily to a State of Connecticut policy change requiring CL&P to remit 2018 energy efficiency funds to the State of Connecticut (which totaled $46.8 million in 2018, as compared to $25.4 million in 2017), as well as higher property taxes due to higher utility plant in service balances and higher gross earnings taxes (the costs of which are tracked). Partially offsetting these increases was the absence of property taxes as a result of the sale of the PSNH thermal and hydroelectric generation assets in 2018, and a 2018 refund of disputed property taxes for prior years at PSNH.

Interest Expense increased in 2018, as compared to 2017, due primarily to an increase in interest on long-term debt ($30.7 million) as a result of new debt issuances, the addition of Aquarion interest expense in 2018 ($23.0 million), interest expense on the 2018 PSNH RRB issuance ($14.4 million), an increase in interest on notes payable ($11.2 million) and an increase in regulatory deferrals, which increased interest expense ($7.1 million) driven primarily by the absence in 2018 of a benefit to interest expense at NSTAR Electric due to the 2017 DPU distribution rate case decision regarding carrying charges for past storms. Partially offsetting these increases was an increase in AFUDC related to debt funds ($7.2 million).

Other Income, Net increased in 2018, as compared to 2017, due primarily to an increase related to Pension, SERP and PBOP non-service income components ($30.9 million), higher AFUDC related to equity funds ($9.6 million), the recognition of $8.7 million of the equity return component of carrying charges related to storms incurred from August 2011 through March 2013 at PSNH recorded in interest income, and gains on the sale of property ($5.1 million). Partially offsetting these increases was a decrease in equity in earnings of unconsolidated affiliates related to Eversource's equity method investments ($23.6 million), which was driven by a $32.9 million other-than-temporary impairment to our equity method investment in the Access Northeast project, partially offset by increased unrealized gains on our investment in a renewable energy fund. Other Income, Net was further decreased by investment loss in 2018 compared to investment income in 2017 ($11.5 million) primarily related to unrealized losses on equity marketable securities.

Income Tax Expense decreased in 2018, as compared to 2017, due primarily to the new federal tax law enacted December 22, 2017, the Tax Cuts and Jobs Act, reducing the federal corporate income tax rate from 35 percent to 21 percent and lower pre-tax earnings ($265.2 million), further reduced by state taxes ($3.6 million), which includes a valuation allowance against state tax credits. Income tax expense further decreased by the write-off of Access Northeast ($6.9 million), an aggregate benefit relating to both federal tax reform impacts on the tax return compared to the provision estimate and remeasurement of a tax reserve ($18 million), and partially offset by items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($3.8 million).

Results of Operations for the years ended December 31, 2018 and 2017 for each of CL&P, NSTAR Electric and PSNH have been omitted from this report but are set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

RESULTS OF OPERATIONS – EVERSOURCE ENERGY AND SUBSIDIARIES

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for Eversource for the years ended December 31, 2017 and 2016 included in this Annual Report on Form 10-K:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Increase/(Decrease)
Operating Revenues	$ 7,752.0	$ 7,639.1	$ 112.9
Operating Expenses:			
Purchased Power, Fuel and Transmission	2,535.3	2,500.8	34.5
Operations and Maintenance	1,307.0	1,342.1	(35.1)
Depreciation	773.8	715.5	58.3
Amortization of Regulatory Assets, Net	90.0	71.7	18.3
Energy Efficiency Programs	480.8	533.7	(52.9)
Taxes Other Than Income Taxes	676.8	634.0	42.8
Total Operating Expenses	5,863.7	5,797.8	65.9
Operating Income	1,888.3	1,841.3	47.0
Interest Expense	421.8	401.0	20.8
Other Income, Net	107.9	64.5	43.4
Income Before Income Tax Expense	1,574.4	1,504.8	69.6
Income Tax Expense	578.9	555.0	23.9
Net Income	995.5	949.8	45.7
Net Income Attributable to Noncontrolling Interests	7.5	7.5	—
Net Income Attributable to Common Shareholders	$ 988.0	$ 942.3	$ 45.7

Operating Revenues

A summary of our Operating Revenues by segment was as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2017	2016	Increase/(Decrease)
Electric Distribution	$ 5,542.9	$ 5,594.3	$ (51.4)
Natural Gas Distribution	947.3	857.7	89.6
Electric Transmission	1,301.7	1,210.0	91.7
Other and Eliminations	(39.9)	(22.9)	(17.0)
Total Operating Revenues	$ 7,752.0	$ 7,639.1	$ 112.9

A summary of our retail electric GWh sales volumes and our firm natural gas sales volumes in MMcf and percentage changes was as follows:

	Electric				Firm Natural Gas			
	For the Years Ended December 31,				For the Years Ended December 31,			
	2017 [(1)]	2016	Decrease	Percent	2017 [(1)]	2016	Increase	Percent
Traditional	27,855	28,479	(624)	(2.2)%	46,957	45,314	1,643	3.6%
Decoupled and Natural Gas Special Contracts	24,391	25,163	(772)	(3.1)%	54,069	52,728	1,341	2.5%
Total Sales Volumes	52,246	53,642	(1,396)	(2.6)%	101,026	98,042	2,984	3.0%

(1) The 2017 sales volumes have not been recast in this presentation for comparability between the prior years.

Fluctuations in sales volumes at certain of the electric and natural gas utilities impact earnings ("Traditional" in the table above). Fluctuations in CL&P's, NSTAR Electric's (for a portion of its sales volumes as of December 31, 2017) and NSTAR Gas' sales volumes do not impact the level of base distribution revenue realized or earnings due to the commission-approved revenue decoupling mechanisms ("Decoupled and Natural Gas Special Contracts" in the table above). The revenue decoupling mechanisms permit recovery of a base amount of distribution revenues and breaks the relationship between sales volumes and revenues recognized. Effective February 1, 2018, all of NSTAR Electric's distribution revenues were decoupled as a result of the DPU-approved rate case decision.

Operating Revenues, which primarily consist of base electric and natural gas distribution revenues and tracked revenues further described below, increased by $112.9 million in 2017, as compared to 2016.

Base electric and natural gas distribution revenues: Base electric distribution segment revenues, excluding LBR, decreased $12.3 million in 2017, as compared to 2016, due primarily to a decrease in sales volumes driven by the mild summer weather in 2017 at our non-decoupled electric companies. LBR increased $13.0 million in 2017, as compared to 2016. Effective February 1, 2018, NSTAR Electric no longer has an LBR recovery mechanism. Base natural gas distribution revenues increased $2.9 million in 2017, as compared to 2016. The impact of higher firm natural gas sales volumes, which was driven by colder winter weather in the fourth quarter of 2017, was partially offset by lower demand revenues in Connecticut driven by lower peak usage in 2017, as compared to 2016.

Tracked distribution revenues: Tracked revenues consist of certain costs that are recovered from customers in rates through regulatory commission-approved cost tracking mechanisms and therefore, have no impact on earnings. Costs recovered through cost tracking mechanisms include energy supply procurement and other energy-related costs for our electric and natural gas customers, retail transmission charges, energy efficiency program costs, net metering for distributed generation and restructuring and stranded cost recovery revenues. In addition, certain tracked revenues include incentives earned and carrying charges that are billed in rates to customers.

Tracked natural gas distribution segment revenues increased as a result of an increase in natural gas supply costs ($68.7 million) and an increase in energy efficiency program revenues ($18.1 million). Tracked electric distribution revenues decreased as a result of a decrease in electric energy supply costs ($21.7 million), driven by decreased average retail prices and lower sales volumes, a decrease in retail electric transmission charges ($14.8 million), a decrease in transition and stranded cost recovery revenues ($46.2 million), a decrease in pension rate adjustment mechanisms ($21.6 million), a decrease in revenues related to the timing of the sale of PSNH's RECs ($16.3 million), and a decrease in energy efficiency program revenues ($10.4 million). Partially offsetting these decreases were increases in tracked electric distribution revenues related to federally-mandated congestion charges ($30.1 million), net metering revenues ($29.8 million) and revenues related to renewable energy requirements ($41.9 million).

Electric transmission revenues: The electric transmission segment revenues increased by $91.7 million due primarily to the recovery of higher revenue requirements associated with ongoing investments in our transmission infrastructure.

Other: Other revenues decreased due primarily to the sale of Eversource's unregulated telecommunication business on December 31, 2016 ($20.0 million), partially offset by the addition of Aquarion revenues due to the acquisition on December 4, 2017 ($15.9 million).

Purchased Power, Fuel and Transmission expense includes costs associated with purchasing electricity and natural gas on behalf of our customers. These energy supply costs are recovered from customers in rates through commission-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). Purchased Power, Fuel and Transmission expense increased in 2017, as compared to 2016, due primarily to the following:

(Millions of Dollars)		**(Decrease)/Increase**
Electric Distribution	$	(68.9)
Natural Gas Distribution		59.5
Transmission		43.9
Total Purchased Power, Fuel and Transmission	$	34.5

The decrease in purchased power expense at the electric distribution business in 2017, as compared to 2016, was driven primarily by lower prices associated with the procurement of energy supply and lower sales volumes. The increase in purchased power expense at the natural gas distribution business was due to higher average natural gas prices and higher sales volumes. The increase in transmission costs in 2017, as compared to 2016, was primarily the result of an increase in costs billed by ISO-NE that support regional grid investment, and Local Network Service charges, which reflect the cost of transmission service provided by Eversource over our local transmission network. This was partially offset by a decrease in the retail transmission cost deferral, which reflects the actual costs of transmission service compared to estimated amounts billed to customers.

Operations and Maintenance expense includes tracked costs and costs that are part of base electric and natural gas distribution rates with changes impacting earnings (non-tracked costs). Operations and Maintenance expense decreased in 2017, as compared to 2016, due primarily to the following:

(Millions of Dollars)	Increase/(Decrease)
Base Electric Distribution:	
Employee-related expenses, including labor and benefits	$ (46.8)
Bad debt expense	(14.5)
Shared corporate costs (including computer software depreciation at Eversource Service)	24.2
HEEC Boston Harbor distribution cable costs	16.0
Other non-tracked operations and maintenance	7.4
Total Base Electric Distribution	(13.7)
Base Natural Gas Distribution	4.3
Tracked costs (Electric Distribution, Electric Transmission and Natural Gas Distribution):	
Absence in 2017 of earnings benefit related to merger-related costs allowed for recovery through transmission rates	27.5
Other tracked operations and maintenance	(4.4)
Total Tracked costs (Electric Distribution, Electric Transmission and Natural Gas Distribution)	23.1
Other and eliminations:	
Merger-related costs allowed for recovery through NSTAR Electric distribution rates as a result of the November 30, 2017 DPU distribution rate case decision (earnings benefit)	(30.5)
Addition of Aquarion operations and maintenance expenses due to acquisition on December 4, 2017	6.9
Eversource Parent and Other Companies - other operations and maintenance	7.6
Eliminations	(32.8)
Total Operations and Maintenance	$ (35.1)

Depreciation expense increased in 2017, as compared to 2016, due primarily to higher utility plant in service balances.

Amortization of Regulatory Assets, Net expense includes the deferral of energy supply and energy-related costs included in certain regulatory-approved tracking mechanisms, and the amortization of certain costs. The deferral adjusts expense to match the corresponding revenues. Amortization of Regulatory Assets, Net increased in 2017, as compared to 2016, due primarily to the deferral of energy supply and energy-related costs which can fluctuate from period to period based on the timing of costs incurred and the related rate changes to recover these costs. Energy supply and energy-related costs at the electric and natural gas companies are recovered from customers in rates and have no impact on earnings.

Energy Efficiency Programs expense decreased in 2017, as compared to 2016, due primarily to a State of Connecticut policy change impacting CL&P requiring the remittance of $25.4 million of 2017 energy efficiency funds to the State (resulting in these costs being classified as Taxes Other than Income Taxes), and the deferral adjustment at NSTAR Electric. The deferral adjustment reflects the actual costs of energy efficiency programs compared to the estimated amounts billed to customers. The deferral adjusts costs incurred to match energy efficiency revenue billed to customers and the timing of the recovery of energy efficiency costs. The costs for various state energy policy initiatives and expanded energy efficiency programs are recovered from customers in rates and have no impact on earnings.

Taxes Other Than Income Taxes expense increased in 2017, as compared to 2016, due primarily to a State of Connecticut policy change requiring $25.4 million of 2017 CL&P energy efficiency costs to be remitted to the State of Connecticut that is included in Taxes Other than Income Taxes, an increase in property taxes as a result of higher utility plant balances, partially offset by a decrease in gross earnings taxes. Gross earnings taxes are recovered from customers in rates and have no impact on earnings.

Interest Expense increased in 2017, as compared to 2016, due primarily to an increase in interest on long-term debt ($30.3 million) as a result of new debt issuances and an increase in interest on notes payable ($5.1 million), partially offset by a decrease in regulatory deferrals, primarily at NSTAR Electric, which decreased interest expense ($14.7 million) due primarily to the November 30, 2017 NSTAR Electric DPU distribution rate case decision which allowed for a higher rate on carrying charges for past storm costs.

Other Income, Net increased in 2017, as compared to 2016, due primarily to increased gains on investments ($27.2 million), primarily related to Eversource's investment in a renewable energy fund, an increase related to pension, SERP and PBOP non-service income components ($11.3 million), changes in the market value related to deferred compensation plans ($8.3 million) and higher AFUDC related to equity funds ($8.2 million). Partially offsetting these favorable impacts was the absence in 2017 of a gain on the sale of an unregulated business in 2016 ($11.8 million) and lower interest income ($3.3 million).

Income Tax Expense increased in 2017, as compared to 2016, due primarily to higher pre-tax earnings ($29.1 million), lower excess tax benefit ($16.2 million), the absence of tax credits in 2017 ($3.5 million), and the impact from federal tax rate change ($0.5 million), partially offset by items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($11.4 million), the sale of an unregulated business in 2016 ($10.2 million), and lower state taxes ($3.8 million).

EARNINGS SUMMARY

Regulated Companies: Our electric distribution segment earnings increased $34.6 million in 2017, as compared to 2016, due primarily to a lower effective tax rate, lower non-tracked operations and maintenance expense, higher lost base revenues at NSTAR Electric and higher distribution revenues at CL&P due in part to a higher rate base for the system resiliency program, partially offset by higher depreciation expense, lower sales volumes primarily driven by the mild summer weather in 2017, as compared to 2016 (primarily at NSTAR Electric), and higher property tax expense.

Our electric transmission segment earnings increased $21.1 million in 2017, as compared to 2016, due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure, partially offset by the absence in 2017 of the FERC-allowed recovery of certain previously expensed merger-related costs in 2016, and a lower benefit in the second quarter of 2017 related to the annual billing and cost reconciliation filing with the FERC.

Our natural gas distribution segment earnings decreased $3.1 million in 2017, as compared to 2016, due primarily to higher depreciation expense, lower demand revenues in Connecticut driven by lower peak usage in 2017, as compared to 2016, higher non-tracked operations and maintenance expense, and higher property tax expense, partially offset by higher sales volumes driven by colder winter weather in the fourth quarter of 2017, as compared to 2016.

Eversource Parent and Other Companies: Eversource parent and other companies, including our water business, earned $25.3 million in 2017, compared with $31.0 million in 2016. The decrease in earnings was due primarily to a higher effective tax rate, higher interest expense and the absence in 2017 of the earnings and gain on the sale of an unregulated business in 2016. These decreases were partially offset by the 2017 DPU-allowed recovery of certain previously expensed merger-related costs in NSTAR Electric's distribution rates, and increased gains on investments recorded in 2017.

LIQUIDITY

Cash flows provided by operating activities totaled $2.0 billion in 2017, compared with $2.2 billion in 2016. The decrease in operating cash flows was due primarily to the $166.3 million net unfavorable impact as a result of the change in income tax payments made, or refunds received, in 2017 when compared to 2016. This unfavorable impact was primarily the result of the December 2015 legislation, which extended the accelerated deduction of depreciation from 2015 to 2019. The legislation resulted in a significant refund of approximately $275 million, which we received in the first quarter of 2016. Additionally, there was an increase of $84.1 million in Pension and PBOP Plan cash contributions made in 2017, as compared to 2016, a decrease of $59.8 million related to the absence in 2017 of the Yankee Companies' DOE Damages received in 2016, and the unfavorable impact related to the timing of regulatory recoveries, which were significantly impacted by NSTAR Electric's timing of collections of purchased power and transmission costs. Partially offsetting these unfavorable impacts was the benefit related to the timing of collections and payments of our working capital items, including accounts payable.

Results of Operations for the years ended December 31, 2017 and 2016 for each of CL&P, NSTAR Electric and PSNH have been omitted from this report but are set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk Information

Commodity Price Risk Management: Our regulated companies enter into energy contracts to serve our customers and the economic impacts of those contracts are passed on to our customers. Accordingly, the regulated companies have no exposure to loss of future earnings or fair values due to these market risk-sensitive instruments. Eversource's Energy Supply Risk Committee, comprised of senior officers, reviews and approves all large-scale energy related transactions entered into by its regulated companies.

Other Risk Management Activities

We have an Enterprise Risk Management (ERM) program for identifying the principal risks of the Company. Our ERM program involves the application of a well-defined, enterprise-wide methodology designed to allow our Risk Committee, comprised of our senior officers and directors of the Company, to identify, categorize, prioritize, and mitigate the principal risks to the Company. The ERM program is integrated with other assurance functions throughout the Company including Compliance, Auditing, and Insurance to ensure appropriate coverage of risks that could impact the Company. In addition to known risks, ERM identifies emerging risks to the Company, through participation in industry groups, discussions with management and in consultation with outside advisers. Our management then analyzes risks to determine materiality, likelihood and impact, and develops mitigation strategies. Management broadly considers our business model, the utility industry, the global economy and the current environment to identify risks. The Finance Committee of the Board of Trustees is responsible for oversight of the Company's ERM program and enterprise-wide risks as well as specific risks associated with insurance, credit, financing, investments, pensions and overall system security including cyber security. The findings of the ERM process are periodically discussed with the Finance Committee of our Board of Trustees, as well as with other Board Committees or the full Board of Trustees, as appropriate, including reporting on how these issues are being measured and managed. However, there can be no assurances that the ERM process will identify or manage every risk or event that could impact our financial position, results of operations or cash flows.

Interest Rate Risk Management: We manage our interest rate risk exposure in accordance with our written policies and procedures by maintaining a mix of fixed and variable rate long-term debt. As of December 31, 2018, all of our long-term debt except for $39.5 million of fees and interest due for CYAPC's spent nuclear fuel disposal costs, was at a fixed interest rate.

Credit Risk Management: Credit risk relates to the risk of loss that we would incur as a result of non-performance by counterparties pursuant to the terms of our contractual obligations. We serve a wide variety of customers and transact with suppliers that include IPPs, industrial companies, natural gas and electric utilities, oil and gas producers, financial institutions, and other energy marketers. Margin accounts exist within this diverse group, and we realize interest receipts and payments related to balances outstanding in these margin accounts. This wide customer and supplier mix generates a need for a variety of contractual structures, products and terms that, in turn, require us to manage the portfolio of market risk inherent in those transactions in a manner consistent with the parameters established by our risk management process.

Our regulated companies are subject to credit risk from certain long-term or high-volume supply contracts with energy marketing companies. Our regulated companies manage the credit risk with these counterparties in accordance with established credit risk practices and monitor contracting risks, including credit risk. As of December 31, 2018, our regulated companies did not hold collateral (letters of credit) from counterparties related to our standard service contracts. As of December 31, 2018, Eversource had $24.8 million of cash posted with ISO-NE related to energy transactions.

For further information on cash collateral deposited and posted with counterparties, see Note 1P, "Summary of Significant Accounting Policies - Supplemental Cash Flow Information," to the financial statements.

If the respective unsecured debt ratings of Eversource or its subsidiaries were reduced to below investment grade by either Moody's or S&P, certain of Eversource's contracts would require additional collateral in the form of cash to be provided to counterparties and independent system operators. Eversource would have been and remains able to provide that collateral.

Item 8. Financial Statements and Supplementary Data

Company Report on Internal Controls Over Financial Reporting

Eversource Energy

Management is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements of Eversource Energy and subsidiaries (Eversource or the Company) and of other sections of this annual report. Eversource's internal controls over financial reporting were audited by Deloitte & Touche LLP.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment.

Under the supervision and with the participation of the principal executive officer and principal financial officer, Eversource conducted an evaluation of the effectiveness of internal controls over financial reporting based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting were effective as of December 31, 2018.

February 26, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of Eversource Energy:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Eversource Energy and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, common shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the schedules listed in the Index at Item 15 of Part IV (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Company Report on Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
February 26, 2019

We have served as the Company's auditor since 2002.

EVERSOURCE ENERGY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars)	As of December 31, 2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 108,068	$ 38,165
Receivables, Net	994,055	925,083
Unbilled Revenues	176,285	201,361
Fuel, Materials, Supplies and Inventory	238,042	223,063
Regulatory Assets	514,779	741,868
Prepayments and Other Current Assets	260,995	138,009
Assets Held for Sale	—	219,550
Total Current Assets	2,292,224	2,487,099
Property, Plant and Equipment, Net	25,610,428	23,617,463
Deferred Debits and Other Assets:		
Regulatory Assets	4,631,137	4,497,447
Goodwill	4,427,266	4,427,266
Marketable Securities	417,508	585,419
Other Long-Term Assets	862,693	605,692
Total Deferred Debits and Other Assets	10,338,604	10,115,824
Total Assets	$ 38,241,256	$ 36,220,386
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable	$ 910,000	$ 1,088,087
Long-Term Debt – Current Portion	837,319	549,631
Rate Reduction Bonds – Current Portion	52,332	—
Accounts Payable	1,119,995	1,085,034
Regulatory Liabilities	370,230	128,071
Other Current Liabilities	823,006	738,222
Total Current Liabilities	4,112,882	3,589,045
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	3,506,030	3,297,518
Regulatory Liabilities	3,609,475	3,637,273
Derivative Liabilities	379,562	377,257
Accrued Pension, SERP and PBOP	962,510	1,228,091
Other Long-Term Liabilities	1,196,336	1,073,501
Total Deferred Credits and Other Liabilities	9,653,913	9,613,640
Long-Term Debt	12,248,743	11,775,889
Rate Reduction Bonds	583,331	—
Noncontrolling Interest - Preferred Stock of Subsidiaries	155,570	155,570
Common Shareholders' Equity:		
Common Shares	1,669,392	1,669,392
Capital Surplus, Paid In	6,241,222	6,239,940
Retained Earnings	3,953,974	3,561,084
Accumulated Other Comprehensive Loss	(60,000)	(66,403)
Treasury Stock	(317,771)	(317,771)
Common Shareholders' Equity	11,486,817	11,086,242
Commitments and Contingencies (Note 12)		
Total Liabilities and Capitalization	$ 38,241,256	$ 36,220,386

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

EVERSOURCE ENERGY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Thousands of Dollars, Except Share Information)	For the Years Ended December 31, 2018	2017	2016
Operating Revenues	$ 8,448,201	$ 7,751,952	$ 7,639,129
Operating Expenses:			
Purchased Power, Fuel and Transmission	3,138,969	2,535,271	2,500,828
Operations and Maintenance	1,335,213	1,307,052	1,342,134
Depreciation	819,930	773,802	715,466
Amortization	252,026	89,986	71,696
Energy Efficiency Programs	472,380	480,835	533,659
Taxes Other Than Income Taxes	729,753	676,757	634,072
Total Operating Expenses	6,748,271	5,863,703	5,797,855
Operating Income	1,699,930	1,888,249	1,841,274
Interest Expense	498,805	421,755	400,961
Other Income, Net	128,366	107,913	64,505
Income Before Income Tax Expense	1,329,491	1,574,407	1,504,818
Income Tax Expense	288,972	578,892	554,997
Net Income	1,040,519	995,515	949,821
Net Income Attributable to Noncontrolling Interests	7,519	7,519	7,519
Net Income Attributable to Common Shareholders	$ 1,033,000	$ 987,996	$ 942,302
Basic Earnings Per Common Share	$ 3.25	$ 3.11	$ 2.97
Diluted Earnings Per Common Share	$ 3.25	$ 3.11	$ 2.96
Weighted Average Common Shares Outstanding:			
Basic	317,370,369	317,411,097	317,650,180
Diluted	317,993,934	318,031,580	318,454,239

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands of Dollars, Except Share Information)	For the Years Ended December 31, 2018	2017	2016
Net Income	$ 1,040,519	$ 995,515	$ 949,821
Other Comprehensive Income/(Loss), Net of Tax:			
Qualified Cash Flow Hedging Instruments	1,756	1,974	2,137
Changes in Unrealized (Losses)/Gains on Marketable Securities	(547)	(350)	2,294
Changes in Funded Status of Pension, SERP and PBOP Benefit Plans	5,194	(2,745)	(2,869)
Other Comprehensive Income/(Loss), Net of Tax	6,403	(1,121)	1,562
Comprehensive Income Attributable to Noncontrolling Interests	(7,519)	(7,519)	(7,519)
Comprehensive Income Attributable to Common Shareholders	$ 1,039,403	$ 986,875	$ 943,864

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

EVERSOURCE ENERGY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

	Common Shares		Capital		Accumulated		Total
(Thousands of Dollars, Except Share Information)	Shares	Amount	Capital Surplus, Paid In	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Shareholders' Equity
Balance as of January 1, 2016	317,191,249	$ 1,669,313	$ 6,262,368	$ 2,797,355	$ (66,844)	$ (309,977)	$ 10,352,215
Net Income				949,821			949,821
Dividends on Common Shares - $1.78 Per Share				(564,486)			(564,486)
Dividends on Preferred Stock				(7,519)			(7,519)
Issuance of Common Shares, $5 Par Value	15,787	79	(5,639)				(5,560)
Long-Term Incentive Plan Activity			(6,056)				(6,056)
Increase in Treasury Shares	(321,228)					(7,794)	(7,794)
Other Changes in Shareholders' Equity			(449)				(449)
Other Comprehensive Income					1,562		1,562
Balance as of December 31, 2016	316,885,808	1,669,392	6,250,224	3,175,171	(65,282)	(317,771)	10,711,734
Net Income				995,515			995,515
Dividends on Common Shares - $1.90 Per Share				(602,083)			(602,083)
Dividends on Preferred Stock				(7,519)			(7,519)
Long-Term Incentive Plan Activity			(10,834)				(10,834)
Other Changes in Shareholders' Equity			550				550
Other Comprehensive Loss					(1,121)		(1,121)
Balance as of December 31, 2017	316,885,808	1,669,392	6,239,940	3,561,084	(66,403)	(317,771)	11,086,242
Net Income				1,040,519			1,040,519
Dividends on Common Shares - $2.02 Per Share				(640,110)			(640,110)
Dividends on Preferred Stock				(7,519)			(7,519)
Long-Term Incentive Plan Activity			(543)				(543)
Other Changes in Shareholders' Equity			1,825				1,825
Other Comprehensive Income					6,403		6,403
Balance as of December 31, 2018	316,885,808	$ 1,669,392	$ 6,241,222	$ 3,953,974	$ (60,000)	$ (317,771)	$ 11,486,817

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

EVERSOURCE ENERGY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	For the Years Ended December 31, 2018	2017	2016
Operating Activities:			
Net Income	$ 1,040,519	$ 995,515	$ 949,821
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:			
Depreciation	819,930	773,802	715,466
Deferred Income Taxes	174,812	491,630	466,463
Bad Debt Expense	61,337	44,453	69,466
Pension, SERP and PBOP Expense, Net	5,498	22,454	39,912
Pension and PBOP Contributions	(194,947)	(242,800)	(158,741)
Regulatory Over/(Under) Recoveries, Net	34,920	(47,935)	13,340
Amortization	252,026	89,986	71,696
(Payments)/Refunds Related to Spent Nuclear Fuel, Net	(145,000)	—	59,804
Other	(111,225)	(204,421)	(118,195)
Changes in Current Assets and Liabilities:			
Receivables and Unbilled Revenues, Net	(141,433)	(117,155)	(142,699)
Fuel, Materials, Supplies and Inventory	(831)	(9,223)	7,755
Taxes Receivable/Accrued, Net	(67,770)	52,284	234,543
Accounts Payable	(22,084)	56,067	(14,126)
Other Current Assets and Liabilities, Net	78,226	91,545	13,737
Net Cash Flows Provided by Operating Activities	1,783,978	1,996,202	2,208,242
Investing Activities:			
Investments in Property, Plant and Equipment	(2,523,371)	(2,348,105)	(1,976,867)
Proceeds from Sales of Marketable Securities	900,749	832,903	659,338
Proceeds from Sales of Marketable Securities Used to Pay Spent Nuclear Fuel Obligation	145,000	—	—
Purchases of Marketable Securities	(908,387)	(810,507)	(681,272)
Acquisition of Aquarion	—	(877,652)	—
Payments to Acquire Investments	(205,150)	(32,634)	(188,958)
Proceeds from the Sale of PSNH Generation Assets	193,924	—	—
Other Investing Activities	6,754	5,479	36,211
Net Cash Flows Used in Investing Activities	(2,390,481)	(3,230,516)	(2,151,548)
Financing Activities:			
Cash Dividends on Common Shares	(640,110)	(602,083)	(564,486)
Cash Dividends on Preferred Stock	(7,519)	(7,519)	(7,519)
(Decrease)/Increase in Notes Payable	(379,310)	72,810	(12,453)
Issuance of Rate Reduction Bonds	635,663	—	—
Issuance of Long-Term Debt	2,200,000	2,500,000	800,000
Retirements of Long-Term Debt	(1,050,330)	(745,000)	(200,000)
Other Financing Activities	(28,457)	(4,754)	(33,482)
Net Cash Flows Provided by/(Used in) Financing Activities	729,937	1,213,454	(17,940)
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	123,434	(20,860)	38,754
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	85,890	106,750	67,996
Cash, Cash Equivalents and Restricted Cash - End of Year	$ 209,324	$ 85,890	$ 106,750

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

The 2018 financial statements for CL&P, NSTAR Electric and PSNH have been omitted from this report but are set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

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

COMBINED NOTES TO FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About Eversource, CL&P, NSTAR Electric and PSNH

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 and PSNH (electric utilities), Yankee Gas and NSTAR Gas (natural gas utilities) and Aquarion (water utilities). Eversource provides energy delivery and/or water service to approximately four million electric, natural gas and water customers through eight regulated utilities in Connecticut, Massachusetts and New Hampshire.

Eversource, CL&P, NSTAR Electric and PSNH are reporting companies under the Securities Exchange Act of 1934. Eversource Energy is a public utility holding company under the Public Utility Holding Company Act of 2005. Arrangements among the regulated electric companies and other Eversource companies, outside agencies and other utilities covering interconnections, interchange of electric power and sales of utility property are subject to regulation by the FERC. Eversource's regulated companies are subject to regulation of rates, accounting and other matters by the FERC and/or applicable state regulatory commissions (the PURA for CL&P, Yankee Gas and Aquarion, the DPU for NSTAR Electric, NSTAR Gas and Aquarion, and the NHPUC for PSNH and Aquarion).

CL&P, NSTAR Electric and PSNH furnish franchised retail electric service in Connecticut, Massachusetts and New Hampshire. Yankee Gas and NSTAR Gas are engaged in the distribution and sale of natural gas to customers within Connecticut and Massachusetts, respectively. Aquarion is engaged in the collection, treatment and distribution of water in Connecticut, Massachusetts and New Hampshire. CL&P, NSTAR Electric and PSNH's results include the operations of their respective distribution and transmission businesses. The distribution business also includes the results of NSTAR Electric's solar power facilities and PSNH's generation facilities prior to sale in 2018. PSNH completed the sales of its thermal generation assets on January 10, 2018 and its hydroelectric generation assets on August 26, 2018. As of December 31, 2018, PSNH does not own any electric generation facilities. See Note 13, "Generation Asset Sale," for further information.

Eversource also has a regulated subsidiary, NPT, which was formed to construct, own and operate the Northern Pass line, a HVDC transmission line from Québec to New Hampshire under development that will interconnect with a new HVDC transmission line being developed by a transmission subsidiary of HQ.

Eversource Service, Eversource's service company, and several wholly-owned real estate subsidiaries of Eversource, provide support services to Eversource, including its regulated companies. Eversource holds several equity ownership interests, which are accounted for under the equity method. Eversource also consolidates the operations of CYAPC and YAEC, both of which are inactive regional nuclear generation companies engaged in the long-term storage of their spent nuclear fuel.

B. Basis of Presentation

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

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.

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

Eversource's utility subsidiaries' electric, natural gas and water distribution 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.

Eversource's consolidated financial information includes the results of Aquarion and its subsidiaries beginning from the date of the acquisition on December 4, 2017.

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

In accordance with accounting guidance on noncontrolling interests in consolidated financial statements, the Preferred Stock of CL&P and the Preferred Stock of NSTAR Electric, which are not owned by Eversource or its consolidated subsidiaries and are not subject to mandatory redemption, have been presented as noncontrolling interests in the financial statements of Eversource. The Preferred Stock of CL&P and the Preferred Stock of NSTAR Electric are considered to be temporary equity and have been classified between liabilities and permanent shareholders' equity on the balance sheets of Eversource, CL&P and NSTAR Electric due to a provision in the preferred stock agreements of both CL&P and NSTAR Electric that grant preferred stockholders the right to elect a majority of the CL&P and NSTAR Electric Boards of Directors, respectively, should certain conditions exist, such as if preferred dividends are in arrears for a specified amount of time. The Net Income reported in the statements of income and cash flows represents net income prior to apportionment to noncontrolling interests, which is represented by dividends on preferred stock of CL&P and NSTAR Electric.

As of both December 31, 2018 and 2017, Eversource's carrying amount of goodwill was approximately $4.4 billion. Eversource performs an assessment for possible impairment of its goodwill at least annually. Eversource completed its annual goodwill impairment test for each of its reporting units as of October 1, 2018 and determined that no impairment exists. See Note 24B, "Acquisition of Aquarion and Goodwill - Goodwill," for further information.

C. Accounting Standards

Accounting Standards Issued but Not Yet Effective: In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which changes existing lease accounting guidance and is required to be applied in the first quarter of 2019. The requirements of the new leases standard include balance sheet recognition of leases deemed to be operating leases and additional disclosure requirements. The recognition, measurement and presentation of expenses and cash flows are not significantly changed. The Company implemented the new leases standard in the first quarter of 2019 and applied the Topic 842 lease criteria to new leases and lease renewals entered into effective on or after January 1, 2019.

In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) - Targeted Improvements*, allowing a transition method to adopt the new leases standard on a prospective basis as of the adoption date, with prior periods presented in the financial statements continuing to follow existing lease accounting guidance under Topic 840 (Leases) in the accounting literature. The Company adopted the prospective transition method allowed in ASU 2018-11.

The Company has decided to elect the practical expedient package whereby it does not need to reassess whether or not an existing contract is or contains a lease or whether a lease is an operating or capital lease, and it does not need to reassess initial direct costs for leases. The Company has also elected the practical expedient to not reevaluate land easements existing at adoption if they were not previously accounted for as leases.

The Company determined the impact the ASUs will have on its financial statements by reviewing its lease population and identifying lease data needed for the disclosure requirements. The Company implemented a new lease accounting system in 2019 to ensure ongoing compliance with the ASU’s requirements. Eversource recognized approximately $60 million, which includes approximately $25 million at NSTAR Electric, approximately $1 million at CL&P and approximately $1 million at PSNH, of operating lease liabilities and right-of-use assets on their respective balance sheets upon transition at January 1, 2019. Implementation of the new guidance will not have an impact on each company’s results of operations and cash flows.

Accounting Standards Recently Adopted: On January 1, 2018, Eversource, CL&P, NSTAR Electric and PSNH adopted ASU 2014-09, *Revenue from Contracts with Customers*, which amended existing revenue recognition guidance, using the modified retrospective method (cumulatively at the date of initial application) applying it only to contracts that were not complete at January 1, 2018. Under this method of adoption, prior year reported results were not restated. Implementation of the ASU did not have a material effect on the results of operations, financial position or cash flows of Eversource, CL&P, NSTAR Electric or PSNH. See Note 22, "Revenues," for further information.

The Company identified an item that was accounted for differently under the new revenue guidance, as compared to the previously existing guidance. As a result of applying guidance on the unit of account under the new standard, purchases of power from and sales of power to ISO-New England are now accounted for net by the hour, rather than net by the month. This change increased Operating Revenues and Purchased Power, Fuel and Transmission by $22.8 million for the year ended December 31, 2018, with no impact on net income.

On January 1, 2018, Eversource adopted ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Liabilities*. The ASU removed the available-for-sale designation for equity securities, whereby changes in fair value were previously recorded in accumulated other comprehensive income within shareholders' equity, and required changes in fair value of all equity securities to be recorded in earnings effective January 1, 2018. There was no cumulative effect of adoption. Unrealized losses recorded in Other Income, Net were $4.3 million for the year ended December 31, 2018. For further information, see Note 5, "Marketable Securities," to the financial statements.

On January 1, 2018, Eversource, CL&P, NSTAR Electric and PSNH adopted ASU 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU required separate presentation of service cost from other components of net pension, SERP and PBOP costs, with the other components presented as non-operating income and not subject to capitalization. The ASU has been applied retrospectively for the separate presentation in the income statement of service costs and other components and prospectively in the balance sheet for the capitalization of only the service cost component. As of December 31, 2018, the non-service cost components of net pension, SERP and PBOP costs that were not capitalized in plant were recorded as an increase to regulatory liabilities of $39.8 million, as these amounts continue to be included in rates. See Note 1N, "Summary of Significant Accounting Policies - Other Income, Net," to the financial statements for the portion of pension, SERP and PBOP costs that are presented as non-operating income for the years ended December 31, 2018, 2017 and 2016. For the year ended December 31, 2017, the amounts, which were previously presented within Operations and Maintenance expense on the statements of income, totaled $29.9 million at Eversource, $1.8 million at CL&P, $19.2 million at NSTAR Electric and $5.9 million at PSNH, and have been retrospectively presented within Other Income, Net. For the year ended December 31, 2016, these amounts were $18.6 million at Eversource, $0.7 million at CL&P, $10.5 million at NSTAR Electric and $6.2 million at PSNH.

On January 1, 2018, Eversource, CL&P, NSTAR Electric and PSNH adopted two accounting standards relating to the statement of cash flows; ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments,* and ASU 2016-18, *Restricted Cash.* As a result of implementing ASU 2016-15, dividends from equity method investments of $19.1 million, $20.0 million, and $0.7 million for the years ended December 31, 2018, 2017, and 2016, respectively, are presented in operating activities at Eversource, for which the 2017 and 2016 amounts were previously classified in investing activities. ASU 2016-18 required that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Both standards were applied retrospectively, as required, and neither had a material impact on Eversource's, CL&P's, NSTAR Electric's or PSNH's statements of cash flows. See Note 1P, "Summary of Significant Accounting Policies - Supplemental Cash Flow Information," to the financial statements for a reconciliation of cash and cash equivalents as reported on the balance sheet to the statement of cash flows, which includes amounts described as restricted cash and restricted cash equivalents.

D. Northern Pass

Northern Pass is Eversource's planned 1,090 MW HVDC transmission line that will interconnect from the Québec-New Hampshire border to Franklin, New Hampshire and an associated alternating current radial transmission line between Franklin and Deerfield, New Hampshire. As of December 31, 2018, our capitalized Northern Pass project costs were approximately $307 million.

In March 2018, the New Hampshire Site Evaluation Committee ("NHSEC") issued a written decision denying Northern Pass’ siting application after which the Massachusetts EDCs terminated the selection of, and subsequent contract negotiations with, Northern Pass under the Massachusetts Clean Energy RFP. On April 27, 2018, NPT filed a motion for rehearing with the NHSEC, and on July 12, 2018, the NHSEC issued its written decision denying Northern Pass’ motion for rehearing. On August 10, 2018, NPT filed an appeal to the New Hampshire Supreme Court, alleging that the NHSEC failed to follow applicable law in its review of the project. On October 12, 2018, the New Hampshire Supreme Court accepted this appeal. Subsequently, the NHSEC transmitted the record of its proceedings to the New Hampshire Supreme Court on December 11, 2018. Briefing of the appeal began on February 4, 2019. The New Hampshire Supreme Court has not set a date for oral argument. NPT intends to continue to pursue NHSEC approval to construct this project.

The March 2018 NHSEC decision denying Northern Pass' siting application caused us to review the recoverability of our Northern Pass project costs in the first quarter of 2018. In this recoverability review, we estimated undiscounted expected project cash flows and compared the result to our estimated project costs to determine whether the recorded amount was recoverable. Our undiscounted cash flows were substantially in excess of our estimated project costs. We completed this analysis and concluded that our project costs were recoverable as of March 31, 2018, based on our expectation that the Northern Pass project remains probable of being placed in service.

Consistent with Eversource’s and HQ’s long-term relationship to bring clean energy into New England, Eversource and HQ remain committed to Northern Pass and the many benefits this project will bring to our customers and the region. If as a result of future events and changes in circumstances a new recoverability review were to conclude that our project costs are not recoverable, then we would reduce Northern Pass' project costs to the estimated fair value, which could result in most of our $307 million of capitalized project costs being impaired. Such an impairment could have a material adverse effect on our financial position and results of operations.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term cash investments that are highly liquid in nature and have original maturities of three months or less. At the end of each reporting period, any overdraft amounts are reclassified from Cash and Cash Equivalents to Accounts Payable on the balance sheets.

F. Provision for Uncollectible Accounts

Eversource, including CL&P, NSTAR Electric and PSNH, 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 NSTAR Electric and NSTAR Gas to recover in rates, amounts associated with certain uncollectible hardship accounts receivable. These uncollectible hardship customer account balances are included in Regulatory Assets or Other Long-Term Assets on the balance sheets.

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

	Total Provision for Uncollectible Accounts		Uncollectible Hardship	
	As of December 31,		As of December 31,	
(Millions of Dollars)	2018	2017	2018	2017
Eversource	$ 212.7	$ 195.7	$ 131.5	$ 122.5
CL&P	88.0	78.9	71.9	65.5
NSTAR Electric	74.5	69.7	42.5	40.3
PSNH	11.1	10.5	—	—

In accordance with new revenue accounting guidance, uncollectible expense associated with customers' accounts receivable included in Operations and Maintenance expense on the statements of income is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	2016
Eversource	$ 61.3	$ 44.5	$ 69.5
CL&P	15.8	5.3	17.6
NSTAR Electric	22.3	21.3	31.7
PSNH	6.4	6.7	7.3

G. CL&P Energy Efficiency Loans

In December 2018, CL&P transferred $41.3 million of its energy efficiency customer loan portfolio to two outside lenders in order to make additional loans to customers. CL&P remains the servicer of the loans and will transmit customer payments to the lenders. Under a three-year agreement with the lenders, additional energy efficiency loans will also be transferred with a maximum amount outstanding under this program of $55 million. The transaction did not qualify as a sale for accounting purposes, and the amounts of the loans ($18.5 million and $22.8 million as of December 31, 2018 in current and long-term, respectively), included in Accounts Receivable, Net and Other Long-Term Assets, are offset by Other Current Liabilities and Other Long-Term Liabilities on CL&P’s balance sheet.

H. Fuel, Materials, Supplies and Inventory

Fuel, Materials, Supplies and Inventory include natural gas inventory, materials and supplies purchased primarily for construction or operation and maintenance purposes, and RECs. Inventory is valued at the lower of cost or net realizable value. RECs are purchased from suppliers of renewable sources of generation and are used to meet state mandated Renewable Portfolio Standards requirements. The carrying amounts of fuel, materials and supplies, and RECs, which are included in Current Assets on the balance sheets, were as follows:

	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Fuel	$ 33.1	$ —	$ —	$ —	$ 29.7	$ —	$ —	$ —
Materials and Supplies	126.1	44.5	48.6	24.3	117.1	44.4	45.1	18.5
RECs	78.8	—	65.6	13.2	76.3	4.0	50.4	21.8
Total - Current	$ 238.0	$ 44.5	$ 114.2	$ 37.5	$ 223.1	$ 48.4	$ 95.5	$ 40.3

I. 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, long-term debt and RRBs.

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.

Uncategorized - Investments that are measured at net asset value are not categorized within the fair value hierarchy.

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," Note 6, "Asset Retirement Obligations," Note 10A, "Employee Benefits – Pension Benefits and Postretirement Benefits Other Than Pension," Note 15, "Fair Value of Financial Instruments" and Note 24B, "Acquisition of Aquarion and Goodwill - Goodwill" to the financial statements.

J. Derivative Accounting

Many of the electric and natural gas companies' contracts for the purchase and sale of energy or energy-related products are derivatives. The accounting treatment for energy contracts entered into varies and depends on the intended use of the particular contract and on whether or not the contract is a derivative. For the regulated companies, regulatory assets or regulatory liabilities are recorded to offset the fair values of derivative contracts related to energy and energy-related products, as contract settlements are recovered from, or refunded to, customers in future rates.

The application of derivative accounting is complex and requires management judgment in the following respects: identification of derivatives and embedded derivatives, election and designation of a contract as normal, and determination of the fair value of derivative contracts. All of these judgments can have a significant impact on the financial statements.

The judgment applied in the election of a contract as normal (and resulting accrual accounting) includes the conclusion that it is probable at the inception of the contract and throughout its term that it will result in physical delivery of the underlying product and that the quantities will be used or sold by the business in the normal course of business. If facts and circumstances change and management can no longer support this conclusion, then a contract cannot be considered normal, accrual accounting is terminated, and fair value accounting is applied prospectively.

The fair value of derivative contracts is based upon the contract terms and conditions and the underlying market price or fair value per unit. When quantities are not specified in the contract, the Company determines whether the contract has a determinable quantity by using amounts referenced in default provisions and other relevant sections of the contract. The fair value of derivative assets and liabilities with the same counterparty are offset and recorded as a net derivative asset or liability on the balance sheets.

All changes in the fair value of derivative contracts are recorded as regulatory assets or liabilities and do not impact net income.

For further information regarding derivative contracts, see Note 4, "Derivative Instruments," to the financial statements.

K. Investments

Investments are included in Other Long-Term Assets on the balance sheets and earnings impacts from these equity investments are included in Other Income, Net on the statements of income.

Strategic, Infrastructure and Other Investments: As of December 31, 2018 and 2017, Eversource had investments totaling $463.7 million and $277.6 million, respectively. As of December 31, 2018 and 2017, Eversource's investments included a 50 percent ownership in Bay State Wind, an offshore wind project of $234.3 million and $30.2 million, respectively, a 15 percent ownership interest in a FERC-regulated natural gas transmission business of $155.0 million and $159.6 million, respectively, a 37.2 percent (14.5 percent of which related to NSTAR Electric) ownership interest in two companies that transmit hydro-electricity imported from the Hydro-Quebec system in Canada of $19.5 million and $17.7 million, respectively, other investments totaling $54.9 million and $38.8 million, respectively, and a 40 percent ownership interest in Access Northeast of $31.3 million as of December 31, 2017. NSTAR Electric's investments totaled $7.6 million and $6.9 million, respectively, as of December 31, 2018 and 2017.

<u>Impairment of Access Northeast:</u> Access Northeast is a natural gas pipeline and storage project jointly owned by Eversource, Enbridge, Inc. ("Enbridge") and National Grid plc ("National Grid"), through Algonquin Gas Transmission, LLC ("AGT"). Equity method investments are assessed for impairment when conditions exist that indicate that the fair value of the investment is less than book value. If the decline in value is considered to be other-than-temporary, the investment is written down to its estimated fair value, which establishes a new cost basis in the investment. Impairment evaluations involve a significant degree of judgment and estimation, including identifying circumstances that indicate an impairment may exist and developing undiscounted future cash flows.

In 2015 and 2016, AGT sought to secure long-term natural gas pipeline capacity contracts with EDCs in Massachusetts, Connecticut, New Hampshire, Maine, and Rhode Island. Subsequently, in 2016, the Massachusetts Supreme Judicial Court and the NHPUC each ruled that state statutes precluded the state regulatory agencies from approving those contracts in Massachusetts and New Hampshire, respectively. The New Hampshire Supreme Court overruled the NHPUC decision in May 2018. Legislative changes are needed in Massachusetts to allow the DPU to approve natural gas pipeline capacity contracts. No such changes have occurred during any legislative session to date.

In September 2018, a series of non-Eversource natural gas explosions in eastern Massachusetts resulted in widespread property and system damage, personal injuries, and a fatality. As a result of these events, compounded by the failure to secure Massachusetts legislation to date, we believe there is significant uncertainty around the future timing of, and ability to secure, needed legislative change affecting the natural gas industry and pipeline expansion, which may significantly delay the completion of the Access Northeast project.

Eversource identified the September 2018 natural gas series of explosions, compounded by the adverse legislative environment, as negative evidence that indicated potential impairment. Our impairment assessment used a discounted cash flow approach, including consideration of the severity and duration of any decline in fair value of our investment in the project, and involved significant management judgment and estimation, including projections of the project’s discounted cash flows and assumptions about exit price. In the third quarter of 2018, management determined that the future cash flows of the Access Northeast project were uncertain and could no longer be reasonably estimated and that the book value of our equity method investment was not recoverable. As a result, Eversource recorded an other-than-temporary impairment of $32.9 million within Other Income, Net on our statement of income in 2018, which represented the full carrying value of our equity method investment.

Regional Decommissioned Nuclear Companies: CL&P, NSTAR Electric and PSNH own common stock in three regional nuclear generation companies (CYAPC, YAEC and MYAPC, collectively referred to as the "Yankee Companies"), each of which owned a single nuclear generating facility that has been decommissioned. For CL&P, NSTAR Electric and PSNH, the respective investments in CYAPC, YAEC and MYAPC are accounted for under the equity method and are included in Other Long-Term Assets on their respective balance sheets. For CL&P, NSTAR Electric and PSNH, these investments totaled $1.3 million, $0.9 million and $0.3 million as of both December 31, 2018 and 2017. Eversource consolidates CYAPC and YAEC because CL&P's, NSTAR Electric's and PSNH's combined ownership and voting interests in each of these entities is greater than 50 percent. For further information on the Yankee Companies, see Note 12C, "Commitments and Contingencies – Spent Nuclear Fuel Obligations – Yankee Companies," to the financial statements.

Equity in Earnings and Dividends from Equity Method Investments: For the years ended December 31, 2018, 2017 and 2016, Eversource had equity in earnings, net of impairment, of unconsolidated affiliates of $3.8 million, $27.4 million, and $0.2 million, respectively. Eversource received dividends from its equity method investees of $22.3 million, $20.0 million and $0.1 million, respectively, for the years ended December 31, 2018, 2017 and 2016.

2019 Investment - Revolution Wind and South Fork Wind: On February 8, 2019, Eversource and Ørsted entered into a 50-50 partnership for key offshore wind assets in the Northeast. Eversource paid approximately $225 million for a 50 percent interest in Ørsted's Revolution Wind and South Fork Wind power projects, as well as the 257-square-mile tract off the coasts of Massachusetts and Rhode Island, owned by North East Offshore LLC. Upon execution of the transaction, Eversource parent issued a guaranty on behalf of its subsidiary, Eversource Investment LLC. Eversource parent will guarantee, as a primary obligor, the financial obligations, primarily all post-Closing payment obligations of Eversource Investment LLC, under the Sale and Purchase Agreement and an Irrevocable Equity Commitment Letter with Ørsted in an amount not to exceed $127.6 million. Eversource parent's obligations under the guaranty expire upon the full, final and indefeasible payment of the guaranteed obligations.

L. Operating Expenses

Costs related to fuel and natural gas included in Purchased Power, Fuel and Transmission on the statements of income were as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	2016
Eversource - Natural Gas and Fuel	$ 442.6	$ 432.5	$ 372.2
PSNH - Fuel	7.9	43.4	45.0

PSNH completed the sale of its generation assets in 2018.

M. Allowance for Funds Used During Construction

AFUDC represents the cost of borrowed and equity funds used to finance construction and is included in the cost of the electric, natural gas and water companies' utility plant on the balance sheet. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of Interest Expense, and the AFUDC related to equity funds is recorded as Other Income, Net on the statements of income. AFUDC costs are recovered from customers over the service life of the related plant in the form of increased revenue collected as a result of higher depreciation expense.

The average AFUDC rate is based on a FERC-prescribed formula using the cost of a company's short-term financings and capitalization (preferred stock, long-term debt and common equity), as appropriate. The average rate is applied to average eligible CWIP amounts to calculate AFUDC.

AFUDC costs and the weighted-average AFUDC rates were as follows:

Eversource	For the Years Ended December 31,		
(Millions of Dollars, except percentages)	2018	2017	2016
Borrowed Funds	$ 19.7	$ 12.5	$ 10.8
Equity Funds	44.0	34.4	26.2
Total AFUDC	$ 63.7	$ 46.9	$ 37.0
Average AFUDC Rate	4.9%	5.1%	4.4%

	For the Years Ended December 31,								
	2018			2017			2016		
(Millions of Dollars, except percentages)	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH
Borrowed Funds	$ 6.3	$ 7.8	$ 1.3	$ 5.1	$ 4.8	$ 0.7	$ 3.3	$ 5.3	$ 0.8
Equity Funds	12.2	15.6	—	12.1	10.2	—	6.3	10.2	0.3
Total AFUDC	$ 18.5	$ 23.4	$ 1.3	$ 17.2	$ 15.0	$ 0.7	$ 9.6	$ 15.5	$ 1.1
Average AFUDC Rate	5.8%	5.0%	0.7%	6.2%	5.0%	0.7%	4.7%	3.2%	1.0%

N. Other Income, Net

The components of Other Income, Net on the statements of income were as follows:

Eversource	For the Years Ended December 31,		
(Millions of Dollars)	**2018**	**2017**	**2016**
Pension, SERP and PBOP Non-Service Income Components [1]	$ 60.8	$ 29.9	$ 18.6
AFUDC Equity	44.0	34.4	26.2
Equity in Earnings, Net of Impairment [2]	3.8	27.4	0.2
Investment Income/(Loss)	(4.0)	7.5	8.5
Interest Income [3]	18.1	8.3	11.0
Gains on Sales of Property	5.1	—	—
Other	0.6	0.4	—
Total Other Income, Net [1]	$ 128.4	$ 107.9	$ 64.5

	For the Years Ended December 31,								
	2018			**2017**			**2016**		
(Millions of Dollars)	**CL&P**	**NSTAR Electric**	**PSNH**	**CL&P**	**NSTAR Electric**	**PSNH**	**CL&P**	**NSTAR Electric**	**PSNH**
Pension, SERP and PBOP Non-Service Income Components [1]	$ 9.5	$ 36.0	$ 9.9	$ 1.8	$ 19.2	$ 5.9	$ 0.7	$ 10.5	$ 6.2
AFUDC Equity	12.2	15.6	—	12.1	10.2	—	6.3	10.2	0.3
Equity in Earnings	0.1	0.7	—	—	0.3	—	0.1	0.3	—
Investment Income/(Loss)	(3.0)	(0.5)	(0.8)	4.5	2.6	1.6	(1.5)	(0.3)	(0.7)
Interest Income [3]	3.7	0.8	14.1	4.6	1.8	2.2	8.6	0.6	1.8
Gain on Sale of Property	—	0.5	4.4	—	—	—	—	—	—
Other	0.2	—	0.1	—	—	0.1	—	—	—
Total Other Income, Net [1]	$ 22.7	$ 53.1	$ 27.7	$ 23.0	$ 34.1	$ 9.8	$ 14.2	$ 21.3	$ 7.6

(1) As a result of the adoption of new accounting guidance, the non-service related components of pension, SERP and PBOP benefit costs are presented as non-operating income and recorded in Other Income, Net on the statements of income. The 2017 and 2016 amounts, which were previously presented within Operations and Maintenance expense on the statements of income, have been retrospectively presented within Other Income, Net for the years ended December 31, 2017 and 2016. Eversource elected the practical expedient in the accounting guidance that allows the Company to use the amounts disclosed in its Pension Benefits and Postretirement Benefits Other Than Pension footnote for the prior period presentations as the estimation basis for applying the retrospective presentation requirements.

(2) For the year ended December 31, 2018, equity in earnings, net of impairment, of unconsolidated affiliates includes an other-than-temporary impairment of $32.9 million in the Access Northeast project investment. See Note 1K, "Summary of Significant Accounting Policies - Investments," for further information. Equity in earnings includes $17.6 million and $9.7 million of unrealized gains in 2018 and 2017, respectively, and $1.7 million of unrealized losses in 2016 associated with an equity method investment in a renewable energy fund.

(3) See Note 2, "Regulatory Accounting," for interest income recognized in 2018 for the equity return component of carrying charges on storm costs at PSNH.

O. Other Taxes

Eversource's companies that serve customers in Connecticut collect gross receipts taxes levied by the state of Connecticut from their customers. These gross receipts taxes are recorded separately with collections in Operating Revenues and with payments in Taxes Other Than Income Taxes on the statements of income as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	**2018**	**2017**	**2016**
Eversource	$ 161.9	$ 157.4	$ 162.7
CL&P	141.4	137.5	145.2

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.

Separate from the amounts above are $46.8 million and $25.4 million of amounts recorded as Taxes Other than Income Taxes in 2018 and 2017, respectively, related to the future remittance to the State of Connecticut of energy efficiency funds collected from customers in Operating Revenues. These amounts are recorded separately with collections in Operating Revenues and expenses in Taxes Other than Income Taxes on the Eversource and CL&P statements of income.

P. Supplemental Cash Flow Information

Eversource *(Millions of Dollars)*	As of and For the Years Ended December 31, 2018	2017	2016
Cash Paid/(Received) During the Year for:			
Interest, Net of Amounts Capitalized	$ 503.2	$ 419.1	$ 398.1
Income Taxes	158.8	30.8	(135.5)
Non-Cash Investing Activities:			
Plant Additions Included in Accounts Payable (As of)	435.9	379.5	301.5

	As of and For the Years Ended December 31,								
	2018			2017			2016		
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH
Cash Paid/(Received) During the Year for:									
Interest, Net of Amounts Capitalized	$ 149.7	$ 122.1	$ 40.5	$ 144.6	$ 124.6	$ 45.9	$ 143.3	$ 112.9	$ 46.5
Income Taxes	66.1	120.0	27.3	68.8	95.5	26.1	(73.9)	66.0	(36.0)
Non-Cash Investing Activities:									
Plant Additions Included in Accounts Payable (As of)	106.1	116.5	81.7	132.5	116.5	44.4	116.2	87.0	37.9

In December 2018, CYAPC paid $145 million to the DOE to partially settle its pre-1983 spent nuclear fuel obligation. In 2016, as a result of damages awarded to the Yankee Companies for spent nuclear fuel lawsuits against the DOE described in Note 12C, "Commitments and Contingencies – Spent Nuclear Fuel Obligations – Yankee Companies," CYAPC and YAEC received total proceeds of $52.2 million, which were classified as operating activities on the Eversource consolidated statements of cash flows. CYAPC returned $6.8 million of these proceeds to its non-affiliated member companies. In addition, CL&P, NSTAR Electric and PSNH received a total distribution of $14.4 million from MYAPC as a result of DOE Phase III proceeds and a distribution from its spent nuclear fuel trust.

The following table reconciles cash and cash equivalents as reported on the balance sheets to the cash, cash equivalents, and restricted cash as reported on the statements of cash flows:

	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Cash and Cash Equivalents as reported on the Balance Sheets	$ 108.1	$ 87.7	$ 1.6	$ 1.4	$ 38.2	$ 6.0	$ 1.8	$ 0.9
Restricted cash included in:								
Prepayments and Other Current Assets	72.1	3.5	13.0	47.5	24.4	3.1	12.8	0.5
Marketable Securities	25.9	0.4	0.1	0.6	23.3	0.5	0.1	0.8
Other Long-Term Assets	3.2	—	—	3.2	—	—	—	—
Cash, Cash Equivalents, and Restricted Cash reported on the Statements of Cash Flows	$ 209.3	$ 91.6	$ 14.7	$ 52.7	$ 85.9	$ 9.6	$ 14.7	$ 2.2

Restricted cash included in Prepayments and Other Current Assets and Other Long-Term Assets, shown above, primarily represents cash collections related to the PSNH RRB customer charges that are held in trust and required ISO-NE cash deposits. Restricted cash included in Marketable Securities, shown above, represents money market funds held in trusts to fund certain non-qualified executive benefits and restricted trusts to fund CYAPC and YAEC's spent nuclear fuel storage facilities obligations.

As a result of implementing new accounting guidance for the statement of cash flows, the reclassification of the change in restricted cash balances, which was previously classified as operating activities, resulted in a decrease of $28.8 million in the total cash and restricted cash change for the year ended December 31, 2017 and an increase of $32.4 million in the total cash and restricted cash change for the year ended December 31, 2016.

Q. Related Parties

Eversource Service, Eversource's service company, provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to Eversource's companies. The Rocky River Realty Company, Renewable Properties, Inc. and Properties, Inc., three other Eversource subsidiaries, construct, acquire or lease some of the property and facilities used by Eversource's companies.

As of both December 31, 2018 and 2017, CL&P, NSTAR Electric and PSNH had long-term receivables from Eversource Service in the amounts of $25.0 million, $5.5 million and $3.8 million, respectively, which were included in Other Long-Term Assets on the balance sheets. These amounts related to the funding of investments held in trust by Eversource Service in connection with certain postretirement benefits for CL&P, NSTAR Electric and PSNH employees and have been eliminated in consolidation on the Eversource financial statements.

Included in the CL&P, NSTAR Electric and PSNH balance sheets as of December 31, 2018 and 2017 were Accounts Receivable from Affiliated Companies and Accounts Payable to Affiliated Companies relating to transactions between CL&P, NSTAR Electric and PSNH and other subsidiaries that are wholly-owned by Eversource. These amounts have been eliminated in consolidation on the Eversource financial statements.

2. REGULATORY ACCOUNTING

Eversource's utility 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:

	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Benefit Costs	$ 1,914.8	$ 424.7	$ 544.4	$ 169.6	$ 2,068.8	$ 469.2	$ 560.7	$ 212.3
Income Taxes, Net	728.6	454.4	105.9	8.3	768.9	453.8	113.2	21.7
Securitized Stranded Costs	608.4	—	—	608.4	—	—	—	—
Deferred Costs from Generation Asset Sale	—	—	—	—	516.1	—	—	516.1
Storm Restoration Costs, Net	576.0	302.6	212.9	60.5	404.8	216.7	146.6	41.5
Regulatory Tracker Mechanisms	316.0	33.2	169.1	67.3	509.9	85.3	273.0	116.4
Derivative Liabilities	356.5	356.5	—	—	367.2	362.3	—	—
Goodwill-related	348.4	—	299.1	—	365.2	—	313.6	—
Asset Retirement Obligations	89.2	32.3	42.2	3.3	101.0	30.3	39.0	17.0
Other Regulatory Assets	208.0	27.0	64.6	12.1	137.4	27.6	78.4	15.8
Total Regulatory Assets	5,145.9	1,630.7	1,438.2	929.5	5,239.3	1,645.2	1,524.5	940.8
Less: Current Portion	514.8	125.2	241.7	67.2	741.9	200.3	333.9	130.1
Total Long-Term Regulatory Assets	$ 4,631.1	$ 1,505.5	$ 1,196.5	$ 862.3	$ 4,497.4	$ 1,444.9	$ 1,190.6	$ 810.7

Benefit Costs: Eversource's Pension, SERP and PBOP Plans are accounted for in accordance with accounting guidance on defined benefit pension and other PBOP plans. The liability (or asset) recorded by the regulated companies to recognize the funded status of their retiree benefit plans is offset by a regulatory asset (or offset by a regulatory liability in the case of a benefit plan asset) in lieu of a charge to Accumulated Other Comprehensive Income/(Loss), reflecting ultimate recovery from customers through rates. The regulatory asset (or regulatory liability) is amortized as the actuarial gains and losses and prior service cost are amortized to net periodic benefit cost for the pension and PBOP plans. All amounts are remeasured annually. Regulatory accounting is also applied to the portions of Eversource's service company costs that support the regulated companies, as these amounts are also recoverable. As these regulatory assets or regulatory liabilities do not represent a cash outlay for the regulated companies, no carrying charge is recovered from customers. The decrease in the regulatory asset balance at PSNH as of December 31, 2018 was due in part to the generation divestiture and the securitization of remaining generation costs.

CL&P, NSTAR Electric and PSNH recover benefit costs related to their distribution and transmission operations from customers in rates as allowed by their applicable regulatory commissions. NSTAR Electric recovers qualified pension and PBOP expenses related to its distribution operations through a rate reconciling mechanism that fully tracks the change in net pension and PBOP expenses each year.

Income Taxes, Net: The tax effect of temporary book-tax differences (differences between the periods in which transactions affect income in the financial statements and the periods in which they affect the determination of taxable income, including those differences relating to uncertain tax positions) is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions and accounting guidance for income taxes. Differences in income taxes between the accounting guidance and the rate-making treatment of the applicable regulatory commissions are recorded as regulatory assets. As these assets are offset by deferred income tax liabilities, no carrying charge is collected. The amortization period of these assets varies depending on the nature and/or remaining life of the underlying assets and liabilities. For further information regarding income taxes, see Note 11, "Income Taxes," to the financial statements.

Securitized Stranded Costs and Deferred Costs from Generation Asset Sale: On May 8, 2018, a subsidiary of PSNH issued $635.7 million of securitized RRBs to finance PSNH's unrecovered remaining costs associated with the divestiture of its generation assets. Securitized regulatory assets, which are not earning an equity return, are being recovered over the amortization period of the associated RRBs. The PSNH RRBs are expected to be repaid by February 1, 2033. The unrecovered costs related to the difference between the carrying value and the fair value less costs to sell PSNH's thermal generation assets, and were reflected as Deferred Costs from Generation Asset Sale in the table above as of December 31, 2017. As of December 31, 2018, these costs are reflected in the Securitized Stranded Costs balance. For further information, see Note 13, "Generation Asset Sale."

Storm Restoration Costs, Net: The storm restoration cost deferrals relate to costs incurred for storm events at CL&P, NSTAR Electric and PSNH that each company expects to recover from customers. A storm must meet certain criteria to qualify for deferral and recovery with the criteria specific to each state jurisdiction and utility company. Once a storm qualifies for recovery, all qualifying expenses incurred during storm restoration efforts are deferred and recovered from customers. Costs for storms that do not meet the specific criteria are expensed as incurred. In addition to storm restoration costs, CL&P and PSNH are each allowed to recover pre-staging storm costs. Management believes storm restoration costs deferred were prudently incurred and meet the criteria for specific cost recovery in Connecticut, Massachusetts and New Hampshire, and that recovery from customers is probable through the applicable regulatory recovery processes. Each electric utility company either recovers a carrying charge on its deferred storm restoration cost regulatory asset balance or the regulatory asset balance is included in rate base.

In 2018, several significant storms caused extensive damage to our electric distribution systems and significant customer outages across all three states. These storms resulted in deferred storm restoration costs of approximately $266 million ($148 million for CL&P, $94 million for NSTAR Electric, and $24 million for PSNH), which were reflected in Storm Restoration Costs, Net in the table above as of December 31, 2018.

On September 17, 2018, the NHPUC approved the recovery of $49 million, plus carrying charges, in storm costs incurred from August 2011 through March 2013 and the transfer of funding from PSNH’s major storm reserve to offset those costs. The costs of these storms (excluding the equity return component of the carrying charges) were deferred as regulatory assets, and the funding reserve collected from customers was accrued as a regulatory liability. The storm cost deferral is separate from the major storm funding reserve that is being collected from customers. As a result of the duration of time between incurring storm costs in August 2011 through March 2013 and final approval from the NHPUC in 2018, PSNH recognized $8.7 million (pre-tax) for the equity return component of the carrying charges, which have been collected from customers, within Other Income, Net on our statement of income in 2018. Storm costs incurred from December 2013 through April 2016 have been audited by the NHPUC staff and are pending NHPUC approval.

Regulatory Tracker Mechanisms: The regulated companies' approved rates are designed to recover costs incurred to provide service to customers. The regulated companies recover certain of their costs on a fully-reconciling basis through regulatory commission-approved tracking mechanisms. The differences between the costs incurred (or the rate recovery allowed) and the actual revenues are recorded as regulatory assets (for undercollections) or as regulatory liabilities (for overcollections) to be included in future customer rates each year. Carrying charges are recovered in rates on all material regulatory tracker mechanisms.

CL&P, NSTAR Electric and PSNH each recover, on a fully reconciling basis, the costs associated with the procurement of energy, transmission related costs from FERC-approved transmission tariffs, energy efficiency programs, low income assistance programs, certain uncollectible accounts receivable for hardship customers, and restructuring and stranded costs as a result of deregulation, and additionally for the Massachusetts utilities, pension and PBOP benefits and net metering for distributed generation. Energy procurement costs at NSTAR Electric include the costs related to its solar power facilities.

CL&P, NSTAR Electric (effective February 1, 2018 as a result of a DPU-approved rate case decision), Yankee Gas (effective November 15, 2018 as a result of a PURA-approved rate case settlement agreement) and NSTAR Gas each have a regulatory commission approved revenue decoupling mechanism. Distribution revenues are decoupled from customer sales volumes, where applicable, which breaks the relationship between sales volumes and revenues recognized. Each company reconciles its annual base distribution rate recovery amount to the pre-established levels of baseline distribution delivery service revenues. Any difference between the allowed level of distribution revenue and the actual amount realized during a 12-month period is adjusted through rates in the following period.

Derivative Liabilities: Regulatory assets are recorded as an offset to derivative liabilities and relate to the fair value of contracts used to purchase energy and energy-related products that will be recovered from customers in future rates. These assets are excluded from rate base and are being recovered as the actual settlements occur over the duration of the contracts. See Note 4, "Derivative Instruments," to the financial statements for further information on these contracts.

Goodwill-related: The goodwill regulatory asset originated from a 1999 transaction, and the DPU allowed its recovery in NSTAR Electric and NSTAR Gas rates. This regulatory asset is currently being amortized and recovered from customers in rates without a carrying charge over a 40-year period, and as of December 31, 2018, there were 21 years of amortization remaining.

Asset Retirement Obligations: The costs associated with the depreciation of the regulated companies' ARO assets and accretion of the ARO liabilities are recorded as regulatory assets in accordance with regulatory accounting guidance. The regulated companies' ARO assets, regulatory assets and liabilities offset and are excluded from rate base. These costs are being recovered over the life of the underlying property, plant and equipment.

Other Regulatory Assets: Other Regulatory Assets primarily include contractual obligations associated with the remaining nuclear fuel storage costs of the CYAPC, YAEC and MYAPC nuclear facilities, environmental remediation costs, losses associated with the reacquisition or redemption of long-term debt, certain uncollectible accounts receivable for hardship customers, certain merger-related costs allowed for recovery, water tank painting costs, and various other items.

Regulatory Costs in Long-Term Assets: Eversource's regulated companies had $122.9 million (including $42.1 million for CL&P, $49.3 million for NSTAR Electric and $12.2 million for PSNH) and $105.8 million (including $18.2 million for CL&P, $42.7 million for NSTAR Electric and $27.2 million for PSNH) of additional regulatory costs as of December 31, 2018 and 2017, respectively, that were included in 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.

Equity Return on Regulatory Assets: For rate-making purposes, the regulated companies recover the carrying costs related to their regulatory assets. For certain regulatory assets, the carrying cost recovered includes an equity return component. This equity return, which is not recorded on the balance sheets, totaled $0.7 million and $1.0 million for CL&P as of December 31, 2018 and 2017, respectively. These carrying costs will be recovered from customers in future rates. As of December 31, 2018 and 2017, this equity return, which is not recorded on the balance sheets, totaled $12.0 million and $42.0 million, respectively, for PSNH. The 2017 amount included $25 million of equity return on the Clean Air Project costs that PSNH had agreed not to bill customers as part of the generation divestiture settlement agreement. PSNH sold its generation assets in 2018.

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

	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
EDIT due to Tax Cuts and Jobs Act	$ 2,883.0	$ 1,031.0	$ 1,103.7	$ 396.4	$ 2,882.0	$ 1,031.6	$ 1,087.9	$ 405.1
Cost of Removal	521.0	39.9	307.1	22.1	502.1	23.2	293.8	37.9
Benefit Costs	91.2	—	76.9	—	132.3	—	112.6	—
Regulatory Tracker Mechanisms	309.0	89.5	163.7	48.3	136.7	34.6	77.8	5.0
AFUDC - Transmission	70.7	47.4	23.3	—	67.1	48.8	18.3	—
Revenue Subject to Refund due to Tax Cuts and Jobs Act	24.6	—	—	12.6	—	—	—	—
Other Regulatory Liabilities	80.2	24.0	29.2	4.2	45.2	12.9	3.7	2.7
Total Regulatory Liabilities	3,979.7	1,231.8	1,703.9	483.6	3,765.4	1,151.1	1,594.1	450.7
Less: Current Portion	370.2	109.6	190.6	55.5	128.1	39.0	79.6	6.3
Total Long-Term Regulatory Liabilities	$ 3,609.5	$ 1,122.2	$ 1,513.3	$ 428.1	$ 3,637.3	$ 1,112.1	$ 1,514.5	$ 444.4

EDIT due to Tax Cuts and Jobs Act: Pursuant to the "Tax Cuts and Jobs Act" (the "Act"), which became law on December 22, 2017, Eversource remeasured its existing deferred federal income tax balances as of December 31, 2017 to reflect the decrease in the U.S. federal corporate income tax rate from 35 percent to 21 percent. The remeasurement resulted in provisional regulated excess accumulated deferred income tax (excess ADIT or EDIT) liabilities that will benefit our customers in future periods and were recognized as regulatory liabilities on the balance sheet. We estimate that approximately 85 percent of the provisional regulated EDIT liabilities relate to property, plant, and equipment with remaining useful lives estimated to be in excess of 35 years. These amounts are subject to IRS normalization rules and will be returned to customers using the same timing as the remaining useful lives of the underlying assets that gave rise to the ADIT liabilities.

Eversource's regulated companies are in the process of, or will be, refunding the EDIT liabilities to customers based on orders issued by applicable state regulatory commissions. For CL&P, amounts related to the EDIT liabilities will be incorporated as refunds to customers in May 1, 2019 base distribution rates. For NSTAR Electric (effective January 1, 2019) and NSTAR Gas (effective February 1, 2019), refunds related to EDIT will occur in rates through a new reconciling factor. Effective November 15, 2018, Yankee Gas' distribution rates charged to customers began to reflect the refund of EDIT. For PSNH, EDIT refunds will be addressed as part of the next distribution rate case filing. The EDIT balance related to PSNH's divested generation assets has been included as a component of the securitization of the stranded generation assets and has started to be refunded to customers via the Stranded Cost Recovery Charge effective August 1, 2018. For our transmission companies, the refund of excess ADIT to customers will be made based on future guidance from FERC.

Cost of Removal: Eversource's regulated companies currently recover amounts in rates for future costs of removal of plant assets over the lives of the assets. The estimated cost to remove utility assets from service is recognized as a component of depreciation expense, and the cumulative amount collected from customers but not yet expended is recognized as a regulatory liability.

AFUDC - Transmission: Regulatory liabilities were recorded by CL&P and NSTAR Electric for AFUDC accrued on certain reliability-related transmission projects to reflect local rate base recovery. These regulatory liabilities will be amortized over the depreciable life of the related transmission assets.

Revenue Subject to Refund due to Tax Cuts and Jobs Act: Eversource established a regulatory liability, recorded as a reduction to revenue, to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018 as a result of the Tax Cuts and Jobs Act, until rates billed to customers reflect the lower federal tax rate. Effective May 1, 2018, CL&P adjusted rates billed to customers to reflect the lower federal income tax rate prospectively and, as of December 31, 2018, fully refunded its regulatory liability associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 through April 30, 2018. Effective November 15, 2018, Yankee Gas adjusted distribution rates to reflect the lower federal income tax rate prospectively and to refund its regulatory liability associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 through November 14, 2018. Although Yankee Gas' new rates were effective January 1, 2019, the provisions of the settlement agreement took effect November 15, 2018. For NSTAR Electric and NSTAR Gas, a December 2018 DPU order indicated that the DPU will not require a revision to base rates for any potential refunds associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 to the effective dates of each company's rate changes (effective February 1, 2018 for NSTAR Electric and July 1, 2018 for NSTAR Gas). PSNH and Aquarion will refund the overcollection in distribution rates from January 1, 2018 to customers in a future period. PSNH will adjust distribution rates to reflect the prospective lower federal income tax rate effective July 1, 2019, or earlier if a rate case is filed for rates effective prior to July 1, 2019.

Effective January 1, 2018, local transmission service rates were updated to reflect the lower U.S. federal corporate income tax rate that resulted from the act. On June 28, 2018, FERC granted a one-time tariff waiver related to the federal corporate income tax rate so that effective June 1, 2018, the regional transmission service rates reflect the reduced federal corporate income tax rate at 21 percent. The refund of excess ADIT to customers will be made based on future guidance from FERC.

FERC ROE Complaints: As of December 31, 2018, Eversource has a reserve established for the second ROE complaint in the pending FERC ROE complaint proceedings, which was recorded as a regulatory liability and is reflected within Regulatory Tracker Mechanisms in the table above. The cumulative pre-tax reserve (excluding interest) as of December 31, 2018 totaled $39.1 million for Eversource (including $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH). See Note 12E, "Commitments and Contingencies – FERC ROE Complaints," for further information on developments in the pending ROE complaint proceedings.

3. PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

Utility property, plant and equipment is recorded at original cost. Original cost includes materials, labor, construction overheads and AFUDC for regulated property. The cost of repairs and maintenance is charged to Operations and Maintenance expense as incurred.

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

Eversource	**As of December 31,**	
(Millions of Dollars)	**2018**	**2017**
Distribution - Electric	$ 15,071.1	$ 14,410.5
Distribution - Natural Gas	3,546.2	3,244.2
Transmission - Electric	10,153.9	9,270.9
Distribution - Water	1,639.8	1,558.4
Solar	164.1	36.2
Utility	30,575.1	28,520.2
Other [(1)]	778.6	693.7
Property, Plant and Equipment, Gross	31,353.7	29,213.9
Less: Accumulated Depreciation		
Utility	(7,126.2)	(6,846.9)
Other	(336.7)	(286.9)
Total Accumulated Depreciation	(7,462.9)	(7,133.8)
Property, Plant and Equipment, Net	23,890.8	22,080.1
Construction Work in Progress	1,719.6	1,537.4
Total Property, Plant and Equipment, Net	$ 25,610.4	$ 23,617.5

	As of December 31,					
	2018			**2017**		
(Millions of Dollars)	**CL&P**	**NSTAR Electric**	**PSNH**	**CL&P**	**NSTAR Electric**	**PSNH**
Distribution - Electric	$ 6,176.4	$ 6,756.4	$ 2,178.6	$ 5,888.3	$ 6,479.0	$ 2,083.4
Transmission - Electric	4,700.5	4,065.9	1,338.7	4,239.9	3,821.2	1,161.3
Solar	—	164.1	—	—	36.2	—
Property, Plant and Equipment, Gross	10,876.9	10,986.4	3,517.3	10,128.2	10,336.4	3,244.7
Less: Accumulated Depreciation	(2,302.6)	(2,702.0)	(772.9)	(2,239.0)	(2,550.2)	(751.8)
Property, Plant and Equipment, Net	8,574.3	8,284.4	2,744.4	7,889.2	7,786.2	2,492.9
Construction Work in Progress	335.4	510.3	135.7	381.8	460.3	149.4
Total Property, Plant and Equipment, Net	$ 8,909.7	$ 8,794.7	$ 2,880.1	$ 8,271.0	$ 8,246.5	$ 2,642.3

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

Depreciation of utility assets is calculated on a straight-line basis using composite rates based on the estimated remaining useful lives of the various classes of property (estimated useful life for PSNH distribution and the water utilities). The composite rates, which are subject to approval by the appropriate state regulatory agency, include a cost of removal component, which is collected from customers over the lives of the plant assets and is recognized as a regulatory liability. Depreciation rates are applied to property from the time it is placed in service.

Upon retirement from service, the cost of the utility asset is charged to the accumulated provision for depreciation. The actual incurred removal costs are applied against the related regulatory liability.

The depreciation rates for the various classes of utility property, plant and equipment aggregate to composite rates as follows:

(Percent)	2018	2017	2016
Eversource	2.9%	3.0%	3.0%
CL&P	2.8%	2.8%	2.7%
NSTAR Electric	2.8%	2.9%	2.9%
PSNH	2.8%	3.1%	3.1%

The following table summarizes average remaining useful lives of depreciable assets:

	As of December 31, 2018			
(Years)	Eversource	CL&P	NSTAR Electric	PSNH
Distribution - Electric	34.1	35.4	33.7	32.3
Distribution - Natural Gas	43.8	—	—	—
Transmission - Electric	41.3	38.0	45.3	42.9
Distribution - Water	33.3	—	—	—
Solar	24.9	—	24.9	—
Other	12.9	—	—	—

4. DERIVATIVE INSTRUMENTS

The electric and natural gas 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. These 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 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 electric and natural gas 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:

		As of December 31,					
		2018			2017		
(Millions of Dollars)	Fair Value Hierarchy	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
Current Derivative Assets:							
CL&P	Level 3	9.6	(3.4)	6.2	9.5	(7.1)	2.4
Other	Level 2	$ 1.5	$ (0.9)	$ 0.6	$ —	$ —	$ —
Long-Term Derivative Assets:							
CL&P	Level 3	74.2	(2.3)	71.9	71.9	(5.3)	66.6
Current Derivative Liabilities:							
CL&P	Level 3	(55.1)	—	(55.1)	(54.4)	—	(54.4)
Other	Level 2	—	—	—	(4.5)	—	(4.5)
Long-Term Derivative Liabilities:							
CL&P	Level 3	(379.5)	—	(379.5)	(376.9)	—	(376.9)
Other	Level 2	—	—	—	(0.4)	—	(0.4)

(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.

The business activities that result in the recognition of derivative assets also create exposure to various counterparties. As of December 31, 2018, Eversource's and CL&P's derivative assets were exposed to counterparty credit risk and contracted with investment grade entities.

For further information on the fair value of derivative contracts, see Note 1I, "Summary of Significant Accounting Policies – Fair Value Measurements," and Note 1J, "Summary of Significant Accounting Policies – Derivative Accounting," 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.

As of December 31, 2018 and 2017, Eversource had New York Mercantile Exchange ("NYMEX") financial contracts for natural gas futures in order to reduce variability associated with the price of 12.5 million and 9.5 million MMBtu of natural gas, respectively.

For the years ended December 31, 2018, 2017 and 2016, there were losses of $25.0 million, $29.0 million and $125.5 million, respectively, deferred as regulatory costs, which reflect the change in fair value associated with Eversource's derivative contracts.

Fair Value Measurements of Derivative Instruments

Derivative contracts classified as Level 2 in the fair value hierarchy relate to the financial contracts for natural gas futures. Prices are obtained from broker quotes and are based on actual market activity. The contracts are valued using NYMEX natural gas prices. Valuations of these contracts also incorporate discount rates using the yield curve approach.

The fair value of derivative contracts classified as Level 3 utilizes significant unobservable inputs. The fair value is modeled using income techniques, such as discounted cash flow valuations adjusted for assumptions related to exit price. Significant observable inputs for valuations of these contracts include energy and energy-related product prices in future years for which quoted prices in an active market exist. Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The future power and capacity prices for periods that are not quoted in an active market or established at auction are based on available market data and are escalated based on estimates of inflation in order to address the full term of the contract.

Valuations of derivative contracts using a discounted cash flow methodology include assumptions regarding the timing and likelihood of scheduled payments and also reflect non-performance risk, including credit, using the default probability approach based on the counterparty's credit rating for assets and the Company's credit rating for liabilities. Valuations incorporate estimates of premiums or discounts that would be required by a market participant to arrive at an exit price, using historical market transactions adjusted for the terms of the contract.

The following is a summary of CL&P's Level 3 derivative contracts and the range of the significant unobservable inputs utilized in the valuations over the duration of the contracts:

	As of December 31,									
	2018					2017				
CL&P	**Range**				**Period Covered**	**Range**				**Period Covered**
Capacity Prices	$ 4.30	—	7.44	per kW-Month	2022 - 2026	$ 5.00	—	8.70	per kW-Month	2021 - 2026
Forward Reserve	0.75	—	1.78	per kW-Month	2019 - 2024	1.00	—	2.00	per kW-Month	2018 - 2024

Exit price premiums of 4.2 percent through 15.7 percent are also applied to these contracts and reflect the uncertainty and illiquidity premiums that would be required based on the most recent market activity available for similar type contracts.

Significant increases or decreases in future capacity or forward reserve prices in isolation would decrease or increase, respectively, the fair value of the derivative liability. Any increases in risk premiums would increase the fair value of the derivative liability. Changes in these fair values are recorded as a regulatory asset or liability and do not impact net income.

Valuations using significant unobservable inputs: The following table presents changes in the Level 3 category of derivative assets and derivative liabilities measured at fair value on a recurring basis. The derivative assets and liabilities are presented on a net basis.

CL&P *(Millions of Dollars)*	For the Years Ended December 31, 2018	2017
Derivatives, Net:		
Fair Value as of Beginning of Period	$ (362.3)	$ (420.5)
Net Realized/Unrealized Losses Included in Regulatory Assets and Liabilities	(32.0)	(9.5)
Settlements	37.8	67.7
Fair Value as of End of Period	$ (356.5)	$ (362.3)

5. MARKETABLE SECURITIES

Eversource holds marketable securities that are primarily used to fund certain non-qualified executive benefits. The trusts that hold marketable securities are not subject to regulatory oversight by state or federal agencies. CYAPC and YAEC maintain legally restricted trusts, each of which holds marketable securities, to fund the spent nuclear fuel removal obligations of their nuclear fuel storage facilities. In December 2018, CYAPC paid $145 million from its trust to the DOE to partially settle the pre-1983 spent nuclear fuel obligation.

Equity Securities: In accordance with new accounting guidance, unrealized gains and losses on equity securities are recorded in Other Income, Net on the statements of income. The fair value of equity securities subject to this guidance as of December 31, 2018 and 2017 was $44.0 million and $52.5 million, respectively. For the year ended December 31, 2018, there were unrealized losses of $4.3 million recorded in Other Income, Net related to these equity securities. For the year ended December 31, 2017, the unrealized gains and losses on these equity securities were recorded in Accumulated Other Comprehensive Income on the balance sheet. Dividend income is recorded in Other Income, Net when dividends are declared.

Eversource's equity securities also include CYAPC's and YAEC's marketable securities held in spent nuclear fuel trusts, which had fair values of $200.0 million and $261.3 million as of December 31, 2018 and 2017, respectively. Unrealized gains and losses for these spent nuclear fuel trusts are subject to regulatory accounting treatment and are recorded in Marketable Securities with the corresponding offset to Other Long-Term Liabilities on the balance sheets, with no impact on the statements of income.

Available-for-Sale Debt Securities: The following is a summary of the available-for-sale debt securities, which are recorded at fair value and are included in current and long-term Marketable Securities on the balance sheets.

	As of December 31,							
	2018				2017			
Eversource *(Millions of Dollars)*	Amortized Cost	Pre-Tax Unrealized Gains	Pre-Tax Unrealized Losses	Fair Value	Amortized Cost	Pre-Tax Unrealized Gains	Pre-Tax Unrealized Losses	Fair Value
Debt Securities	$ 190.0	$ 0.4	$ (4.0)	$ 186.4	$ 284.9	$ 3.2	$ (1.1)	$ 287.0

Eversource's debt securities include CYAPC's and YAEC's marketable securities held in spent nuclear fuel trusts in the amounts of $143.9 million and $242.3 million as of December 31, 2018 and 2017, respectively.

Unrealized gains and losses on available-for-sale debt securities held in Eversource's non-qualified benefit trust are recorded in Accumulated Other Comprehensive Income. There have been no significant unrealized losses, other-than-temporary impairments, or credit losses for the years ended December 31, 2018 or 2017. Factors considered in determining whether a credit loss exists include the duration and severity of the impairment, adverse conditions specifically affecting the issuer, and the payment history, ratings and rating changes of the security. For asset-backed debt securities, underlying collateral and expected future cash flows are also evaluated.

As of December 31, 2018, the contractual maturities of available-for-sale debt securities were as follows:

Eversource *(Millions of Dollars)*	Amortized Cost	Fair Value
Less than one year [1]	$ 30.5	$ 30.3
One to five years	29.2	28.9
Six to ten years	43.6	42.9
Greater than ten years	86.7	84.3
Total Debt Securities	$ 190.0	$ 186.4

(1) Amounts in the Less than one year category include securities in the CYAPC and YAEC spent nuclear fuel trusts, which are restricted and are classified in long-term Marketable Securities on the balance sheets.

Realized Gains and Losses: Realized gains and losses are recorded in Other Income, Net for Eversource's benefit trust and are offset in Other Long-Term Liabilities for CYAPC and YAEC. Eversource utilizes the specific identification basis method for the Eversource non-qualified benefit trust, and the average cost basis method for the CYAPC and YAEC spent nuclear fuel trusts to compute the realized gains and losses on the sale of marketable securities. For the year ended December 31, 2017, Eversource recognized net realized gains of $9.8 million on the sales of available-for-sale securities held in the benefit trust. The proceeds of the sales were re-invested in the Eversource benefit trust. There were no similar sales for the year ended December 31, 2018.

Fair Value Measurements: The following table presents the marketable securities recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

Eversource *(Millions of Dollars)*	As of December 31, 2018	As of December 31, 2017
Level 1:		
Mutual Funds and Equities	$ 244.0	$ 313.8
Money Market Funds	25.9	23.3
Total Level 1	$ 269.9	$ 337.1
Level 2:		
U.S. Government Issued Debt Securities (Agency and Treasury)	$ 79.6	$ 70.2
Corporate Debt Securities	39.5	50.9
Asset-Backed Debt Securities	14.0	21.2
Municipal Bonds	19.2	110.7
Other Fixed Income Securities	8.2	10.7
Total Level 2	$ 160.5	$ 263.7
Total Marketable Securities	$ 430.4	$ 600.8

U.S. government issued debt securities are valued using market approaches that incorporate transactions for the same or similar bonds and adjustments for yields and maturity dates. Corporate debt securities are valued using a market approach, utilizing recent trades of the same or similar instruments and also incorporating yield curves, credit spreads and specific bond terms and conditions. Asset-backed debt securities include collateralized mortgage obligations, commercial mortgage backed securities, and securities collateralized by auto loans, credit card loans or receivables. Asset-backed debt securities are valued using recent trades of similar instruments, prepayment assumptions, yield curves, issuance and maturity dates, and tranche information. Municipal bonds are valued using a market approach that incorporates reported trades and benchmark yields. Other fixed income securities are valued using pricing models, quoted prices of securities with similar characteristics, and discounted cash flows.

6. ASSET RETIREMENT OBLIGATIONS

Eversource, including CL&P, NSTAR Electric and PSNH, recognizes a liability for the fair value of an ARO on the obligation date if the liability's fair value can be reasonably estimated, even if it is conditional on a future event. Settlement dates and future costs are reasonably estimated when sufficient information becomes available. Management has identified various categories of AROs, primarily CYAPC's and YAEC's obligation to dispose of spent nuclear fuel and high level waste, and also certain assets containing asbestos and hazardous contamination. Management has performed fair value calculations reflecting expected probabilities for settlement scenarios.

The fair value of an ARO is recorded as a liability in Other Long-Term Liabilities with a corresponding amount included in Property, Plant and Equipment, Net on the balance sheets. The ARO assets are depreciated, and the ARO liabilities are accreted over the estimated life of the obligation and the corresponding credits are recorded as accumulated depreciation and ARO liabilities, respectively. As the electric and natural gas companies are rate-regulated on a cost-of-service basis, these companies apply regulatory accounting guidance and both the depreciation and accretion costs associated with these companies' AROs are recorded as increases to Regulatory Assets on the balance sheets.

A reconciliation of the beginning and ending carrying amounts of ARO liabilities is as follows:

	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Balance as of Beginning of Year	$ 419.1	$ 31.5	$ 44.6	$ 25.0	$ 426.4	$ 36.0	$ 42.6	$ 23.5
Liabilities Incurred During the Year	11.3	—	11.3	—	0.2	0.1	0.1	—
Liabilities Settled During the Year	(36.6)	—	—	(21.5)	(19.3)	(1.0)	(0.2)	—
Accretion	25.5	2.0	2.2	0.5	26.3	2.3	2.1	1.5
Revisions in Estimated Cash Flows	46.9	—	14.3	—	(14.5)	(5.9)	—	—
Balance as of End of Year	$ 466.2	$ 33.5	$ 72.4	$ 4.0	$ 419.1	$ 31.5	$ 44.6	$ 25.0

Eversource's amounts include CYAPC and YAEC's AROs of $339.9 million and $301.5 million as of December 31, 2018 and 2017, respectively. The fair value of the ARO for CYAPC and YAEC includes uncertainties of the fuel off-load dates related to the DOE's timing of performance regarding its obligation to dispose of the spent nuclear fuel and high level waste and other assumptions, including discount rates. The incremental asset recorded as an offset to the ARO liability was fully depreciated since the plants have no remaining useful life. Any changes in the ARO liability are recorded with a corresponding offset to the related regulatory asset. The assets held in the CYAPC and YAEC spent nuclear fuel trusts are restricted for settling the ARO and all other nuclear fuel storage obligations. For further information on the assets held in the spent nuclear fuel trusts, see Note 5, "Marketable Securities," to the financial statements.

The increase in the ARO balance at NSTAR Electric for the year ended December 31, 2018 was due to the recording of new liabilities associated with new solar sites placed into service and the replacement of certain distribution cables, and revised remediation costs for existing AROs related to asbestos and hazardous contamination. The decrease in the ARO balance at PSNH for the year ended December 31, 2018 was a result of the generation divestiture and the securitization of remaining generation costs. See Note 13, "Generation Asset Sale," to the financial statements for further information on the PSNH generation divestiture.

7. SHORT-TERM DEBT

Short-Term Debt Borrowing Limits: The amount of short-term borrowings that may be incurred by CL&P, NSTAR Electric and NPT is subject to periodic approval by the FERC. Because the NHPUC has jurisdiction over PSNH's short-term debt, PSNH is not currently required to obtain FERC approval for its short-term borrowings. On November 30, 2017, the FERC granted authorization that allows CL&P to issue total short-term borrowings in an aggregate principal amount not to exceed $600 million outstanding at any one time, through December 31, 2019. On November 30, 2017, the FERC granted authorization that allows NSTAR Electric to issue total short-term borrowings in an aggregate principal amount not to exceed $655 million outstanding at any one time, through December 30, 2019. On December 3, 2018, FERC authorized NPT to issue up to an aggregate of $800 million in short-term debt and long-term debt through December 31, 2020.

PSNH is authorized by regulation of the NHPUC to incur short-term borrowings up to 10 percent of net fixed plant plus an additional $60 million until further ordered by the NHPUC. As of December 31, 2018, PSNH's short-term debt authorization under the 10 percent of net fixed plant test plus $60 million totaled approximately $331 million.

CL&P's certificate of incorporation contains preferred stock provisions restricting the amount of unsecured debt that CL&P may incur, including limiting unsecured indebtedness with a maturity of less than 10 years to 10 percent of total capitalization. As of December 31, 2018, CL&P had $758.1 million of unsecured debt capacity available under this authorization.

Yankee Gas and NSTAR Gas are not required to obtain approval from any state or federal authority to incur short-term debt.

Commercial Paper Programs and Credit Agreements: Eversource parent has a $1.45 billion commercial paper program allowing Eversource parent to issue commercial paper as a form of short-term debt. Eversource parent, CL&P, PSNH, NSTAR Gas and Yankee Gas are also parties to a five-year $1.45 billion revolving credit facility. Effective December 10, 2018, the revolving credit facility's termination date was extended for one additional year to December 8, 2023. The revolving credit facility serves to backstop Eversource parent's $1.45 billion commercial paper program.

NSTAR Electric has a $650 million commercial paper program allowing NSTAR Electric to issue commercial paper as a form of short-term debt. NSTAR Electric is also a party to a five-year $650 million revolving credit facility. Effective December 10, 2018, the revolving credit facility's termination date was extended for one additional year to December 8, 2023. The revolving credit facility serves to backstop NSTAR Electric's $650 million commercial paper program.

The amount of borrowings outstanding and available under the commercial paper programs were as follows:

	Borrowings Outstanding as of December 31,		Available Borrowing Capacity as of December 31,		Weighted-Average Interest Rate as of December 31,	
(Millions of Dollars)	2018	2017	2018	2017	2018	2017
Eversource Parent Commercial Paper Program	$ 631.5	$ 979.3	$ 818.5	$ 470.7	2.77%	1.86%
NSTAR Electric Commercial Paper Program	278.5	234.0	371.5	416.0	2.50%	1.55%

There were no borrowings outstanding on either the Eversource parent or NSTAR Electric revolving credit facilities as of December 31, 2018 or 2017. Eversource's water distribution segment has a $100.0 million revolving credit facility, which expires on August 19, 2019, and there were no amounts outstanding as of December 31, 2018 and $76.0 million outstanding as of December 31, 2017.

Amounts outstanding under the commercial paper programs and revolving credit facility are included in Notes Payable and classified in current liabilities on the Eversource and NSTAR Electric balance sheets as all borrowings are outstanding for no more than 364 days at one time. As a result of the Eversource parent long-term debt issuances on January 8, 2018, the net proceeds of which were used to repay short-term borrowings outstanding under its commercial paper program, $201.2 million of commercial paper borrowings under the Eversource parent commercial paper program were reclassified as Long-Term Debt as of December 31, 2017.

Under the credit facilities described above, Eversource and its subsidiaries must comply with certain financial and non-financial covenants, including a consolidated debt to total capitalization ratio. As of December 31, 2018 and 2017, Eversource and its subsidiaries were in compliance with these covenants. If Eversource or its subsidiaries were not in compliance with these covenants, an event of default would occur requiring all outstanding borrowings by such borrower to be repaid, and additional borrowings by such borrower would not be permitted under its respective credit facility.

We believe the future operating cash flows of Eversource, CL&P, NSTAR Electric and PSNH, along with our existing borrowing availability and access to financial markets for the issuance of new long-term debt, will be sufficient to meet any working capital and future operating requirements, and capital investment forecast opportunities.

Intercompany Borrowings: Eversource parent uses its available capital resources to provide loans to its subsidiaries to assist in meeting their short-term borrowing needs. In addition, growth in Eversource's key business initiatives requires cash infusion to those subsidiaries. Eversource parent records intercompany interest income from its loans to subsidiaries, which is eliminated in consolidation. Intercompany loans from Eversource parent to its subsidiaries are eliminated in consolidation on Eversource's balance sheets. As of December 31, 2018, there were intercompany loans from Eversource parent to PSNH of $57.0 million. As of December 31, 2017, there were intercompany loans from Eversource parent of $69.5 million to CL&P and $262.9 million to PSNH. Intercompany loans from Eversource parent are included in Notes Payable to Eversource Parent and are classified in current liabilities on the respective subsidiary's balance sheets.

8. LONG-TERM DEBT

Details of long-term debt outstanding are as follows:

CL&P *(Millions of Dollars)*	**As of December 31,** **2018**	**2017**
First Mortgage Bonds:		
7.875% 1994 Series D due 2024	$ 139.8	$ 139.8
5.750% 2004 Series B due 2034	130.0	130.0
5.625% 2005 Series B due 2035	100.0	100.0
6.350% 2006 Series A due 2036	250.0	250.0
5.750% 2007 Series B due 2037	150.0	150.0
6.375% 2007 Series D due 2037	100.0	100.0
5.650% 2008 Series A due 2018	—	300.0
5.500% 2009 Series A due 2019	250.0	250.0
2.500% 2013 Series A due 2023	400.0	400.0
4.300% 2014 Series A due 2044	475.0	475.0
4.150% 2015 Series A due 2045	350.0	350.0
3.200% 2017 Series A due 2027	300.0	300.0
4.000% 2018 Series A due 2048	500.0	—
Total First Mortgage Bonds	3,144.8	2,944.8
Pollution Control Revenue Bonds:		
4.375% Fixed Rate Tax Exempt due 2028	120.5	120.5
Less Amounts due Within One Year	(250.0)	(300.0)
Unamortized Premiums and Discounts, Net	10.2	11.5
Unamortized Debt Issuance Costs	(21.5)	(17.7)
CL&P Long-Term Debt	$ 3,004.0	$ 2,759.1

NSTAR Electric *(Millions of Dollars)*	**As of December 31,** **2018**	**2017**
Debentures:		
5.750% due 2036	$ 200.0	$ 200.0
5.500% due 2040	300.0	300.0
2.375% due 2022	400.0	400.0
4.400% due 2044	300.0	300.0
3.250% due 2025	250.0	250.0
2.700% due 2026	250.0	250.0
3.200% due 2027	700.0	700.0
Total Debentures	2,400.0	2,400.0
Notes:		
5.900% Senior Notes Series B due 2034	50.0	50.0
6.700% Senior Notes Series D due 2037	40.0	40.0
5.100% Senior Notes Series E due 2020	95.0	95.0
3.500% Senior Notes Series F due 2021	250.0	250.0
3.880% Senior Notes Series G due 2023	80.0	80.0
2.750% Senior Notes Series H due 2026	50.0	50.0
Total Notes	565.0	565.0
Less Amounts due Within One Year	—	—
Unamortized Premiums and Discounts, Net	(2.5)	(1.8)
Unamortized Debt Issuance Costs	(17.7)	(19.4)
NSTAR Electric Long-Term Debt	$ 2,944.8	$ 2,943.8

PSNH *(Millions of Dollars)*	As of December 31, 2018	2017
First Mortgage Bonds:		
5.600% Series M due 2035	$ 50.0	$ 50.0
6.000% Series O due 2018	—	110.0
4.500% Series P due 2019	150.0	150.0
4.050% Series Q due 2021	122.0	122.0
3.200% Series R due 2021	160.0	160.0
3.500% Series S due 2023	325.0	325.0
Total First Mortgage Bonds	807.0	917.0
Pollution Control Revenue Bonds:		
Adjustable Rate Tax Exempt Series A due 2021	—	89.3
Less Amounts due Within One Year	(150.0)	(110.0)
Unamortized Premiums and Discounts, Net	—	0.2
Unamortized Debt Issuance Costs	(1.8)	(4.1)
PSNH Long-Term Debt	$ 655.2	$ 892.4

OTHER *(Millions of Dollars)*	As of December 31, 2018	2017
Yankee Gas - First Mortgage Bonds: 3.020% - 8.480% due 2019 - 2048	$ 470.0	$ 520.0
NSTAR Gas - First Mortgage Bonds: 4.09% - 9.950% due 2020 - 2048	385.0	285.0
Eversource Parent and Other - Notes and Debentures:		
4.500% Debentures due 2019	350.0	350.0
2.500% - 4.250% Senior Notes due 2021 - 2029	4,360.0	3,260.0
Unsecured Notes 3.570% - 6.430% due 2021 - 2037	289.5	290.9
Secured Debt 4.100% - 9.640% due 2021 - 2035	70.7	70.4
Pre-1983 Spent Nuclear Fuel Obligation (CYAPC)	39.5	181.4
Fair Value Adjustment (1)	144.7	172.6
Less Fair Value Adjustment - Current Portion (1)	(36.2)	(35.4)
Less Amounts due in One Year	(401.1)	(104.2)
Commercial Paper Classified as Long-Term Debt	—	201.2
Unamortized Premiums and Discounts, Net	(4.2)	1.5
Unamortized Debt Issuance Costs	(23.2)	(12.8)
Total Other Long-Term Debt	$ 5,644.7	$ 5,180.6
Total Eversource Long-Term Debt	$ 12,248.7	$ 11,775.9

(1) The fair value adjustment amount is the purchase price adjustments, net of amortization, required to record the NSTAR long-term debt at fair value on the date of the 2012 merger and to record the Aquarion long-term debt at fair value on the date of the 2017 acquisition.

Long-Term Debt Issuances and Repayments: The following table summarizes long-term debt issuances and repayments:

(Millions of Dollars)	Issue Date	Issuances/(Repayments)	Maturity Date	Use of Proceeds for Issuances/ Repayment Information
CL&P:				
4.00% 2018 Series A First Mortgage Bonds	March 2018	$ 500.0	April 2048	Repaid long-term debt that matured in 2018 and repaid short-term borrowings
5.65% 2008 Series A First Mortgage Bonds	May 2008	(300.0)	May 2018	Repaid at maturity on May 1, 2018
PSNH:				
6.00% 2008 Series O First Mortgage Bonds	May 2008	(110.0)	May 2018	Repaid at maturity on May 1, 2018
2001 Series A Pollution Control Revenue Bonds	December 2001	(89.3)	May 2021	Redeemed on November 28, 2018 at a redemption price of $89.3 million
Other:				
Eversource Parent 2.50% Series I Senior Notes (1)	January 2018	200.0	March 2021	Repaid short-term borrowings
Eversource Parent 3.30% Series M Senior Notes	January 2018	450.0	January 2028	Repaid long-term debt that matured in 2018
Eversource Parent 3.80% Series N Senior Notes	December 2018	400.0	December 2023	Repaid short-term borrowings
Eversource Parent 4.25% Series O Senior Notes	December 2018	500.0	April 2029	Repaid short-term borrowings
Eversource Parent 1.60% Series G Senior Notes	January 2015	(150.0)	January 2018	Repaid at maturity on January 15, 2018
Eversource Parent 1.45% Series E Senior Notes	May 2013	(300.0)	May 2018	Repaid at maturity on May 1, 2018
Yankee Gas 4.13% Series O First Mortgage Bonds	September 2018	50.0	October 2048	Repaid long-term debt that matured in 2018
Yankee Gas 6.90% Series J First Mortgage Bonds	October 2008	(100.0)	October 2018	Repaid at maturity on October 1, 2018
NSTAR Gas 4.09% Series P First Mortgage Bonds	September 2018	100.0	October 2048	Repaid short-term borrowings

(1) These notes are part of the same series issued by Eversource parent in March 2016. The aggregate outstanding principal amount of these notes is now $450 million.

As a result of the Eversource parent debt issuances in January 2018, $446.8 million of current portion of long-term debt related to two Eversource parent issuances maturing in 2018 and $201.2 million of commercial paper borrowings were reclassified to Long-Term Debt as of December 31, 2017.

Long-Term Debt Issuance Authorizations: On August 1, 2018, the DPU approved NSTAR Gas' request for authorization to issue up to $200 million in long-term debt through December 31, 2019. On December 3, 2018, FERC authorized NPT to issue up to an aggregate of $800 million in short-term debt and long-term debt through December 31, 2020.

Long-Term Debt Provisions: The utility plant of CL&P, PSNH, Yankee Gas, NSTAR Gas and a portion of Aquarion is subject to the lien of each company's respective first mortgage bond indenture. The Eversource parent, NSTAR Electric and certain Aquarion debt is unsecured. Additionally, the long-term debt agreements provide that Eversource and certain of its subsidiaries must comply with certain covenants as are customarily included in such agreements, including equity requirements for NSTAR Electric and NSTAR Gas. Under the equity requirements, NSTAR Electric's and Aquarion's senior notes must maintain a certain consolidated indebtedness to capitalization ratio as of the end of any fiscal quarter and NSTAR Gas' outstanding long-term debt must not exceed equity.

CL&P's obligation to repay the PCRBs is secured by first mortgage bonds. The first mortgage bonds contain similar terms and provisions as the applicable series of PCRBs. If CL&P fails to meet its obligations under the first mortgage bonds, then the holder of the first mortgage bonds (the issuer of the PCRBs) would have rights under the first mortgage bonds. CL&P's tax-exempt PCRBs will be subject to redemption at par on or after September 1, 2021.

Certain secured and unsecured long-term debt securities are callable at redemption price or are subject to make-whole provisions.

Eversource, NSTAR Electric, Yankee Gas and Aquarion have certain long-term debt agreements that contain cross-default provisions. No other debt issuances contain cross-default provisions as of December 31, 2018.

Pre-1983 Spent Nuclear Fuel Obligation: Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. CYAPC is obligated to pay the DOE for the costs to dispose of spent nuclear fuel and high-level radioactive waste generated prior to April 7, 1983 (pre-1983 Spent Nuclear Fuel) and recorded an accrual for the full liability thereof to the DOE. This liability accrues interest costs at the 3-month Treasury bill yield rate. For nuclear fuel used to generate electricity prior to April 7, 1983, payment may be made any time prior to the first delivery of spent fuel to the DOE. Fees for disposal of nuclear fuel burned on or after April 7, 1983 were billed to member companies and paid to the DOE.

As of December 31, 2018 and 2017, as a result of consolidating CYAPC, Eversource has consolidated $39.5 million and $181.4 million, respectively, in pre-1983 spent nuclear fuel obligations to the DOE. In December 2018, CYAPC paid $145 million to the DOE to partially settle this obligation. The obligation includes accumulated interest costs of $29.0 million and $132.6 million as of December 31, 2018 and 2017, respectively. CYAPC maintains a trust to fund amounts due to the DOE for the disposal of pre-1983 spent nuclear fuel. For further information, see Note 5, "Marketable Securities," to the financial statements.

Long-Term Debt Maturities: Long-term debt maturities on debt outstanding for the years 2019 through 2023 and thereafter are shown below. These amounts exclude the CYAPC pre-1983 spent nuclear fuel obligation, net unamortized premiums, discounts and debt issuance costs, and other fair value adjustments as of December 31, 2018:

(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
2019	$ 801.1	$ 250.0	$ —	$ 150.0
2020	296.1	—	95.0	—
2021	1,033.5	—	250.0	282.0
2022	1,188.9	—	400.0	—
2023	1,665.2	400.0	80.0	325.0
Thereafter	7,977.7	2,615.3	2,140.0	50.0
Total	$ 12,962.5	$ 3,265.3	$ 2,965.0	$ 807.0

9. RATE REDUCTION BONDS AND VARIABLE INTEREST ENTITIES

Rate Reduction Bonds: PSNH Funding LLC 3 (PSNH Funding) is a bankruptcy remote, special purpose, wholly-owned subsidiary of PSNH. PSNH Funding was formed solely to issue rate reduction bonds (RRBs) to finance PSNH's unrecovered remaining costs associated with the divestiture of its generation assets.

On May 8, 2018, PSNH Funding issued $635.7 million of securitized RRBs in multiple tranches with a weighted average interest rate of 3.66 percent, and final maturity dates ranging from 2026 to 2035. The RRBs are expected to be repaid by February 1, 2033. RRB payments consist of principal and interest and will be paid semi-annually, beginning on February 1, 2019. The RRBs were issued pursuant to a finance order issued by the NHPUC on January 30, 2018 to recover remaining costs resulting from the divestiture of PSNH's generation assets.

The proceeds were used by PSNH Funding to purchase PSNH's stranded cost asset-recovery property, including its vested property right to bill, collect and adjust a non-bypassable stranded cost recovery charge from PSNH's retail customers. The collections will be used to pay principal, interest and other costs in connection with the RRBs. The RRBs are secured by the stranded cost asset-recovery property. Cash collections from the stranded cost recovery charges and funds on deposit in trust accounts are the sole source of funds to satisfy the debt obligation. PSNH is not the owner of the RRBs, and PSNH Funding's assets and revenues are not available to pay PSNH's creditors. The RRBs are non-recourse senior secured obligations of PSNH Funding and are not insured or guaranteed by PSNH or Eversource Energy.

PSNH Funding is considered a variable interest entity (VIE) primarily because the equity capitalization is insufficient to support its operations. PSNH has the power to direct the significant activities of the VIE and is most closely associated with the VIE as compared to other interest holders. Therefore, PSNH is considered the primary beneficiary and consolidates PSNH Funding in its consolidated financial statements. The following tables summarize the impact of PSNH Funding on PSNH's balance sheet and income statement:

(Millions of Dollars) Balance Sheet:	As of December 31, 2018
Restricted Cash - Current Portion (included in Prepayments and Other Current Assets)	$ 47.5
Restricted Cash - Long-Term Portion (included in Other Long-Term Assets)	3.2
Securitized Stranded Cost (included in Regulatory Assets)	608.4
Other Regulatory Liabilities (included in Regulatory Liabilities)	5.8
Accrued Interest (included in Other Current Liabilities)	14.4
Rate Reduction Bonds - Current Portion	52.3
Rate Reduction Bonds - Long-Term Portion	583.3

(Millions of Dollars) Income Statement:	For the Year Ended December 31, 2018
Amortization of RRB Principal (included in Amortization of Regulatory Assets, Net)	$ 27.3
Interest Expense on RRB Principal (included in Interest Expense)	14.4

Variable Interest Entities - Other: The Company's variable interests outside of the consolidated group include contracts that are required by regulation and provide for regulatory recovery of contract costs and benefits through customer rates. Eversource, CL&P and NSTAR Electric hold variable interests in VIEs through agreements with certain entities that own single renewable energy or peaking generation power plants, with other independent power producers and with transmission businesses. Eversource, CL&P and NSTAR Electric do not control the activities that are economically significant to these VIEs or provide financial or other support to these VIEs. Therefore, Eversource, CL&P and NSTAR Electric do not consolidate these VIEs.

10. EMPLOYEE BENEFITS

A. Pension Benefits and Postretirement Benefits Other Than Pension

Eversource provides defined benefit retirement plans ("Pension Plans") that cover eligible employees and are subject to the provisions of ERISA, as amended by the PPA of 2006. Eversource's policy is to annually fund the Pension Plans in an amount at least equal to an amount that will satisfy all federal funding requirements. In addition to the Pension Plans, Eversource maintains non-qualified defined benefit retirement plans ("SERP Plans") which provide benefits in excess of Internal Revenue Code limitations to eligible participants consisting of current and retired employees.

Eversource also provides defined benefit postretirement plans ("PBOP Plans") that provide life insurance and a health reimbursement arrangement created for the purpose of reimbursing retirees and dependents for health insurance premiums and certain medical expenses to eligible employees that met certain age and service eligibility requirements. The benefits provided under the PBOP Plans are not vested, and the Company has the right to modify any benefit provision subject to applicable laws at that time. Eversource annually funds postretirement costs through tax deductible contributions to external trusts.

The Pension, SERP and PBOP Plans cover eligible employees, including, among others, employees of the regulated companies. Because the regulated companies recover retiree benefit costs from customers through rates, regulatory assets are recorded in lieu of recording an adjustment to Accumulated Other Comprehensive Income/(Loss) for the funded status of the Pension, SERP and PBOP Plans. Regulatory accounting is also applied to the portions of the Eversource Service retiree benefit costs that support the regulated companies, as these costs are also recovered from customers. Adjustments to the Pension and PBOP Plans funded status for the unregulated companies are recorded on an after-tax basis to Accumulated Other Comprehensive Income/(Loss). For further information, see Note 2, "Regulatory Accounting," and Note 16, "Accumulated Other Comprehensive Income/(Loss)," to the financial statements.

The difference between the actual return and calculated expected return on plan assets for the Pension and PBOP Plans is reflected as a component of unamortized actuarial gains or losses, which are recorded in Regulatory Assets or Accumulated Other Comprehensive Income/(Loss). Unamortized actuarial gains or losses are amortized as a component of pension and PBOP expense over the estimated average future employee service period.

Pension and SERP Plans: The Pension and SERP Plans are accounted for under the multiple-employer approach, with each operating company's balance sheet reflecting its share of the funded status of the plans. Although Eversource maintains marketable securities in a benefit trust, the SERP Plans do not contain any assets. For further information, see Note 5, "Marketable Securities," to the financial statements. The following table provides information on the Pension and SERP Plan benefit obligations, fair values of Pension Plan assets, and funded status:

	Pension and SERP							
	As of December 31, 2018				As of December 31, 2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Change in Benefit Obligation:								
Benefit Obligation as of Beginning of Year	$ (5,936.5)	$ (1,275.2)	$ (1,351.0)	$ (642.2)	$ (5,242.3)	$ (1,170.2)	$ (1,217.3)	$ (572.2)
Service Cost	(84.8)	(21.4)	(17.4)	(11.2)	(71.3)	(18.5)	(15.5)	(9.7)
Interest Cost	(196.4)	(41.8)	(43.5)	(22.0)	(188.0)	(41.6)	(42.7)	(21.2)
Actuarial Gain/(Loss)	414.9	106.1	98.6	39.2	(548.7)	(116.9)	(143.5)	(65.1)
Benefits Paid - Pension	261.8	59.6	66.9	26.2	243.7	63.5	55.4	26.4
Benefits Paid - Lump Sum	14.2	—	7.1	—	18.4	—	6.8	—
Benefits Paid - SERP	6.8	0.3	0.3	0.2	20.4	0.3	0.3	0.3
Employee Transfers	—	12.0	2.5	(0.9)	—	8.2	5.5	(0.7)
Increase due to acquisition of Aquarion	—	—	—	—	(168.7)	—	—	—
Benefit Obligation as of End of Year	$ (5,520.0)	$ (1,160.4)	$ (1,236.5)	$ (610.7)	$ (5,936.5)	$ (1,275.2)	$ (1,351.0)	$ (642.2)
Change in Pension Plan Assets:								
Fair Value of Pension Plan Assets as of Beginning of Year	$ 4,739.5	$ 963.0	$ 1,260.8	$ 539.5	$ 4,076.0	$ 905.5	$ 1,088.3	$ 494.0
Employer Contributions	185.6	41.2	56.5	—	235.2	2.5	85.4	0.8
Actual Return on Pension Plan Assets	(75.2)	(14.2)	(18.7)	(7.6)	589.7	126.7	154.8	70.4
Benefits Paid - Pension	(261.8)	(59.6)	(66.9)	(26.2)	(243.7)	(63.5)	(55.4)	(26.4)
Benefits Paid - Lump Sum	(14.2)	—	(7.1)	—	(18.4)	—	(6.8)	—
Employee Transfers	—	(12.0)	(2.5)	0.9	—	(8.2)	(5.5)	0.7
Increase due to acquisition of Aquarion	—	—	—	—	100.7	—	—	—
Fair Value of Pension Plan Assets as of End of Year	$ 4,573.9	$ 918.4	$ 1,222.1	$ 506.6	$ 4,739.5	$ 963.0	$ 1,260.8	$ 539.5
Funded Status as of December 31st	$ (946.1)	$ (242.0)	$ (14.4)	$ (104.1)	$ (1,197.0)	$ (312.2)	$ (90.2)	$ (102.7)

In 2018, there was an increase to the discount rate used to calculate the funded status of the Eversource pension liability, which resulted in a decrease to Eversource's pension liability of approximately $465 million as of December 31, 2018, which was partially offset by changes in actual plan experience and changes in other assumptions.

In 2017, there was a decrease to the discount rate used to calculate the funded status of the Eversource pension liability, which resulted in an increase to Eversource's pension liability of approximately $390 million as of December 31, 2017.

The pension and SERP Plans' funded status includes the current portion of the SERP liability totaling $8.9 million and $8.4 million as of December 31, 2018 and 2017, respectively, which is included in Other Current Liabilities on the balance sheets.

As of December 31, 2018 and 2017, the accumulated benefit obligation for the Pension and SERP Plans is as follows:

(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
2018	$ 5,070.8	$ 1,031.0	$ 1,144.7	$ 543.1
2017	5,583.6	1,179.2	1,260.1	597.2

The following actuarial assumptions were used in calculating the Pension and SERP Plans' year end funded status:

	Pension and SERP As of December 31,	
	2018	2017
Discount Rate	4.22% — 4.45%	3.43% — 3.75%
Compensation/Progression Rate	3.50%	3.50%

The compensation rate for the Aquarion Plans was 4 percent as of December 31, 2018 and 2017.

Pension and SERP Expense: Eversource charges net periodic pension expense to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. The actual investment return in the trust is allocated to each of the subsidiaries annually in proportion to the investment return expected to be earned during the year. The Company utilizes the spot rate methodology to estimate the discount rate for the service and interest cost components of pension expense, which provides a more precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve.

The components of net periodic benefit expense for the Pension and SERP Plans, prior to amounts capitalized as Property, Plant and Equipment or deferred as regulatory assets for future recovery, are shown below. The service cost component of net periodic benefit expense and the intercompany allocations, less the capitalized portions, are included in Operations and Maintenance expense on the statements of income. The remaining components of net periodic benefit costs are included in Other Income, Net on the statements of income. Pension and SERP expense reflected in the statements of cash flows for CL&P, NSTAR Electric and PSNH does not include the intercompany allocations or the corresponding capitalized and deferred portion, as these amounts are cash settled on a short-term basis.

	Pension and SERP For the Year Ended December 31, 2018			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 84.8	$ 21.4	$ 17.4	$ 11.2
Interest Cost	196.4	41.8	43.5	22.0
Expected Return on Pension Plan Assets	(391.6)	(79.1)	(104.9)	(43.6)
Actuarial Loss	145.7	29.1	41.1	11.6
Prior Service Cost	4.3	1.1	0.2	0.4
Total Net Periodic Benefit Expense/(Income)	$ 39.6	$ 14.3	$ (2.7)	$ 1.6
Intercompany Allocations	N/A	$ 6.1	$ 6.5	$ 1.9

	Pension and SERP For the Year Ended December 31, 2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 71.3	$ 18.5	$ 15.5	$ 9.7
Interest Cost	188.0	41.6	42.7	21.2
Expected Return on Pension Plan Assets	(334.1)	(71.7)	(87.6)	(40.0)
Actuarial Loss	135.2	27.7	41.1	11.6
Prior Service Cost	4.5	1.5	0.6	0.5
Total Net Periodic Benefit Expense	$ 64.9	$ 17.6	$ 12.3	$ 3.0
Intercompany Allocations	N/A	$ 9.8	$ 9.1	$ 3.3

(Millions of Dollars)	Pension and SERP For the Year Ended December 31, 2016 Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 75.0	$ 18.8	$ 16.3	$ 9.9
Interest Cost	185.5	41.6	42.2	20.7
Expected Return on Pension Plan Assets	(317.9)	(72.1)	(85.1)	(38.6)
Actuarial Loss	125.7	25.4	39.9	9.9
Prior Service Cost	3.6	1.5	0.3	0.5
Total Net Periodic Benefit Expense	$ 71.9	$ 15.2	$ 13.6	$ 2.4
Intercompany Allocations	N/A	$ 13.8	$ 11.4	$ 4.0

The following actuarial assumptions were used to calculate Pension and SERP expense amounts:

	Pension and SERP For the Years Ended December 31, 2018	2017	2016
Discount Rate	3.85% — 4.62%	3.20% — 3.90%	3.27% — 4.89%
Expected Long-Term Rate of Return	8.25%	8.25%	8.25%
Compensation/Progression Rate	3.50%	3.50%	3.50%

For the Aquarion Plans, the long-term expected rate of return was 7 percent and the compensation rate was 4 percent for the year ended December 31, 2018.

The following is a summary of the changes in plan assets and benefit obligations recognized in Regulatory Assets and Other Comprehensive Income ("OCI") as well as amounts in Regulatory Assets and OCI that were reclassified as net periodic benefit expense during the years presented:

	Regulatory Assets For the Years Ended December 31,		OCI For the Years Ended December 31,	
(Millions of Dollars)	2018	2017	2018	2017
Actuarial Losses Arising During the Year	$ 48.6	$ 333.0	$ 0.7	$ 9.3
Actuarial Losses Reclassified as Net Periodic Benefit Expense	(140.1)	(129.5)	(5.6)	(5.7)
Actuarial Losses Securitized as Stranded Costs (1)	(36.7)	—	—	—
Prior Service Cost/(Credit) Arising During the Year	—	1.0	—	(0.4)
Prior Service Cost Reclassified as Net Periodic Benefit Expense	(3.9)	(4.1)	(0.4)	(0.4)
Prior Service Cost Securitized as Stranded Costs (1)	(0.1)	—	—	—

(1) These amounts were reclassified to securitized regulatory assets in connection with the divestiture of PSNH's generation business. For further information see Note 2, "Regulatory Accounting" to the financial statements.

The following is a summary of the remaining Regulatory Assets and Accumulated Other Comprehensive Income amounts that have not been recognized as components of net periodic benefit expense as of December 31, 2018 and 2017, as well as the amounts that are expected to be recognized as components in 2019:

	Regulatory Assets as of December 31,		Expected 2019	AOCI as of December 31,		Expected 2019
(Millions of Dollars)	2018	2017	Expense	2018	2017	Expense
Actuarial Loss	$ 1,807.6	$ 1,935.8	$ 140.6	$ 80.8	$ 85.7	$ 5.6
Prior Service Cost	6.3	10.3	0.9	1.1	1.5	0.2

PBOP Plans: The PBOP Plans are accounted for under the multiple-employer approach, with each operating company's balance sheet reflecting its share of the funded status of the plans. The following table provides information on the PBOP Plan benefit obligations, fair values of plan assets, and funded status:

	PBOP							
	As of December 31,							
	2018				2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Eversource	CL&P	NSTAR Electric	PSNH
Change in Benefit Obligation:								
Benefit Obligation as of Beginning of Year	$ (948.6)	$ (178.4)	$ (278.6)	$ (101.1)	$ (810.0)	$ (165.0)	$ (270.0)	$ (89.7)
Service Cost	(10.0)	(1.9)	(2.0)	(1.1)	(9.5)	(1.9)	(1.7)	(1.3)
Interest Cost	(30.7)	(5.8)	(8.7)	(3.4)	(27.1)	(5.3)	(8.7)	(3.0)
Actuarial Gain/(Loss)	102.5	14.4	28.4	8.6	(81.8)	(18.5)	(13.2)	(11.9)
Benefits Paid	45.3	10.1	14.5	4.9	41.5	9.9	13.5	4.6
Employee Transfers	—	(0.1)	0.1	0.2	—	2.4	1.5	0.2
Increase due to acquisition of Aquarion	—	—	—	—	(61.7)	—	—	—
Benefit Obligation as of End of Year	$ (841.5)	$ (161.7)	$ (246.3)	$ (91.9)	$ (948.6)	$ (178.4)	$ (278.6)	$ (101.1)
Change in Plan Assets:								
Fair Value of Plan Assets as of Beginning of Year	$ 922.2	$ 135.9	$ 405.5	$ 79.0	$ 815.8	$ 129.2	$ 361.6	$ 73.2
Actual Return on Plan Assets	(36.6)	(5.2)	(17.4)	(2.9)	118.0	18.1	52.9	10.4
Employer Contributions	9.3	—	5.2	—	7.6	—	5.3	—
Benefits Paid	(45.3)	(10.1)	(14.5)	(4.9)	(41.5)	(9.9)	(13.5)	(4.6)
Employee Transfers	—	—	0.3	—	—	(1.5)	(0.8)	—
Increase due to acquisition of Aquarion	—	—	—	—	22.3	—	—	—
Fair Value of Plan Assets as of End of Year	$ 849.6	$ 120.6	$ 379.1	$ 71.2	$ 922.2	$ 135.9	$ 405.5	$ 79.0
Funded Status as of December 31st	$ 8.1	$ (41.1)	$ 132.8	$ (20.7)	$ (26.4)	$ (42.5)	$ 126.9	$ (22.1)

The Eversource funded status includes prepaid assets of $33.4 million and $13.1 million recorded in Other Long-Term Assets and liabilities of $25.3 million and $39.5 million included in Accrued Pension, SERP and PBOP on the balance sheets as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, there was an increase in the discount rate used to calculate the funded status, resulting in a decrease in the Eversource PBOP liability of approximately $88 million.

As of December 31, 2017, there was a decrease in the discount rate used to calculate the funded status, as compared to the discount rate as of December 31, 2016, resulting in an increase to the Eversource PBOP liability of approximately $64 million.

The following actuarial assumptions were used in calculating the PBOP Plans' year end funded status:

	PBOP	
	As of December 31,	
	2018	2017
Discount Rate	4.38% — 4.41%	3.55% — 3.70%

For the Eversource Service PBOP Plan, effective with the plan amendment that standardized plan designs and made benefit changes in August 2016, the health care cost trend rate is no longer applicable. For the Aquarion PBOP Plan, the health care trend rate is a range of 3.5 percent to 6.75 percent, with an ultimate rate of 3.5 percent to 5 percent in 2019 and 2023, for post-65 and pre-65 retirees, respectively.

PBOP Expense: Eversource charges net periodic postretirement benefits expense to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. The actual investment return in the trust each year is allocated to each of the subsidiaries annually in proportion to the investment return expected to be earned during the year. The Company utilizes the spot rate methodology to estimate the discount rate for the service and interest cost components of PBOP expense, which provides a more precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve.

The components of net periodic benefit expense for the PBOP Plans, prior to amounts capitalized as Property, Plant and Equipment or deferred as regulatory assets on the balance sheets, are shown below. The service cost component of net periodic benefit expense and the intercompany allocations, less the capitalized portions, are included in Operations and Maintenance expense on the statements of income. The remaining components of net periodic benefit costs are included in Other Income, Net on the statements of income. PBOP expense reflected in the statements of cash flows for CL&P, NSTAR Electric and PSNH does not include the intercompany allocations or the corresponding capitalized portion, as these amounts are cash settled on a short-term basis.

	PBOP			
	For the Year Ended December 31, 2018			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 10.0	$ 1.9	$ 2.0	$ 1.1
Interest Cost	30.7	5.8	8.7	3.4
Expected Return on Plan Assets	(72.4)	(10.4)	(32.5)	(6.0)
Actuarial Loss	10.3	1.6	2.3	0.7
Prior Service (Credit)/Cost	(23.6)	1.1	(16.9)	0.5
Total Net Periodic Benefit Income	$ (45.0)	$ —	$ (36.4)	$ (0.3)
Intercompany Allocations	N/A	$ (1.0)	$ (1.3)	$ (0.4)

	PBOP			
	For the Year Ended December 31, 2017			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 9.5	$ 1.9	$ 1.7	$ 1.3
Interest Cost	27.1	5.3	8.7	3.0
Expected Return on Plan Assets	(63.7)	(9.7)	(28.6)	(5.5)
Actuarial Loss	9.1	1.0	3.4	0.6
Prior Service (Credit)/Cost	(21.6)	1.1	(17.0)	0.6
Total Net Periodic Benefit Income	$ (39.6)	$ (0.4)	$ (31.8)	$ —
Intercompany Allocations	N/A	$ (0.7)	$ (1.1)	$ (0.5)

	PBOP			
	For the Year Ended December 31, 2016			
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Service Cost	$ 12.2	$ 2.0	$ 3.4	$ 1.3
Interest Cost	32.9	5.3	13.3	2.9
Expected Return on Plan Assets	(62.9)	(10.1)	(28.1)	(5.5)
Actuarial Loss	9.0	1.5	3.3	0.7
Prior Service (Credit)/Cost	(9.1)	0.5	(7.1)	0.2
Total Net Periodic Benefit Income	$ (17.9)	$ (0.8)	$ (15.2)	$ (0.4)
Intercompany Allocations	N/A	$ 0.3	$ (0.1)	$ (0.1)

The following actuarial assumptions were used to calculate PBOP expense amounts:

	PBOP		
	For the Years Ended December 31,		
	2018	2017	2016
Discount Rate	3.28% — 3.94%	3.48% — 4.64%	2.88% — 4.09%
Expected Long-Term Rate of Return	8.25%	8.25%	8.25%

For the Aquarion Plan, the expected long-term rate of return was 7 percent and the health care trend rate was 7 percent for the year ended December 31, 2018.

The following is a summary of the changes in plan assets and benefit obligations recognized in Regulatory Assets and OCI as well as amounts recognized in Regulatory Assets and OCI that were reclassified as net periodic benefit (expense)/income during the years presented:

	Regulatory Assets For the Years Ended December 31,		OCI For the Years Ended December 31,	
(Millions of Dollars)	2018	2017	2018	2017
Actuarial Losses/(Gains) Arising During the Year	$ 6.4	$ 44.8	$ (1.2)	$ 2.6
Actuarial Losses Reclassified as Net Periodic Benefit Expense	(9.9)	(8.6)	(0.4)	(0.5)
Actuarial Losses Securitized as Stranded Costs [(1)]	(0.8)	—	—	—
Prior Service (Credit)/Cost Arising During the Year	1.3	(4.0)	—	(0.1)
Prior Service Credit/(Cost) Reclassified as Net Periodic Benefit Income/(Expense)	23.6	22.3	—	(0.7)
Prior Service Cost Securitized as Stranded Costs [(1)]	(1.3)	—	—	—

(1) These amounts were reclassified to securitized regulatory assets in connection with the divestiture of PSNH's generation business. For further information see Note 2, "Regulatory Accounting" to the financial statements.

The following is a summary of the remaining Regulatory Assets and Accumulated Other Comprehensive Income amounts that have not been recognized as components of net periodic benefit expense as of December 31, 2018 and 2017, as well as the amounts that are expected to be recognized as components in 2019:

	Regulatory Assets as of December 31,		Expected 2019 Expense	AOCI as of December 31,		Expected 2019 Expense
(Millions of Dollars)	2018	2017		2018	2017	
Actuarial Loss	$ 207.3	$ 211.6	$ 9.9	$ 5.0	$ 6.6	$ 0.3
Prior Service (Credit)/Cost	(197.6)	(221.2)	(23.6)	2.6	2.6	0.2

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, are expected to be paid by the Pension, SERP and PBOP Plans:

(Millions of Dollars)	2019	2020	2021	2022	2023	2024 - 2028
Pension and SERP	$ 308.5	$ 310.4	$ 318.8	$ 326.6	$ 335.6	$ 1,764.1
PBOP	58.4	58.5	58.6	58.3	57.8	277.4

Eversource Contributions: Based on the current status of the Pension Plans and federal pension funding requirements, Eversource currently expects to make contributions of approximately $112 million in 2019, of which approximately $44 million and $10 million will be contributed by CL&P and PSNH, respectively. The remaining $46 million is expected to be contributed by other Eversource subsidiaries, primarily Eversource Service. Eversource expects to make approximately $11 million in contributions to the PBOP Plan in 2019, of which approximately $6 million will be contributed by NSTAR Electric.

Fair Value of Pension and PBOP Plan Assets: Pension and PBOP funds are held in external trusts. Trust assets, including accumulated earnings, must be used exclusively for Pension and PBOP payments. Eversource's investment strategy for its Pension and PBOP Plans is to maximize the long-term rates of return on these plans' assets within an acceptable level of risk. The investment strategy for each asset category includes a diversification of asset types, fund strategies and fund managers and it establishes target asset allocations that are routinely reviewed and periodically rebalanced. PBOP assets are comprised of assets held in the PBOP Plan trust, as well as specific assets within the Pension Plan trust (401(h) assets). The investment policy and strategy of the 401(h) assets is consistent with that of the defined benefit pension plan. Eversource's expected long-term rates of return on Pension and PBOP Plan assets are based on target asset allocation assumptions and related expected long-term rates of return. In developing its expected long-term rate of return assumptions for the Pension and PBOP Plans, Eversource evaluated input from consultants, as well as long-term inflation assumptions and historical returns. For the year ended December 31, 2018, management has assumed long-term rates of return of 8.25 percent for the Eversource Service Pension and PBOP Plan assets. Management has assumed a 7 percent long-term rate of return for the Aquarion Plans.

These long-term rates of return are based on the assumed rates of return for the target asset allocations as follows:

	As of December 31,			
	2018		2017	
	Eversource Pension Plan and Tax-Exempt Assets Within PBOP Plan		Eversource Pension Plan and Tax-Exempt Assets Within PBOP Plan	
	Target Asset Allocation	Assumed Rate of Return	Target Asset Allocation	Assumed Rate of Return
Equity Securities:				
United States	15.0%	8.5%	21.5%	8.5%
Global	10.0%	8.75%	—%	—%
Non-United States	8.0%	8.5%	11.0%	8.5%
Emerging Markets	4.0%	10.0%	4.5%	10.0%
Debt Securities:				
Fixed Income	13.0%	4.0%	11.0%	4.0%
Public High Yield Fixed Income	4.0%	6.5%	4.0%	6.5%
Private Debt	15.0%	9.0%	15.0%	9.0%
Emerging Markets Debt	—%	—%	2.0%	6.5%
Private Equity	15.0%	12.0%	15.0%	12.0%
Real Assets	16.0%	7.5%	12.0%	7.5%
Hedge Funds	—%	—%	4.0%	6.0%

The taxable assets within the Eversource PBOP Plan have a target asset allocation of 70 percent equity securities and 30 percent fixed income securities. The target asset allocation for the Aquarion Pension Plans is 59 percent equity, 36 percent debt and 5 percent other. The target asset allocation for the Aquarion PBOP Plan is 59 percent equity and 41 percent debt.

The following table presents, by asset category, the Pension and PBOP Plan assets recorded at fair value on a recurring basis by the level in which they are classified within the fair value hierarchy:

	Pension Plan							
	Fair Value Measurements as of December 31,							
(Millions of Dollars)	2018				2017			
Asset Category:	Level 1	Level 2	Uncategorized	Total	Level 1	Level 2	Uncategorized	Total
Equity Securities [1]	$ 443.4	$ —	$ 1,377.8	$ 1,821.2	$ 535.4	$ —	$ 1,653.3	$ 2,188.7
Fixed Income [2]	85.5	160.8	1,265.5	1,511.8	56.6	215.9	1,218.3	1,490.8
Private Equity	6.1	—	834.0	840.1	11.2	—	641.8	653.0
Real Assets [3]	62.9	—	569.1	632.0	101.6	—	539.9	641.5
Total	$ 597.9	$ 160.8	$ 4,046.4	$ 4,805.1	$ 704.8	$ 215.9	$ 4,053.3	$ 4,974.0
Less: 401(h) PBOP Assets [4]				(231.2)				(234.5)
Total Pension Assets				$ 4,573.9				$ 4,739.5

	PBOP Plan							
	Fair Value Measurements as of December 31,							
(Millions of Dollars)	2018				2017			
Asset Category:	Level 1	Level 2	Uncategorized	Total	Level 1	Level 2	Uncategorized	Total
Equity Securities [1]	$ 91.9	$ —	$ 210.5	$ 302.4	$ 115.3	$ —	$ 241.9	$ 357.2
Fixed Income [2]	22.0	40.3	123.0	185.3	23.4	44.0	133.9	201.3
Private Equity	—	—	32.7	32.7	—	—	31.3	31.3
Real Assets [3]	27.5	—	70.5	98.0	22.4	—	75.5	97.9
Total	$ 141.4	$ 40.3	$ 436.7	$ 618.4	$ 161.1	$ 44.0	$ 482.6	$ 687.7
Add: 401(h) PBOP Assets [4]				231.2				234.5
Total PBOP Assets				$ 849.6				$ 922.2

(1) United States, Global, Non-United States and Emerging Markets equity securities that are uncategorized include investments in commingled funds and hedge funds that are overlayed with equity index swaps and futures contracts.

(2) Fixed Income investments that are uncategorized include investments in commingled funds, fixed income funds that invest in a variety of opportunistic and fixed income strategies, and hedge funds that are overlayed with fixed income futures.

(3) Real assets include real estate funds and hedge funds.

(4) The assets of the Pension Plan include a 401(h) account that has been allocated to provide health and welfare postretirement benefits under the PBOP Plan.

The Company values assets based on observable inputs when available. Equity securities, exchange traded funds and futures contracts classified as Level 1 in the fair value hierarchy are priced based on the closing price on the primary exchange as of the balance sheet date.

Fixed income securities, such as government issued securities, corporate bonds and high yield bond funds, are included in Level 2 and are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The pricing models utilize observable inputs such as recent trades for the same or similar instruments, yield curves, discount margins and bond structures. Swaps are valued using pricing models that incorporate interest rates and equity and fixed income index closing prices to determine a net present value of the cash flows.

Certain investments, such as commingled funds, private equity investments, real estate funds and hedge funds are valued using the NAV as a practical expedient. These investments are structured as investment companies offering shares or units to multiple investors for the purpose of providing a return. Commingled funds are recorded at NAV provided by the asset manager, which is based on the market prices of the underlying equity securities. Private Equity investments, Fixed Income partnership funds and Real Assets are valued using the NAV provided by the partnerships, which are based on discounted cash flows of the underlying investments, real estate appraisals or public market comparables of the underlying investments, or the NAV of underlying assets held in hedge funds. Assets valued at NAV are uncategorized in the fair value hierarchy.

B. Defined Contribution Plans

Eversource maintains defined contribution plans on behalf of eligible participants. The Eversource 401k Plan provides for employee and employer contributions up to statutory limits. For eligible employees, the Eversource 401k Plan provides employer matching contributions of either 100 percent up to a maximum of three percent of eligible compensation or 50 percent up to a maximum of eight percent of eligible compensation. The Eversource 401k Plan also contains a K-Vantage feature for the benefit of eligible participants, which provides an additional annual employer contribution based on age and years of service. K-Vantage participants are not eligible to actively participate in the Eversource Pension Plan.

The total Eversource 401k Plan employer matching contributions, including the K-Vantage contributions, were as follows:

(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
2018	$ 38.4	$ 5.0	$ 9.7	$ 3.3
2017	34.5	4.6	8.5	3.7
2016	31.8	4.5	8.1	3.4

C. Share-Based Payments

Share-based compensation awards are recorded using a fair-value based method at the date of grant. Eversource, CL&P, NSTAR Electric and PSNH record compensation expense related to these awards, as applicable, for shares issued or sold to their respective employees and officers, as well as for the allocation of costs associated with shares issued or sold to Eversource's service company employees and officers that support CL&P, NSTAR Electric and PSNH.

Eversource Incentive Plans: Eversource maintains long-term equity-based incentive plans in which Eversource, CL&P, NSTAR Electric and PSNH employees, officers and board members are eligible to participate. The incentive plans authorize Eversource to grant up to 6,700,000 new shares for various types of awards, including RSUs and performance shares, to eligible employees, officers, and board members. As of December 31, 2018 and 2017, Eversource had 3,720,650 and 2,445,110 common shares, respectively, available for issuance under these plans.

Eversource accounts for its various share-based plans as follows:

- RSUs - Eversource records compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period based upon the fair value of Eversource's common shares at the date of grant. The par value of RSUs is reclassified to Common Stock from APIC as RSUs become issued as common shares.

- Performance Shares - Eversource records compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period. Performance shares vest based upon the extent to which Company goals are achieved. Vesting of outstanding performance shares is based upon both the Company's EPS growth over the requisite service period and the total shareholder return as compared to the Edison Electric Institute ("EEI") Index during the requisite service period. The fair value of performance shares is determined at the date of grant using a lattice model.

RSUs: Eversource granted RSUs under the annual long-term incentive programs that are subject to three-year graded vesting schedules for employees, and one-year graded vesting schedules, or immediate vesting, for board members. RSUs are paid in shares, reduced by amounts sufficient to satisfy withholdings for income taxes, subsequent to vesting. A summary of RSU transactions is as follows:

	RSUs (Units)	Weighted Average Grant-Date Fair Value
Outstanding as of December 31, 2017	717,039	$ 49.29
Granted	286,315	$ 56.69
Shares Issued	(201,386)	$ 55.35
Forfeited	(19,603)	$ 56.78
Outstanding as of December 31, 2018	782,365	$ 50.25

The weighted average grant-date fair value of RSUs granted for the years ended December 31, 2018, 2017 and 2016 was $56.69, $55.97 and $54.67, respectively. As of December 31, 2018 and 2017, the number and weighted average grant-date fair value of unvested RSUs was 424,119 and $56.57 per share, and 388,269 and $56.15 per share, respectively. During 2018, there were 216,572 RSUs at a weighted average grant-date fair value of $56.72 per share that vested during the year and were either paid or deferred. As of December 31, 2018, 358,246 RSUs were fully vested and deferred and an additional 402,913 are expected to vest.

Performance Shares: Eversource granted performance shares under the annual long-term incentive programs that vest based upon the extent to which Company goals are achieved at the end of three-year performance measurement periods. Performance shares are paid in shares, after the performance measurement period. A summary of performance share transactions is as follows:

	Performance Shares (Units)	Weighted Average Grant-Date Fair Value
Outstanding as of December 31, 2017	510,565	$ 55.45
Granted	184,355	$ 56.77
Shares Issued	(178,258)	$ 54.98
Forfeited	(17,098)	$ 56.18
Outstanding as of December 31, 2018	499,564	$ 56.08

The weighted average grant-date fair value of performance shares granted for the years ended December 31, 2018, 2017 and 2016 was $56.77, $55.70 and $53.64, respectively. As of December 31, 2018 and 2017, the number and weighted average grant-date fair value of unvested performance shares was 366,995 and $56.17 per share, and 331,207 and $55.79 per share, respectively. During 2018, there were 131,349 performance shares at a weighted average grant-date fair value of $56.08 per share that vested during the year and were either paid or deferred. As of December 31, 2018, 132,569 performance shares were fully vested and deferred.

Compensation Expense: The total compensation expense and associated future income tax benefits recognized by Eversource, CL&P, NSTAR Electric and PSNH for share-based compensation awards were as follows:

Eversource	For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	2016
Compensation Expense	$ 21.4	$ 19.7	$ 23.6
Future Income Tax Benefit	5.4	8.0	9.6

	For the Years Ended December 31,								
	2018			2017			2016		
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH
Compensation Expense	$ 7.8	$ 7.7	$ 2.9	$ 7.0	$ 7.0	$ 3.2	$ 9.1	$ 8.2	$ 3.5
Future Income Tax Benefit	2.0	1.9	0.7	2.9	2.8	1.3	3.7	3.3	1.4

As of December 31, 2018, there was $22.3 million of total unrecognized compensation expense related to nonvested share-based awards for Eversource, including $8.1 million for CL&P, $8.0 million for NSTAR Electric and $2.8 million for PSNH. This cost is expected to be recognized ratably over a weighted-average period of 1.73 years for Eversource and CL&P, and 1.72 years for NSTAR Electric and PSNH.

An income tax rate of 25 percent was used to estimate the tax effect on total share-based payments determined under the fair-value based method for all awards. During both 2018 and 2017, the Company generally settled fully vested RSUs and performance shares with the issuance of common shares purchased in the open market.

For the years ended December 31, 2018, 2017 and 2016, excess tax benefits associated with the distribution of stock compensation awards reduced income tax expense by $1.5 million, $2.9 million, and $19.1 million, respectively, which increased cash flows from operating activities on the statements of cash flows.

D. Other Retirement Benefits

Eversource provides retirement and other benefits for certain current and past company officers. These benefits are accounted for on an accrual basis and expensed over a period equal to the service lives of the employees. The actuarially-determined liability for these benefits, which is included in Other Long-Term Liabilities on the balance sheets, as well as the related expense included in Operations and Maintenance Expense on the income statements, are as follows:

Eversource	As of and For the Years Ended December 31,		
(Millions of Dollars)	2018	2017	2016
Actuarially-Determined Liability	$ 49.1	$ 53.4	$ 54.2
Other Retirement Benefits Expense	2.7	2.8	2.9

(Millions of Dollars)	2018 CL&P	2018 NSTAR Electric	2018 PSNH	2017 CL&P	2017 NSTAR Electric	2017 PSNH	2016 CL&P	2016 NSTAR Electric	2016 PSNH
	As of and For the Years Ended December 31,								
Actuarially-Determined Liability	$ 0.3	$ 0.1	$ 1.7	$ 0.3	$ 0.1	$ 1.9	$ 0.3	$ 0.1	$ 2.0
Other Retirement Benefits Expense	1.1	1.1	0.4	1.0	1.0	0.5	1.1	0.9	0.6

11. INCOME TAXES

The components of income tax expense are as follows:

Eversource *(Millions of Dollars)*	For the Years Ended December 31, 2018	2017	2016
Current Income Taxes:			
Federal	$ 106.5	$ 58.9	$ 38.9
State	10.6	31.6	53.0
Total Current	117.1	90.5	91.9
Deferred Income Taxes, Net:			
Federal	122.6	433.0	427.9
State	52.2	58.6	38.6
Total Deferred	174.8	491.6	466.5
Investment Tax Credits, Net	(2.9)	(3.2)	(3.4)
Income Tax Expense	$ 289.0	$ 578.9	$ 555.0

(Millions of Dollars)	2018 CL&P	2018 NSTAR Electric	2018 PSNH	2017 CL&P	2017 NSTAR Electric	2017 PSNH	2016 CL&P	2016 NSTAR Electric	2016 PSNH
	For the Years Ended December 31,								
Current Income Taxes:									
Federal	$ 54.2	$ 79.3	$ 12.2	$ 50.9	$ 107.8	$ 18.6	$ 27.3	$ 86.4	$ (13.7)
State	20.9	30.0	(0.5)	17.4	25.6	6.2	13.3	39.5	8.8
Total Current	75.1	109.3	11.7	68.3	133.4	24.8	40.6	125.9	(4.9)
Deferred Income Taxes, Net:									
Federal	48.5	27.9	15.4	123.9	88.1	52.7	157.6	96.6	79.5
State	6.4	13.5	20.5	(4.6)	22.4	11.2	11.3	5.1	7.8
Total Deferred	54.9	41.4	35.9	119.3	110.5	63.9	168.9	101.7	87.3
Investment Tax Credits, Net	(0.9)	(1.8)	—	(1.0)	(1.8)	—	(1.2)	(1.8)	—
Income Tax Expense	$ 129.1	$ 148.9	$ 47.6	$ 186.6	$ 242.1	$ 88.7	$ 208.3	$ 225.8	$ 82.4

A reconciliation between income tax expense and the expected tax expense at the statutory rate is as follows:

Eversource *(Millions of Dollars, except percentages)*	For the Years Ended December 31, 2018	2017	2016
Income Before Income Tax Expense	$ 1,329.5	$ 1,574.4	$ 1,504.8
Statutory Federal Income Tax Expense at 21% in 2018 and 35% in 2017 and 2016	279.2	551.0	526.7
Tax Effect of Differences:			
Depreciation	(30.8)	(10.8)	(3.4)
Investment Tax Credit Amortization	(2.9)	(3.2)	(3.4)
Other Federal Tax Credits	—	—	(3.5)
State Income Taxes, Net of Federal Impact	44.4	47.7	56.2
Dividends on ESOP	(5.1)	(8.4)	(8.4)
Tax Asset Valuation Allowance/Reserve Adjustments	5.2	7.0	3.3
Excess Stock Benefit	(1.5)	(2.9)	(19.1)
Other, Net	0.5	(1.5)	6.6
Income Tax Expense	$ 289.0	$ 578.9	$ 555.0
Effective Tax Rate	21.7%	36.8%	36.9%

(Millions of Dollars, except percentages)	For the Years Ended December 31, 2018 CL&P	2018 NSTAR Electric	2018 PSNH	2017 CL&P	2017 NSTAR Electric	2017 PSNH	2016 CL&P	2016 NSTAR Electric	2016 PSNH
Income Before Income Tax Expense	$ 506.8	$ 532.0	$ 163.5	$ 563.4	$ 616.8	$ 224.7	$ 542.6	$ 576.6	$ 214.3
Statutory Federal Income Tax Expense at 21% in 2018 and 35% in 2017 and 2016	106.4	111.7	34.3	197.2	215.9	78.6	189.9	201.8	75.0
Tax Effect of Differences:									
Depreciation	(1.2)	(2.8)	0.1	(5.2)	(3.0)	1.1	1.6	(3.1)	1.0
Investment Tax Credit Amortization	(0.9)	(1.8)	—	(1.0)	(1.8)	—	(1.2)	(1.8)	—
Other Federal Tax Credits	—	—	—	—	—	—	—	—	(3.5)
State Income Taxes, Net of Federal Impact	14.5	33.2	15.8	4.5	31.2	11.3	14.5	29.0	10.8
Tax Asset Valuation Allowance/Reserve Adjustments	7.1	1.2	—	(9.5)	—	—	1.5	—	—
Excess Stock Benefit	(0.1)	(0.1)	(0.1)	(0.7)	(0.7)	(0.3)	(0.9)	(1.2)	(0.4)
Other, Net	3.3	7.5	(2.5)	1.3	0.5	(2.0)	2.9	1.1	(0.5)
Income Tax Expense	$ 129.1	$ 148.9	$ 47.6	$ 186.6	$ 242.1	$ 88.7	$ 208.3	$ 225.8	$ 82.4
Effective Tax Rate	25.5%	28.0%	29.1%	33.1%	39.2%	39.5%	38.4%	39.2%	38.4%

Eversource, CL&P, NSTAR Electric and PSNH file a consolidated federal income tax return and unitary, combined and separate state income tax returns. These entities are also parties to a tax allocation agreement under which taxable subsidiaries do not pay any more taxes than they would have otherwise paid had they filed a separate company tax return, and subsidiaries generating tax losses, if any, are paid for their losses when utilized.

Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The tax effect of temporary differences is accounted for in accordance with the rate-making treatment of the applicable regulatory commissions and relevant accounting authoritative literature. The tax effects of temporary differences that give rise to the net accumulated deferred income tax obligations are as follows:

(Millions of Dollars)	As of December 31, 2018 Eversource	2018 CL&P	2018 NSTAR Electric	2018 PSNH	2017 Eversource	2017 CL&P	2017 NSTAR Electric	2017 PSNH
Deferred Tax Assets:								
Employee Benefits	$ 388.2	$ 94.5	$ 35.0	$ 31.1	$ 442.1	$ 112.3	$ 34.0	$ 38.0
Derivative Liabilities	111.4	111.4	—	—	111.8	110.5	0.3	—
Regulatory Deferrals - Liabilities	299.3	38.6	195.5	16.1	205.6	12.0	139.8	17.9
Allowance for Uncollectible Accounts	54.0	23.1	17.8	3.0	50.1	20.6	17.3	2.9
Tax Effect - Tax Regulatory Liabilities	830.3	336.8	288.9	111.7	832.6	337.2	281.2	116.8
Net Operating Loss Carryforwards	28.5	—	—	0.6	47.8	—	—	—
Purchase Accounting Adjustment	64.2	—	—	—	69.9	—	—	—
Other	166.2	81.1	15.6	33.4	149.5	70.7	4.9	49.6
Total Deferred Tax Assets	1,942.1	685.5	552.8	195.9	1,909.4	663.3	477.5	225.2
Less: Valuation Allowance	19.5	10.7	—	—	14.6	6.3	—	—
Net Deferred Tax Assets	$ 1,922.6	$ 674.8	$ 552.8	$ 195.9	$ 1,894.8	$ 657.0	$ 477.5	$ 225.2
Deferred Tax Liabilities:								
Accelerated Depreciation and Other Plant-Related Differences	$ 3,724.2	$ 1,293.3	$ 1,342.4	$ 410.6	$ 3,562.0	$ 1,224.9	$ 1,229.2	$ 502.5
Property Tax Accruals	73.2	35.4	26.3	5.2	56.7	20.7	24.2	5.5
Regulatory Amounts:								
Regulatory Deferrals - Assets	1,025.9	320.1	277.4	213.8	924.9	310.6	267.1	103.6
Tax Effect - Tax Regulatory Assets	238.9	167.0	9.7	8.1	243.1	173.1	9.8	11.4
Goodwill Regulatory Asset - 1999 Merger	95.2	—	81.7	—	99.8	—	85.7	—
Derivative Assets	20.1	19.9	—	—	17.4	17.4	—	—
Other	251.1	5.9	109.8	39.4	288.4	13.7	137.3	45.7
Total Deferred Tax Liabilities	$ 5,428.6	$ 1,841.6	$ 1,847.3	$ 677.1	$ 5,192.3	$ 1,760.4	$ 1,753.3	$ 668.7

2017 Federal Legislation: On December 22, 2017, the Tax Cuts and Jobs Act became law, which amended existing federal tax rules and included numerous provisions that impacted corporations. In particular, the act reduced the U.S. federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018. For our regulated companies, the most significant changes are (1) the benefit of incurring a lower federal income tax expense and (2) the reduction in ADIT liabilities (now excess ADIT or EDIT), which were estimated to be approximately $2.9 billion and included in regulatory liabilities as of December 31, 2018. In 2018, Eversource refunded $5.0 million ($4.4 million at PSNH and $0.6 million at Yankee Gas) to customers. See Note 2, "Regulatory Accounting," to the financial statements for further information.

The Company assessed the applicable provisions in the act and recorded the associated impacts as of December 31, 2017. The Company recorded the provisional income tax amounts as of December 31, 2017 in accordance with SEC Staff Accounting Bulletin No. 118 ("SAB 118") issued by the SEC in December 2017, for changes pursuant to the act because the impacts could not be finalized upon issuance of the financial statements, but for which reasonable estimates could be determined. The Company has completed its evaluation of the impacts of the act as of December 31, 2018. The ultimate outcome was not materially different from the provisional estimates recorded as of December 31, 2017. While the Company has recorded the impacts of the act based on interpretation of the provisions as enacted, it is expected the U.S. Department of Treasury and the IRS will issue additional interpretative guidance in the future that could result in changes to previously finalized provisions. At this time, some of the states in which the Company does business have issued guidance regarding the act and the impact was not material.

Carryforwards: The following tables provide the amounts and expiration dates of state tax credit and loss carryforwards and federal tax credit and net operating loss carryforwards:

	As of December 31,									
	2018					2017				
(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH	Expiration Range	Eversource	CL&P	NSTAR Electric	PSNH	Expiration Range
Federal Net Operating Loss	$ 103.6	$ —	$ —	$ —	2033 - 2037	$ 197.3	$ —	$ —	$ —	2027 - 2037
Federal Charitable Contribution	2.2	—	—	—	2020 - 2022	18.7	—	—	—	2017 - 2022
State Net Operating Loss	80.7	—	—	—	2019 - 2038	82.8	—	—	—	2028 - 2037
State Tax Credit	148.9	107.0	—	—	2018 - 2023	139.0	94.5	—	—	2017 - 2022
State Charitable Contribution	9.6	—	—	—	2019 - 2023	31.4	—	—	—	2017 - 2022

In 2018, the company increased its valuation allowance reserve for state credits by $5.2 million ($4.4 million for CL&P), net of tax, to reflect an update for expired tax credits. In 2017, the Company increased its valuation allowance reserve for state credits by $9.9 million ($1.8 million for CL&P), net of tax, to reflect an update for expired tax credits.

For 2018 and 2017, state credit and state loss carryforwards have been partially reserved by a valuation allowance of $19.5 million and $14.4 million (net of tax), respectively.

Unrecognized Tax Benefits: A reconciliation of the activity in unrecognized tax benefits, all of which would impact the effective tax rate if recognized, is as follows:

(Millions of Dollars)	Eversource	CL&P
Balance as of January 1, 2016	$ 48.0	$ 13.5
Gross Increases - Current Year	9.9	3.9
Gross Increases - Prior Year	0.2	0.2
Lapse of Statute of Limitations	(9.7)	(2.3)
Balance as of December 31, 2016	48.4	15.3
Gross Increases - Current Year	11.4	4.7
Gross Decreases - Prior Year	(0.9)	(0.5)
Lapse of Statute of Limitations	(7.2)	(1.4)
Balance as of December 31, 2017	51.7	18.1
Gross Increases - Current Year	9.2	3.2
Gross Decreases - Prior Year	(6.5)	(0.9)
Lapse of Statute of Limitations	(8.5)	(2.2)
Balance as of December 31, 2018	$ 45.9	$ 18.2

Interest and Penalties: Interest on uncertain tax positions is recorded and generally classified as a component of Other Interest Expense on the statements of income. However, when resolution of uncertainties results in the Company receiving interest income, any related interest benefit is recorded in Other Income, Net on the statements of income. No penalties have been recorded. The amount of interest expense/(income) on uncertain tax positions recognized and the related accrued interest payable/(receivable) are as follows:

	Other Interest Expense/(Income)			Accrued Interest Expense	
	For the Years Ended December 31,			As of December 31,	
(Millions of Dollars)	2018	2017	2016	2018	2017
Eversource	$ (1.7)	$ —	$ (0.2)	$ 0.1	$ 1.8

Tax Positions: During 2018 and 2017, Eversource did not resolve any of its uncertain tax positions.

Open Tax Years: The following table summarizes Eversource, CL&P, NSTAR Electric and PSNH's tax years that remain subject to examination by major tax jurisdictions as of December 31, 2018:

Description	Tax Years
Federal	2018
Connecticut	2015 - 2018
Massachusetts	2015 - 2018
New Hampshire	2016 - 2018

Eversource does not estimate to have an earnings impact related to unrecognized tax benefits during the next twelve months.

12. COMMITMENTS AND CONTINGENCIES

A. Environmental Matters

General: Eversource, CL&P, NSTAR Electric and PSNH are subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or the remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current and former operating sites. Eversource, CL&P, NSTAR Electric and PSNH have an active environmental auditing and training program and each believes it is substantially in compliance with all enacted laws and regulations.

Environmental reserves are accrued when assessments indicate it is probable that a liability has been incurred and an amount can be reasonably estimated. The approach used estimates the liability based on the most likely action plan from a variety of available remediation options, including no action required or several different remedies ranging from establishing institutional controls to full site remediation and monitoring. These liabilities are estimated on an undiscounted basis and do not assume that the amounts are recoverable from insurance companies or other third parties. The environmental reserves include sites at different stages of discovery and remediation and do not include any unasserted claims.

These reserve estimates are subjective in nature as they take into consideration several different remediation options at each specific site. The reliability and precision of these estimates can be affected by several factors, including new information concerning either the level of contamination at the site, the extent of Eversource's, CL&P's, NSTAR Electric's and PSNH's responsibility for remediation or the extent of remediation required, recently enacted laws and regulations or changes in cost estimates due to certain economic factors. It is possible that new information or future developments could require a reassessment of the potential exposure to required environmental remediation. As this information becomes available, management will continue to assess the potential exposure and adjust the reserves accordingly.

The amounts recorded as environmental reserves are included in Other Current Liabilities and Other Long-Term Liabilities on the balance sheets and represent management's best estimate of the liability for environmental costs, and take into consideration site assessment, remediation and long-term monitoring costs. The environmental reserves also take into account recurring costs of managing hazardous substances and pollutants, mandated expenditures to remediate contaminated sites and any other infrequent and non-recurring clean-up costs. A reconciliation of the activity in the environmental reserves is as follows:

(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
Balance as of January 1, 2017	$ 65.8	$ 4.9	$ 3.8	$ 5.3
Additions	6.2	0.5	1.8	1.0
Payments/Reductions	(17.1)	(0.7)	(2.9)	(0.6)
Balance as of December 31, 2017	54.9	4.7	2.7	5.7
Additions	23.5	1.9	9.7	—
Payments/Reductions	(13.7)	(1.2)	(1.5)	(0.3)
Balance as of December 31, 2018	$ 64.7	$ 5.4	$ 10.9	$ 5.4

The number of environmental sites for which remediation or long-term monitoring, preliminary site work or site assessment is being performed are as follows:

	Eversource	CL&P	NSTAR Electric	PSNH
2018	60	15	16	9
2017	59	14	15	10

The increase in the reserve balance was due primarily to the addition of environmental sites at NSTAR Electric and changes in cost estimates at certain MGP sites at our natural gas companies under investigation for which additional remediation will be required.

Included in the Eversource number of sites and reserve amounts above are former MGP sites that were operated several decades ago and manufactured gas from coal and other processes, which resulted in certain by-products remaining in the environment that may pose a potential risk to human health and the environment, for which Eversource may have potential liability. The reserve balances related to these former MGP sites were $50.1 million and $49.0 million as of December 31, 2018 and 2017, respectively, and related primarily to the natural gas business segment.

As of December 31, 2018, for 7 environmental sites (2 for CL&P) that are included in the Company's reserve for environmental costs, the information known and the nature of the remediation options allow for the Company to estimate the range of losses for environmental costs. As of

December 31, 2018, $23.8 million (including $0.7 million for CL&P) had been accrued as a liability for these sites, which represents the low end of the range of the liabilities for environmental costs. Management believes that additional losses of up to approximately $20 million ($1 million at CL&P) may be incurred in executing current remediation plans for these sites.

As of December 31, 2018, for 12 environmental sites (4 for CL&P and 3 for NSTAR Electric) that are included in the Company's reserve for environmental costs, management cannot reasonably estimate the exposure to loss in excess of the reserve, or range of loss, as these sites are under investigation and/or there is significant uncertainty as to what remedial actions, if any, the Company may be required to undertake. As of December 31, 2018, $11.1 million (including $1.9 million for CL&P and $1.9 million for NSTAR Electric) had been accrued as a liability for these sites. As of December 31, 2018, for the remaining 41 environmental sites (including 9 for CL&P, 13 for NSTAR Electric and 9 for PSNH) that are included in the Company's reserve for environmental costs, the $29.8 million accrual (including $2.8 million for CL&P, $9.0 million for NSTAR Electric and $5.4 million for PSNH) represents management's best estimate of the probable liability and no additional loss is anticipated at this time.

Environmental Rate Recovery: PSNH, NSTAR Gas and Yankee Gas have rate recovery mechanisms for MGP related environmental costs, therefore, changes in their respective environmental reserves do not impact Net Income. Effective with the May 2018 distribution rate case settlement, CL&P is allowed to defer certain environmental costs for future recovery. NSTAR Electric does not have a separate environmental cost recovery regulatory mechanism.

B. Long-Term Contractual Arrangements

Estimated Future Annual Costs: The estimated future annual costs of significant executed, non-cancelable, long-term contractual arrangements in effect as of December 31, 2018 are as follows:

Eversource *(Millions of Dollars)*	2019	2020	2021	2022	2023	Thereafter	Total
Purchased Power and Capacity	$ 68.3	$ 73.5	$ 69.1	$ 72.9	$ 74.1	$ 142.9	$ 500.8
Renewable Energy	262.4	261.0	238.9	240.5	217.2	1,662.0	2,882.0
Peaker CfDs	11.9	22.6	21.9	15.3	17.5	43.5	132.7
Natural Gas Procurement	243.8	227.7	183.6	149.2	135.1	1,039.7	1,979.1
Transmission Support Commitments	22.8	23.1	15.2	16.2	17.8	17.8	112.9
Total	$ 609.2	$ 607.9	$ 528.7	$ 494.1	$ 461.7	$ 2,905.9	$ 5,607.5

CL&P *(Millions of Dollars)*	2019	2020	2021	2022	2023	Thereafter	Total
Purchased Power and Capacity	$ 57.0	$ 69.7	$ 65.3	$ 69.1	$ 70.4	$ 123.9	$ 455.4
Renewable Energy	102.0	103.8	104.0	104.9	105.5	785.3	1,305.5
Peaker CfDs	11.9	22.6	21.9	15.3	17.5	43.5	132.7
Transmission Support Commitments	9.0	9.1	6.0	6.4	7.0	7.0	44.5
Total	$ 179.9	$ 205.2	$ 197.2	$ 195.7	$ 200.4	$ 959.7	$ 1,938.1

NSTAR Electric *(Millions of Dollars)*	2019	2020	2021	2022	2023	Thereafter	Total
Purchased Power and Capacity	$ 5.5	$ 3.1	$ 3.1	$ 3.1	$ 3.0	$ 19.0	$ 36.8
Renewable Energy	94.7	93.1	88.6	88.8	63.9	435.1	864.2
Transmission Support Commitments	9.0	9.1	6.0	6.3	7.0	7.0	44.4
Total	$ 109.2	$ 105.3	$ 97.7	$ 98.2	$ 73.9	$ 461.1	$ 945.4

PSNH *(Millions of Dollars)*	2019	2020	2021	2022	2023	Thereafter	Total
Purchased Power and Capacity	$ 5.8	$ 0.7	$ 0.7	$ 0.7	$ 0.7	$ —	$ 8.6
Renewable Energy	65.7	64.1	46.3	46.8	47.8	441.6	712.3
Transmission Support Commitments	4.8	4.9	3.2	3.5	3.8	3.8	24.0
Total	$ 76.3	$ 69.7	$ 50.2	$ 51.0	$ 52.3	$ 445.4	$ 744.9

Purchased Power and Capacity: CL&P, NSTAR Electric and PSNH have various IPP contracts or purchase obligations for electricity. Such contracts extend through 2024 for CL&P, 2031 for NSTAR Electric and 2023 for PSNH.

In addition, CL&P, along with UI, has four capacity CfDs for a total of approximately 787 MW of capacity consisting of three generation units and one demand response project. The capacity CfDs 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 contractual capacity price and the capacity market prices received by the generation facilities in the ISO-NE capacity markets. CL&P has a sharing agreement with UI, whereby UI shares 20 percent of the costs and benefits of these contracts. CL&P's portion of the costs and benefits of these contracts will be paid by, or refunded to, CL&P's customers.

The contractual obligations table above does not include CL&P's, NSTAR Electric's or PSNH's standard/basic service contracts, the amounts of which vary with customers' energy needs.

Renewable Energy: Renewable energy contracts include non-cancellable commitments under contracts of CL&P, NSTAR Electric and PSNH for the purchase of energy and capacity from renewable energy facilities. Such contracts extend through 2039 for CL&P, 2038 for NSTAR Electric and 2033 for PSNH.

The contractual obligations table above does not include long-term commitments signed by CL&P and NSTAR Electric, as required by the PURA and DPU, respectively, for the purchase of renewable energy and related products that are contingent on the future construction of energy facilities. The table also excludes certain CL&P long-term commitments required by regulation that have not yet been executed such as the selection of certain nuclear power-generating facilities awarded under the Act Concerning Zero Carbon Solicitation and Procurement.

Peaker CfDs: In 2008, CL&P entered into three CfDs with developers of peaking generation units approved by PURA (Peaker CfDs). These units have a total of approximately 500 MW of peaking capacity. As directed by PURA, CL&P and UI have entered into a sharing agreement, whereby CL&P is responsible for 80 percent and UI for 20 percent of the net costs or benefits of these CfDs. The Peaker CfDs pay the generation facility owner the difference between capacity, forward reserve and energy market revenues and a cost-of-service payment stream for 30 years. The ultimate cost or benefit to CL&P under these contracts will depend on the costs of plant operation and the prices that the projects receive for capacity and other products in the ISO-NE markets. CL&P's portion of the amounts paid or received under the Peaker CfDs will be recoverable from, or refunded to, CL&P's customers.

Natural Gas Procurement: In the normal course of business, Eversource's natural gas distribution businesses have long-term contracts for the purchase, transportation and storage of natural gas as part of its portfolio of supplies. These contracts extend through 2034.

Transmission Support Commitments: Along with other New England utilities, CL&P, NSTAR Electric and PSNH entered into agreements in 1985 to support transmission and terminal facilities that were built to import electricity from the Hydro-Québec system in Canada. CL&P, NSTAR Electric and PSNH are obligated to pay, over a 30-year period ending in 2020, their proportionate shares of the annual operation and maintenance expenses and capital costs of those facilities.

The total costs incurred under these agreements were as follows:

Eversource *(Millions of Dollars)*	For the Years Ended December 31, 2018	2017	2016
Purchased Power and Capacity	$ 72.0	$ 103.9	$ 152.5
Renewable Energy	218.5	235.5	210.9
Peaker CfDs	20.9	38.7	47.7
Natural Gas Procurement	432.4	377.0	323.9
Transmission Support Commitments	23.4	19.8	15.9
Coal, Wood and Other [(1)]	—	47.7	55.7

	For the Years Ended December 31,								
	2018			2017			2016		
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH	CL&P	NSTAR Electric	PSNH
Purchased Power and Capacity	$ 49.4	$ 4.4	$ 18.2	$ 81.0	$ 4.0	$ 18.9	$ 132.7	$ 0.7	$ 19.1
Renewable Energy	63.2	89.8	65.5	51.0	123.7	60.8	42.1	101.1	67.7
Peaker CfDs	20.9	—	—	38.7	—	—	47.7	—	—
Transmission Support Commitments	9.2	9.2	5.0	7.8	7.8	4.2	6.3	6.2	3.4
Coal, Wood and Other [(1)]	—	—	—	—	—	47.7	—	—	55.7

(1) PSNH previously entered into various arrangements for the purchase of coal, wood and the transportation services for fuel supply for its electric generating assets. On January 10, 2018, Eversource and PSNH completed the sale of PSNH's thermal generation assets. On August 26, 2018, Eversource and PSNH completed the sale of PSNH's hydroelectric generation assets. Upon sale, the remaining future contractual obligations were transferred to the respective buyers. See Note 13, "Generation Asset Sale," for further information.

C. Spent Nuclear Fuel Obligations - Yankee Companies

CL&P, NSTAR Electric and PSNH have plant closure and fuel storage cost obligations to the Yankee Companies, which have each completed the physical decommissioning of their respective nuclear facilities and are now engaged in the long-term storage of their spent fuel. The Yankee Companies have collected these costs through wholesale, FERC-approved rates charged under power purchase agreements with several New England utilities, including CL&P, NSTAR Electric and PSNH. These companies in turn recover these costs from their customers through state regulatory commission-approved retail rates. The Yankee Companies have collected amounts that management believes are adequate to recover the remaining plant closure and fuel storage cost estimates for the respective plants. Management believes CL&P and NSTAR Electric will recover their shares of these obligations from their customers. PSNH has recovered its total share of these costs from its customers.

Spent Nuclear Fuel Litigation:

The Yankee Companies have filed complaints against the DOE in the Court of Federal Claims seeking monetary damages resulting from the DOE's failure to provide for a permanent facility to store spent nuclear fuel pursuant to the terms of the 1983 spent fuel and high level waste disposal contracts between the Yankee Companies and the DOE. The court had previously awarded the Yankee Companies damages for Phase I, II and III of litigation resulting from the DOE's failure to meet its contractual obligations. These Phases covered damages incurred in the years 1998 through 2012, and the awarded damages have been received by the Yankee Companies with certain amounts of the damages refunded to their customers.

DOE Phase III Damages - In August 2013, the Yankee Companies each filed subsequent lawsuits against the DOE seeking recovery of actual damages incurred in the years 2009 through 2012 ("DOE Phase III"). On March 25, 2016, the court issued its decision and awarded CYAPC, YAEC and MYAPC damages of $32.6 million, $19.6 million and $24.6 million, respectively. The decision became final on July 18, 2016, and the Yankee Companies received the awards from the DOE on October 14, 2016. The Yankee Companies received FERC approval of their proposed distribution of certain amounts of the awarded damages proceeds to member companies, including CL&P, NSTAR Electric and PSNH, which CYAPC and MYAPC made in December 2016. MYAPC also refunded $56.5 million from its spent nuclear fuel trust, a portion of which was also refunded to the Eversource utility subsidiaries. In total, Eversource received $26.1 million, of which CL&P, NSTAR Electric and PSNH received $13.6 million, $8.6 million and $3.9 million, respectively. These amounts have been refunded to the customers of the respective Eversource utility subsidiaries.

DOE Phase IV Damages - On May 22, 2017, each of the Yankee Companies filed subsequent lawsuits against the DOE in the Court of Federal Claims seeking monetary damages totaling approximately $100 million for CYAPC, YAEC and MYAPC, resulting from the DOE's failure to begin accepting spent nuclear fuel for disposal covering the years from 2013 to 2016 ("DOE Phase IV"). On February 21, 2019, the Yankee Companies received a partial summary judgment and partial final judgment in their favor for the undisputed amount of monetary damages, which is the vast majority of the damages being sought. The DOE Phase IV trial for the remaining amount of damages is expected to begin in 2019.

D. Guarantees and Indemnifications

In the normal course of business, Eversource parent provides credit assurances on behalf of its subsidiaries, including CL&P, NSTAR Electric and PSNH, in the form of guarantees.

Eversource parent issued a guaranty on behalf of its subsidiary, NPT, under which, beginning at the time the Northern Pass Transmission line goes into commercial operation, Eversource parent will guarantee the financial obligations of NPT under the TSA with HQ in an amount not to exceed $25 million. Eversource parent's obligations under the guaranty expire upon the full, final and indefeasible payment of the guaranteed obligations. Eversource parent has also entered into a guaranty on behalf of NPT under which Eversource parent will guarantee NPT's obligations under a facility with a financial institution pursuant to which NPT may request letters of credit in an aggregate amount of up to approximately $14 million.

Management does not anticipate a material impact to net income or cash flows as a result of these various guarantees and indemnifications. The following table summarizes Eversource parent's exposure to guarantees and indemnifications of its subsidiaries to external parties, as of December 31, 2018:

Company	Description	Maximum Exposure (in millions)	Expiration Dates
On behalf of subsidiaries:			
Eversource Gas Transmission LLC	Access Northeast Project Capital Contributions Guaranty [(1)]	$ 184.9	2021
Various	Surety Bonds [(2)]	41.9	2019 - 2021
Rocky River Realty Company and Eversource Service	Lease Payments for Real Estate	6.3	2019 - 2024
Bay State Wind LLC	Real Estate Purchase	2.5	2019

(1) Eversource parent issued a declining balance guaranty on behalf of its subsidiary, Eversource Gas Transmission LLC, to guarantee the payment of the subsidiary's authorized capital contributions for its investment in the Access Northeast project. The guaranty decreases as authorized capital contributions are made. The guaranty will expire upon the earlier of the full performance of the guaranteed obligations or December 31, 2021.

(2) Surety bond expiration dates reflect termination dates, the majority of which will be renewed or extended. Certain surety bonds contain credit ratings triggers that would require Eversource parent to post collateral in the event that the unsecured debt credit ratings of Eversource parent are downgraded.

As described in Note 1K, "Investments," Eversource parent issued a guaranty on behalf of its subsidiary, Eversource Investment LLC. Eversource parent will guarantee, as a primary obligor, the financial obligations, primarily all post-Closing payment obligations of Eversource Investment LLC, under the Sale and Purchase Agreement and an Irrevocable Equity Commitment Letter with Ørsted in an amount not to exceed $127.6 million. Eversource parent's obligations under the guaranty expire upon the full, final and indefeasible payment of the guaranteed obligations.

E. FERC ROE Complaints

Four separate complaints have been filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively the "Complainants"). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETOs' base ROE of 11.14 percent that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE billed of 10.57 percent and the maximum ROE for transmission incentive ("incentive cap") of 11.74 percent, asserting that these ROEs were unjust and unreasonable.

The ROE originally billed during the period October 1, 2011 (beginning of the first complaint period) through October 15, 2014 consisted of a base ROE of 11.14 percent and incentives up to 13.1 percent. On October 16, 2014, the FERC set the base ROE at 10.57 percent and the incentive cap at 11.74 percent for the first complaint period. This was also effective for all prospective billings to customers beginning October 16, 2014. This FERC order was vacated on April 14, 2017 by the U.S. Court of Appeals for the D.C. Circuit (the "Court").

All amounts associated with the first complaint period have been refunded, which totaled $38.9 million (pre-tax and excluding interest) at Eversource and reflected both the base ROE and incentive cap prescribed by the FERC order. The refund consisted of $22.4 million for CL&P, $13.7 million for NSTAR Electric and $2.8 million for PSNH.

Eversource has recorded a reserve of $39.1 million (pre-tax and excluding interest) for the second complaint period as of December 31, 2018. This reserve represents the difference between the billed rates during the second complaint period and a 10.57 percent base ROE and 11.74 percent incentive cap. The reserve consisted of $21.4 million for CL&P, $14.6 million for NSTAR Electric and $3.1 million for PSNH as of December 31, 2018.

On October 16, 2018, FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. FERC proposed a new framework to determine (1) whether an existing ROE is unjust and unreasonable and, if so, (2) how to calculate a replacement ROE. The parties to these proceedings were directed to submit briefs on this new proposed framework and how they would apply the proposed framework in each of the four complaint proceedings. Initial briefs were filed by the NETOs, Complainants and FERC Trial Staff on January 11, 2019. The NETOs' brief was supportive of the overall ROE methodology determined in the October 16, 2018 order providing the FERC does not change the proposed methodology or alter its implementation in a manner that has a material impact on the results. Reply briefs will be filed on March 8, 2019.

The FERC order included illustrative calculations for the first complaint using FERC's proposed frameworks with financial data from that complaint. Those preliminary calculations indicated that for the first complaint period, for the NETOs that FERC concludes are of average financial risk, (1) a preliminary range of presumptively just and reasonable base ROEs is 9.60 percent to 10.99 percent; (2) the pre-existing base ROE of 11.14 percent is therefore unjust and unreasonable; (3) the preliminary just and reasonable base ROE is 10.41 percent; and (4) the preliminary incentive cap on total ROE is 13.08 percent.

If the results of these illustrative calculations were included in a final FERC order for each of the complaint periods, then a 10.41 percent base ROE and a 13.08 percent incentive cap would not have a significant impact on our financial statements for all of the complaint periods.

Although the order provided illustrative calculations, FERC stated that these calculations are merely preliminary. The FERC's preliminary calculations are not binding and do not represent what we believe to be the most likely outcome of a final FERC order, as changes to the methodology by FERC are possible as a result of the parties' arguments and calculations in the briefing process. Until FERC issues a final decision on each of these four complaints, there is significant uncertainty, and at this time, the Company cannot reasonably estimate a range of gain or loss for any of the four complaint proceedings. The October 16, 2018 FERC order or the January 11, 2019 briefs did not provide a reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods.

Eversource, CL&P, NSTAR Electric and PSNH currently record revenues at the 10.57 percent base ROE and incentive cap at 11.74 percent established in the October 16, 2014 FERC order.

The average impact of a 10 basis point change to the base ROE for each of the 15-month complaint periods would affect Eversource's after-tax earnings by approximately $3 million.

F. Eversource and NSTAR Electric Boston Harbor Civil Action

On July 15, 2016, the United States Attorney on behalf of the United States Army Corps of Engineers filed a civil action in the United States District Court for the District of Massachusetts under provisions of the Rivers and Harbors Act of 1899 and the Clean Water Act against NSTAR Electric, Harbor Electric Energy Company, a wholly-owned subsidiary of NSTAR Electric ("HEEC"), and the Massachusetts Water Resources Authority (together with NSTAR Electric and HEEC, the "Defendants"). The action alleged that the Defendants failed to comply with certain permitting requirements related to the placement of the HEEC-owned electric distribution cable beneath Boston Harbor. The action sought an order to compel HEEC to comply with cable depth requirements in the United States Army Corps of Engineers' permit or alternatively to remove the electric distribution cable and cease unauthorized work in U.S. waterways. The action also sought civil penalties and other costs.

The parties reached a settlement pursuant to which HEEC agreed to install a new 115kV distribution cable across Boston Harbor to Deer Island, utilizing a different route, and remove portions of the existing cable. Upon the installation and completion of the new cable and the removal of the portions of the existing cable, all issues surrounding the current permit from the United States Army Corps of Engineers are expected to be resolved, and such litigation is expected to be dismissed with prejudice.

In 2017, as a result of the settlement, NSTAR Electric expensed $4.9 million (pre-tax) of previously incurred capitalized costs associated with engineering work performed on the existing cable that will no longer be used. In addition, NSTAR Electric agreed to provide a rate base credit of $17.5 million to the Massachusetts Water Resources Authority for the new cable. This negotiated credit resulted in the initial $17.5 million of construction costs on the new cable being expensed as incurred, all of which was fully expensed by the end of 2018. Construction of the new cable is underway and is expected to be completed in 2019.

G. Litigation and Legal Proceedings
Eversource, including CL&P, NSTAR Electric and PSNH, are involved in legal, tax and regulatory proceedings regarding matters arising in the ordinary course of business, which involve management's assessment to determine the probability of whether a loss will occur and, if probable, its best estimate of probable loss. The Company records and discloses losses when these losses are probable and reasonably estimable, and discloses matters when losses are probable but not estimable or when losses are reasonably possible. Legal costs related to the defense of loss contingencies are expensed as incurred.

13. GENERATION ASSET SALE

In June 2015, Eversource and PSNH entered into the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement, pursuant to which PSNH agreed to divest its generation assets, subject to NHPUC approval. The NHPUC approved this agreement as well as the final divestiture plan and auction process in 2016. On October 11, 2017, PSNH entered into two Purchase and Sale Agreements with private investors, one to sell its thermal generation assets at a purchase price of $175 million, subject to adjustment, (the “Thermal Agreement”) and a second to sell its hydroelectric generation assets at a purchase price of $83 million, subject to adjustment (the “Hydro Agreement”). The NHPUC approved these agreements in late November 2017, at which time the Company classified these assets as held for sale.

On January 10, 2018, PSNH completed the sale of its thermal generation assets pursuant to the Thermal Agreement. In accordance with the Thermal Agreement, the original purchase price of $175 million was adjusted to reflect working capital adjustments, closing date adjustments and proration of taxes and fees prior to closing, totaling $40.9 million. In the second quarter of 2018, the purchase price was further adjusted by $17.3 million relating to the valuation of certain allowances. As a result of these adjustments, net proceeds from the sale of the thermal assets totaled $116.8 million.

On July 16, 2018, FERC issued its order approving the transfer of PSNH's six hydroelectric licenses to private investors. On August 26, 2018, PSNH completed the sale of its hydroelectric generation assets pursuant to the Hydro Agreement. In accordance with the Hydro Agreement, the original purchase price of $83 million was adjusted to reflect contractual adjustments totaling $5.8 million, resulting in net proceeds of $77.2 million. The difference between the carrying value of the hydroelectric generation assets and the sale proceeds resulted in a gain of $17.3 million. An estimated gain from the sale of these assets was included as an offset to the total remaining costs associated with the sale of generation assets that were securitized on May 8, 2018.

On May 8, 2018, PSNH Funding issued $635.7 million of securitized RRBs to finance PSNH's unrecovered remaining costs associated with the divestiture of its generation assets, which included the deferred costs resulting from the sale of the thermal generation assets. These RRBs are secured by a non-bypassable charge recoverable from PSNH customers. As of December 31, 2018, unamortized securitized stranded costs totaled $608.4 million and are included in Regulatory Assets on the Eversource and PSNH balance sheets. As of December 31, 2017, the deferred costs resulting from the thermal generation asset sale of $516.1 million represented the difference between the carrying value and the fair value less cost to sell the thermal generation assets. For further information on the securitized RRB issuance, see Note 9, "Rate Reduction Bonds and Variable Interest Entities."

For the year ended December 31, 2018, pre-tax income associated with the hydroelectric assets prior to the sale on August 26, 2018 was $9.9 million. For the years ended December 31, 2017 and 2016, pre-tax income associated with PSNH's generation assets was $60.0 million, and $65.3 million, respectively.

As of December 31, 2018, all generation assets had been sold and as a result, no generation assets were classified as held for sale. As of December 31, 2017, PSNH's generation assets held for sale, which were included in current assets on the Eversource and PSNH balance sheets, and were part of the Electric Distribution reportable segment, were as follows:

(Millions of Dollars)	As of December 31, 2017
Thermal Gross Plant	$ 1,091.4
Hydroelectric Gross Plant	83.0
Accumulated Depreciation	(575.4)
Net Plant	599.0
Fuel and Inventory	87.7
Materials and Supplies	27.3
Emission Allowances	19.1
Other Assets	2.6
Deferred Costs from Thermal Generation Asset Sale	(516.1)
Total Generation Assets Held for Sale	$ 219.6

14. LEASES

Eversource, including CL&P, NSTAR Electric and PSNH, has entered into lease agreements, some of which are capital leases, for the use of land, office space, service centers, vehicles, information technology, and office equipment. In addition, CL&P, NSTAR Electric and PSNH incur costs associated with leases entered into by affiliated Eversource subsidiaries, including Eversource Service and Rocky River Realty Company, and are included below in their respective operating lease rental expenses and future minimum rental payments. These intercompany lease amounts are eliminated on an Eversource consolidated basis. The provisions of the Eversource, CL&P, NSTAR Electric and PSNH lease agreements generally contain renewal options. One lease agreement contains payments impacted by the consumer price index.

Operating lease rental payments charged to expense are as follows:

(Millions of Dollars)	Eversource	CL&P	NSTAR Electric	PSNH
2018	$ 10.8	$ 10.9	$ 11.8	$ 2.5
2017	10.5	11.7	11.3	3.3
2016	12.1	12.5	11.4	2.9

Future minimum rental payments, excluding executory costs, such as property taxes, state use taxes, insurance, and maintenance, under long-term non-cancelable leases, as of December 31, 2018 are as follows:

Operating Leases *(Millions of Dollars)*	Eversource	CL&P	NSTAR Electric	PSNH
2019	$ 11.5	$ 1.5	$ 7.2	$ 0.5
2020	9.8	1.4	6.0	0.4
2021	8.7	1.2	5.3	0.4
2022	7.2	1.1	4.4	0.4
2023	4.7	0.5	3.1	0.2
Thereafter	32.7	0.2	29.5	0.3
Future minimum lease payments	$ 74.6	$ 5.9	$ 55.5	$ 2.2

Capital Leases *(Millions of Dollars)*	Eversource	CL&P	NSTAR Electric	PSNH
2019	$ 3.4	$ 2.0	$ 0.5	$ 0.1
2020	3.4	2.0	0.5	0.1
2021	2.9	1.5	0.5	0.1
2022	1.5	—	0.6	0.1
2023	0.7	—	0.6	0.1
Thereafter	13.9	—	13.4	0.5
Future minimum lease payments	25.8	5.5	16.1	1.0
Less amount to arrive at present value	13.8	1.0	12.4	0.1
Present value of future minimum lease payments	$ 12.0	$ 4.5	$ 3.7	$ 0.9

CL&P and PSNH entered into certain contracts for the purchase of energy that qualify as leases. These contracts do not have minimum lease payments and therefore are not included in the tables above. However, such contracts and corresponding expense have been included in the contractual obligations tables in Note 12B, "Commitments and Contingencies - Long-Term Contractual Arrangements," to the financial statements.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each of the following financial instruments:

Preferred Stock, Long-Term Debt and Rate Reduction Bonds: The fair value of CL&P's and NSTAR Electric's preferred stock is based upon pricing models that incorporate interest rates and other market factors, valuations or trades of similar securities and cash flow projections. The fair value of long-term debt and RRB debt securities is based upon pricing models that incorporate quoted market prices for those issues or similar issues adjusted for market conditions, credit ratings of the respective companies and treasury benchmark yields. The fair values provided in the table below are classified as Level 2 within the fair value hierarchy. Carrying amounts and estimated fair values are as follows:

	Eversource		CL&P		NSTAR Electric		PSNH	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
As of December 31, 2018:								
Preferred Stock Not Subject to Mandatory Redemption	$ 155.6	$ 156.8	$ 116.2	$ 113.8	$ 43.0	$ 43.0	$ —	$ —
Long-Term Debt	13,086.1	13,154.9	3,254.0	3,429.2	2,944.8	3,024.1	805.2	819.5
Rate Reduction Bonds	635.7	645.8	—	—	—	—	635.7	645.8
As of December 31, 2017:								
Preferred Stock Not Subject to Mandatory Redemption	$ 155.6	$ 160.8	$ 116.2	$ 116.5	$ 43.0	$ 44.3	$ —	$ —
Long-Term Debt	12,325.5	12,877.1	3,059.1	3,430.5	2,943.8	3,156.5	1,002.4	1,038.2

Derivative Instruments and Marketable Securities: Derivative instruments and investments in marketable securities are carried at fair value. For further information, see Note 4, "Derivative Instruments," and Note 5, "Marketable Securities," to the financial statements.

See Note 1I, "Summary of Significant Accounting Policies – Fair Value Measurements," for the fair value measurement policy and the fair value hierarchy.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

The changes in accumulated other comprehensive income/(loss) by component, net of tax, are as follows:

	For the Year Ended December 31, 2018				For the Year Ended December 31, 2017			
Eversource *(Millions of Dollars)*	Qualified Cash Flow Hedging Instruments	Unrealized Losses on Marketable Securities	Defined Benefit Plans	Total	Qualified Cash Flow Hedging Instruments	Unrealized Gains/(Losses) on Marketable Securities	Defined Benefit Plans	Total
Balance as of January 1st	$ (6.2)	$ —	$ (60.2)	$ (66.4)	$ (8.2)	$ 0.4	$ (57.5)	$ (65.3)
OCI Before Reclassifications	—	(0.5)	0.3	(0.2)	—	(0.4)	(7.2)	(7.6)
Amounts Reclassified from AOCI	1.8	—	4.8	6.6	2.0	—	4.5	6.5
Net OCI	1.8	(0.5)	5.1	6.4	2.0	(0.4)	(2.7)	(1.1)
Balance as of December 31st	$ (4.4)	$ (0.5)	$ (55.1)	$ (60.0)	$ (6.2)	$ —	$ (60.2)	$ (66.4)

Eversource's qualified cash flow hedging instruments represent interest rate swap agreements on debt issuances that were settled in prior years. The settlement amount was recorded in AOCI and is being amortized into Net Income over the term of the underlying debt instrument. CL&P, NSTAR Electric and PSNH continue to amortize interest rate swaps settled in prior years from AOCI into Interest Expense over the remaining life of the associated long-term debt. Such interest rate swaps are not material to their respective financial statements.

Defined benefit plan OCI amounts before reclassifications relate to actuarial gains and losses that arose during the year and were recognized in AOCI. The unamortized actuarial gains and losses and prior service costs on the defined benefit plans are amortized from AOCI into Other Income, Net over the average future employee service period, and are reflected in amounts reclassified from AOCI. The related tax effects recognized in AOCI were net deferred tax liabilities of $0.2 million in 2018, and deferred tax assets of $4.1 million and $4.0 million in 2017 and 2016, respectively.

The following table sets forth the amounts reclassified from AOCI by component and the impacted line item on the statements of income:

Eversource *(Millions of Dollars)*	**Amounts Reclassified from AOCI For the Years Ended December 31, 2018**	**2017**	**2016**	**Statements of Income Line Item Impacted**
Qualified Cash Flow Hedging Instruments	$ (2.8)	$ (3.3)	$ (3.5)	Interest Expense
Tax Effect	1.0	1.3	1.4	Income Tax Expense
Qualified Cash Flow Hedging Instruments, Net of Tax	$ (1.8)	$ (2.0)	$ (2.1)	
Defined Benefit Plan Costs:				
Amortization of Actuarial Losses	$ (6.0)	$ (6.2)	$ (5.6)	Other Income, Net (1)
Amortization of Prior Service Cost	(0.4)	(1.1)	(0.8)	Other Income, Net (1)
Total Defined Benefit Plan Costs	(6.4)	(7.3)	(6.4)	
Tax Effect	1.6	2.8	2.5	Income Tax Expense
Defined Benefit Plan Costs, Net of Tax	$ (4.8)	$ (4.5)	$ (3.9)	
Total Amounts Reclassified from AOCI, Net of Tax	$ (6.6)	$ (6.5)	$ (6.0)	

(1) These amounts are included in the computation of net periodic Pension, SERP and PBOP costs. See Note 1N, "Summary of Significant Accounting Policies – Other Income, Net" and Note 10A, "Employee Benefits – Pension Benefits and Postretirement Benefits Other Than Pension," for further information.

As of December 31, 2018, it is estimated that a pre-tax amount of $2.5 million ($0.7 million for NSTAR Electric and $1.8 million for PSNH) will be reclassified from AOCI as a decrease to Net Income over the next 12 months as a result of the amortization of the interest rate swap agreements which have been settled. In addition, it is estimated that a pre-tax amount of $6.3 million will be reclassified from AOCI as a decrease to Net Income over the next 12 months as a result of the amortization of Pension, SERP and PBOP costs.

17. DIVIDEND RESTRICTIONS

Eversource parent's ability to pay dividends may be affected by certain state statutes, the ability of its subsidiaries to pay common dividends and the leverage restriction tied to its consolidated total debt to total capitalization ratio requirement in its revolving credit agreement. Pursuant to the joint revolving credit agreement of Eversource, CL&P, PSNH, Yankee Gas and NSTAR Gas, and to the NSTAR Electric revolving credit agreement, each company is required to maintain consolidated total indebtedness to total capitalization ratio of no greater than 65 percent at the end of each fiscal quarter. As of December 31, 2018, all companies were in compliance with such covenant. Eversource, CL&P, NSTAR Electric, PSNH, Yankee Gas and NSTAR Gas were in compliance with all such provisions of the revolving credit agreements that may restrict the payment of dividends as of December 31, 2018.

The Retained Earnings balances subject to dividend restrictions were $4.0 billion for Eversource, $1.7 billion for CL&P, $2.1 billion for NSTAR Electric and $627.3 million for PSNH as of December 31, 2018.

CL&P, NSTAR Electric and PSNH are subject to Section 305 of the Federal Power Act that makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in its capital account." Management believes that this Federal Power Act restriction, as applied to CL&P, NSTAR Electric and PSNH, would not be construed or applied by the FERC to prohibit the payment of dividends from retained earnings for lawful and legitimate business purposes. In addition, certain state statutes may impose additional limitations on such companies and on Yankee Gas and NSTAR Gas. Such state law restrictions do not restrict the payment of dividends from retained earnings or net income.

18. COMMON SHARES

The following table sets forth the Eversource parent common shares and the shares of common stock of CL&P, NSTAR Electric and PSNH that were authorized and issued, as well as the respective per share par values:

	Shares			
	Par Value	**Authorized as of December 31, 2018 and 2017**	**Issued as of December 31, 2018**	**2017**
Eversource	$ 5	380,000,000	333,878,402	333,878,402
CL&P	$ 10	24,500,000	6,035,205	6,035,205
NSTAR Electric	$ 1	100,000,000	200	200
PSNH	$ 1	100,000,000	301	301

As of both December 31, 2018 and 2017, there were 16,992,594 Eversource common shares held as treasury shares. As of both December 31, 2018 and 2017, there were 316,885,808 Eversource common shares outstanding.

19. PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION

The CL&P and NSTAR Electric preferred stock is not subject to mandatory redemption and is presented as a noncontrolling interest of a subsidiary in Eversource's financial statements.

CL&P is authorized to issue up to 9,000,000 shares of preferred stock, par value $50 per share, and NSTAR Electric is authorized to issue 2,890,000 shares of preferred stock, par value $100 per share. Holders of preferred stock of CL&P and NSTAR Electric are entitled to receive cumulative dividends in preference to any payment of dividends on the common stock. Upon liquidation, holders of preferred stock of CL&P and NSTAR Electric are entitled to receive a liquidation preference before any distribution to holders of common stock in an amount equal to the par value of the preferred stock plus accrued and unpaid dividends. If the net assets were to be insufficient to pay the liquidation preference in full, then the net assets would be distributed ratably to all holders of preferred stock. The preferred stock of CL&P and NSTAR Electric is subject to optional redemption by the CL&P and NSTAR Electric Board of Directors at any time.

Details of preferred stock not subject to mandatory redemption are as follows (in millions, except in redemption price and shares):

Series		Redemption Price Per Share	Shares Outstanding as of December 31, 2018	Shares Outstanding as of December 31, 2017	As of December 31, 2018	As of December 31, 2017
CL&P						
$1.90	Series of 1947	$ 52.50	163,912	163,912	$ 8.2	$ 8.2
$2.00	Series of 1947	$ 54.00	336,088	336,088	16.8	16.8
$2.04	Series of 1949	$ 52.00	100,000	100,000	5.0	5.0
$2.20	Series of 1949	$ 52.50	200,000	200,000	10.0	10.0
3.90%	Series of 1949	$ 50.50	160,000	160,000	8.0	8.0
$2.06	Series E of 1954	$ 51.00	200,000	200,000	10.0	10.0
$2.09	Series F of 1955	$ 51.00	100,000	100,000	5.0	5.0
4.50%	Series of 1956	$ 50.75	104,000	104,000	5.2	5.2
4.96%	Series of 1958	$ 50.50	100,000	100,000	5.0	5.0
4.50%	Series of 1963	$ 50.50	160,000	160,000	8.0	8.0
5.28%	Series of 1967	$ 51.43	200,000	200,000	10.0	10.0
$3.24	Series G of 1968	$ 51.84	300,000	300,000	15.0	15.0
6.56%	Series of 1968	$ 51.44	200,000	200,000	10.0	10.0
Total CL&P			2,324,000	2,324,000	$ 116.2	$ 116.2
NSTAR Electric						
4.25%	Series of 1956	$ 103.625	180,000	180,000	$ 18.0	$ 18.0
4.78%	Series of 1958	$ 102.80	250,000	250,000	25.0	25.0
Total NSTAR Electric			430,000	430,000	$ 43.0	$ 43.0
Fair Value Adjustment due to Merger with NSTAR					(3.6)	(3.6)
Other						
6.00%	Series of 1958	$ 100.00	23	23	$ —	$ —
Total Eversource - Preferred Stock of Subsidiaries					$ 155.6	$ 155.6

20. COMMON SHAREHOLDERS' EQUITY AND NONCONTROLLING INTERESTS

Dividends on the preferred stock of CL&P and NSTAR Electric totaled $7.5 million for each of the years ended December 31, 2018, 2017 and 2016. These dividends were presented as Net Income Attributable to Noncontrolling Interests on the Eversource statements of income. Noncontrolling Interest – Preferred Stock of Subsidiaries on the Eversource balance sheets totaled $155.6 million as of December 31, 2018 and 2017. On the Eversource balance sheets, Common Shareholders' Equity was fully attributable to Eversource parent and Noncontrolling Interest – Preferred Stock of Subsidiaries was fully attributable to the noncontrolling interest.

For the years ended December 31, 2018, 2017 and 2016, there was no change in ownership of the common equity of CL&P and NSTAR Electric.

21. EARNINGS PER SHARE

Basic EPS is computed based upon the weighted average number of common shares outstanding during each period. Diluted EPS is computed on the basis of the weighted average number of common shares outstanding plus the potential dilutive effect of certain share-based compensation awards as if they were converted into common shares. The dilutive effect of unvested RSU and performance share awards is calculated using the treasury stock method. RSU and performance share awards are included in basic weighted average common shares outstanding as of the date that all necessary vesting conditions have been satisfied.

The following table sets forth the components of basic and diluted EPS:

Eversource *(Millions of Dollars, except share information)*	For the Years Ended December 31, 2018	2017	2016
Net Income Attributable to Common Shareholders	$ 1,033.0	$ 988.0	$ 942.3
Weighted Average Common Shares Outstanding:			
Basic	317,370,369	317,411,097	317,650,180
Dilutive Effect	623,565	620,483	804,059
Diluted	317,993,934	318,031,580	318,454,239
Basic EPS	$ 3.25	$ 3.11	$ 2.97
Diluted EPS	$ 3.25	$ 3.11	$ 2.96

22. REVENUES

On January 1, 2018, Eversource, including CL&P, NSTAR Electric and PSNH, adopted ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" using the modified retrospective approach. The core principle of this accounting guidance is that revenue is recognized when promised goods or services (referred to as performance obligations) are transferred to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes identifying the contract with the customer, identifying the performance obligations promised within the contract, determining the transaction price (the amount of consideration to which the company expects to be entitled), allocating the transaction price to the performance obligations and recognizing revenue when (or as) the performance obligation is satisfied.

The following table presents operating revenues disaggregated by revenue source:

Eversource *(Millions of Dollars)*	For the Year Ended December 31, 2018 — Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Revenue from Contracts with Customers							
Retail Tariff Sales							
Residential	$ 3,766.6	$ 542.5	$ —	$ 130.7	$ —	$ —	$ 4,439.8
Commercial	2,634.7	334.8	—	63.3	—	(4.5)	3,028.3
Industrial	351.9	96.0	—	4.4	—	(10.0)	442.3
Total Retail Tariff Sales Revenue	6,753.2	973.3	—	198.4	—	(14.5)	7,910.4
Wholesale Transmission Revenue	—	—	1,308.9	—	47.3	(1,092.2)	264.0
Wholesale Market Sales Revenue	179.5	57.5	—	4.1	—	—	241.1
Other Revenue from Contracts with Customers	65.9	(2.2)	12.6	7.2	889.0	(891.0)	81.5
Reserve for Revenue Subject to Refund	(12.3)	(8.3)	—	(3.7)	—	—	(24.3)
Total Revenue from Contracts with Customers	6,986.3	1,020.3	1,321.5	206.0	936.3	(1,997.7)	8,472.7
Alternative Revenue Programs	(47.0)	(1.2)	(35.2)	5.4	—	31.9	(46.1)
Other Revenue	17.9	3.1	—	0.6	—	—	21.6
Total Operating Revenues	$ 6,957.2	$ 1,022.2	$ 1,286.3	$ 212.0	$ 936.3	$ (1,965.8)	$ 8,448.2

(Millions of Dollars)	For the Year Ended December 31, 2018 CL&P	NSTAR Electric	PSNH
Revenue from Contracts with Customers			
Retail Tariff Sales			
Residential	$ 1,828.2	$ 1,380.9	$ 557.5
Commercial	928.1	1,391.5	316.9
Industrial	147.7	124.9	79.3
Total Retail Tariff Sales Revenue	2,904.0	2,897.3	953.7
Wholesale Transmission Revenue	620.6	488.8	199.5
Wholesale Market Sales Revenue	48.3	76.1	56.6
Other Revenue from Contracts with Customers	35.0	28.9	15.5
Reserve for Revenue Subject to Refund	—	—	(12.3)
Total Revenue from Contracts with Customers	3,607.9	3,491.1	1,213.0
Alternative Revenue Programs	(65.9)	0.9	(17.3)
Other Revenue	8.5	8.3	1.1
Eliminations	(454.3)	(387.4)	(149.2)
Total Operating Revenues	$ 3,096.2	$ 3,112.9	$ 1,047.6

Retail Tariff Sales: Regulated utilities provide products and services to their regulated customers under rates, pricing, payment terms and conditions of service, regulated by each state regulatory agency. The arrangement whereby a utility provides commodity service to a customer for a price approved by the respective state regulatory commission is referred to as a tariff sale contract, and the tariff governs all aspects of the provision of regulated services by utilities. The majority of revenue for Eversource, CL&P, NSTAR Electric and PSNH is derived from regulated retail tariff sales for the sale and distribution of electricity, natural gas and water to residential, commercial and industrial retail customers.

The utility's performance obligation for the regulated tariff sales is to provide electricity, natural gas or water to the customer as demanded. The promise to provide the commodity represents a single performance obligation, as it is a promise to transfer a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the utility, and the utility satisfies its performance obligation. Revenue is recognized based on the output method as there is a directly observable output to the customer (electricity, natural gas or water units delivered to the customer and immediately consumed). Each Eversource utility is entitled to be compensated for performance completed to date (service taken by the customer) until service is terminated.

In regulated tariff sales, the transaction prices are the rates approved by the respective state regulatory commissions. In general, rates can only be changed through formal proceedings with the state regulatory commissions. These rates are designed to recover the costs to provide service to customers and include a return on investment. Regulatory commission-approved tracking mechanisms are included in these rates and are also used to recover, on a fully-reconciling basis, certain costs, such as the procurement of energy supply, retail transmission charges, energy efficiency program costs, net metering for distributed generation, and restructuring and stranded costs. These tracking mechanisms result in rates being changed periodically to ensure recovery of actual costs incurred.

Customers may elect to purchase electricity from each Eversource electric utility or may contract separately with a competitive third party supplier. Revenue is not recorded for the sale of the electricity commodity to customers who have contracted separately with these suppliers, only the delivery to a customer, as the utility is acting as an agent on behalf of the third party supplier.

Wholesale Transmission Revenues: The Eversource electric transmission-owning companies (CL&P, NSTAR Electric and PSNH) each own and maintain transmission facilities that are part of an interstate power transmission grid over which electricity is transmitted throughout New England. CL&P, NSTAR Electric and PSNH, as well as most other New England utilities, are parties to a series of agreements that provide for coordinated planning and operation of the region's transmission facilities and the rules by which they acquire transmission services. The Eversource electric transmission-owning companies have a combination of FERC-approved regional and local formula rates that work in tandem to recover all their transmission costs. These rates are part of the ISO-NE Tariff. Regional rates recover the costs of higher voltage transmission facilities that benefit the region and are collected from all New England transmission customers, including the Eversource distribution businesses. Eversource's local rates recover the companies' total transmission revenue requirements, less revenues received from regional rates and other sources, and are collected from Eversource's distribution businesses and other transmission customers. The distribution businesses of Eversource, in turn, recover the FERC approved charges from retail customers through annual or semiannual tracking mechanisms, which are retail tariff sales.

The utility's performance obligation for regulated wholesale transmission sales is to provide transmission services to the customer as demanded. The promise to provide transmission service represents a single performance obligation. The transaction prices are the transmission rate formulas as defined by the ISO-NE Tariff and are regulated and established by FERC. Wholesale transmission revenue is recognized over time as the performance obligation is completed, which occurs as transmission services are provided to customers. The revenue is recognized based on the output method. Each Eversource utility is entitled to be compensated for performance completed to date (e.g., use of the transmission system by the customer).

Wholesale Market Sales Revenues: Wholesale market sales transactions include sales of energy and energy-related products into the ISO-NE wholesale electricity market, sales of natural gas to third party marketers, and also the sale of RECs to various counterparties. ISO-NE oversees the region's wholesale electricity market and administers the transactions and terms and conditions, including payment terms, which are established in the ISO-NE tariff, between the buyers and sellers in the market. Pricing is set by the wholesale market. The wholesale transactions in the ISO-NE market occur on a day-ahead basis or a real-time basis (daily) and are, therefore, short-term. Transactions are tracked and reported by ISO-NE net by the hour, which is the net hourly position of energy sales and purchases by each market participant. Beginning in the first quarter of 2018, the performance obligation for ISO-NE energy transactions is defined to be the net by hour transaction. Revenue is recognized when the performance obligation for these energy sales transactions is satisfied, when the sale occurs and the energy is transferred to the customer. For sales of natural gas, transportation, and natural gas pipeline capacity to third party marketers, revenue is recognized when the performance obligation is satisfied at the point in time the sale occurs and the natural gas or related product is transferred to the marketer. RECs are sold to various counterparties, and revenue is recognized when the performance obligation is satisfied upon transfer of title to the customer through the New England Power Pool Generation Information System.

Other Revenue from Contracts with Customers: Other revenue from contracts with customers primarily includes property rentals that are not deemed leases. These revenues are generally recognized on a straight-line basis over time as the service is provided to the customer.

Reserve for Revenue Subject to Refund: Current base rates include an estimate of income taxes, which was based on the U.S. federal corporate income tax rate in effect at the time of the rate proceeding. Eversource established a regulatory liability, recorded as a reduction to revenue, to reflect the difference between the 35 percent federal corporate income tax rate included in rates charged to customers and the 21 percent federal corporate income tax rate, effective January 1, 2018 as a result of the Tax Cuts and Jobs Act, until rates billed to customers reflect the lower federal tax rate. Effective May 1, 2018, CL&P adjusted rates billed to customers to reflect the lower federal income tax rate prospectively and, as of December 31, 2018, fully refunded its regulatory liability associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 through April 30, 2018. Effective November 15, 2018, Yankee Gas adjusted distribution rates to reflect the lower federal income tax rate prospectively and to refund its regulatory liability associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 through November 14, 2018. Although Yankee Gas' new rates were effective January 1, 2019, the provisions of the settlement agreement took effect November 15, 2018. For NSTAR Electric and NSTAR Gas, a December 2018 DPU order indicated that the DPU will not require a revision to base rates for any potential refunds associated with the higher federal corporate income tax rate billed to customers in the period between January 1, 2018 to the effective dates of each company's rate changes (effective February 1, 2018 for NSTAR Electric and July 1, 2018 for NSTAR Gas). PSNH and Aquarion will refund the overcollection in distribution rates from January 1, 2018 to customers in a future period. PSNH will adjust distribution rates to reflect the prospective lower federal income tax rate effective July 1, 2019, or earlier if a rate case is filed for rates effective prior to July 1, 2019.

Alternative Revenue Programs: In accordance with accounting guidance for rate-regulated operations, certain of Eversource's utilities' rate making mechanisms qualify as alternative revenue programs ("ARPs") if they meet specified criteria, in which case revenues may be recognized prior to billing based on allowed levels of collection in rates. Eversource's utility companies recognize revenue and record a regulatory asset or liability once the condition or event allowing for the automatic adjustment of future rates occurs. ARP revenues include both the recognition of the deferral adjustment to ARP revenues, when the regulator-specified condition or event allowing for additional billing or refund has occurred, and an equal and offsetting reversal of the ARP deferral to revenues as those amounts are reflected in the price of service in subsequent periods.

Eversource’s ARPs include the revenue decoupling mechanism and the annual reconciliation adjustment to transmission formula rates, described below.

- Certain Eversource electric, natural gas and water companies, including CL&P and NSTAR Electric, have revenue decoupling mechanisms approved by a regulatory commission ("decoupled companies"). Decoupled companies’ distribution revenues are not directly based on sales volumes. The decoupled companies reconcile their annual base distribution rate recovery to pre-established levels of baseline distribution delivery service revenues, with any difference between the allowed level of distribution revenue and the actual amount realized adjusted through subsequent rates.

- The transmission formula rates provide for the annual reconciliation and recovery or refund of estimated costs to actual costs. The financial impacts of differences between actual and estimated costs are deferred for future recovery from, or refund to, transmission customers. This transmission deferral reconciles billed transmission revenues to the revenue requirement for our transmission businesses.

Other Revenues: Other Revenues include certain fees charged to customers and lease revenue that are not considered revenue from contracts with customers.

Intercompany Eliminations: Intercompany eliminations are primarily related to the Eversource electric transmission revenues that are derived from ISO-NE regional transmission charges to the distribution businesses of CL&P, NSTAR Electric and PSNH that recover the costs of the wholesale transmission business, and revenues from Eversource's service company. Intercompany revenues and expenses between the Eversource wholesale transmission businesses and the Eversource distribution businesses and from Eversource's service company are eliminated in consolidation and included in "Eliminations" in the table above.

Receivables: Receivables, Net on the balance sheet include trade receivables from our retail customers and receivables arising from ISO-NE billing related to wholesale transmission contracts and wholesale market transactions, sales of natural gas and capacity to marketers, sales of RECs, and property rentals. In general, retail tariff customers and wholesale transmission customers are billed monthly and the payment terms are generally due and payable upon receipt of the bill.

Unbilled Revenues: Unbilled Revenues on the balance sheet represent estimated amounts due from retail customers for electricity, natural gas or water delivered to customers but not yet billed. The utility company has satisfied its performance obligation and the customer has received and consumed the commodity as of the balance sheet date, and therefore, the utility company records revenue for those services in the period the services were provided. Only the passage of time is required before the company is entitled to payment for the satisfaction of the performance obligation. Payment from customers is due monthly as services are rendered and amounts are billed. Actual amounts billed to customers when meter readings become available may vary from the estimated amount.

Unbilled revenues are recognized by allocating estimated unbilled sales volumes to the respective customer classes, and then applying an estimated rate by customer class to those sales volumes. Unbilled revenue estimates reflect seasonality, weather, customer usage patterns, customer rates in effect for customer classes, and the timing of customer billing. The companies that have a decoupling mechanism record a regulatory deferral to reflect the actual allowed amount of revenue associated with their respective decoupled distribution rate design.

Practical Expedients: Eversource has elected practical expedients in the accounting guidance that allow the company to record revenue in the amount that the company has a right to invoice, if that amount corresponds directly with the value to the customer of the company's performance to date, and not to disclose related unsatisfied performance obligations. Retail and wholesale transmission tariff sales fall into this category, as these sales are recognized as revenue in the period the utility provides the service and completes the performance obligation, which is the same as the monthly amount billed to customers. There are no other material revenue streams for which Eversource has unsatisfied performance obligations.

23. SEGMENT INFORMATION

Eversource is organized among the Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reportable segments and Other based on a combination of factors, including the characteristics of each segments' services, the sources of operating revenues and expenses and the regulatory environment in which each segment operates. These reportable segments represent substantially all of Eversource's total consolidated revenues. Revenues from the sale of electricity, natural gas and water primarily are derived from residential, commercial and industrial customers and are not dependent on any single customer. The Electric Distribution reportable segment includes the results of PSNH's generation facilities prior to sales in January and August 2018, and NSTAR Electric's solar power facilities. Eversource's reportable segments are determined based upon the level at which Eversource's chief operating decision maker assesses performance and makes decisions about the allocation of company resources. On December 4, 2017, Eversource acquired Aquarion, which was considered to be a new operating segment, Water Distribution. Though the water distribution segment does not meet quantitative thresholds under the segment reporting accounting guidance, based on qualitative factors including the nature of the water distribution business, Water Distribution was deemed a reportable segment beginning in 2018.

The remainder of Eversource's operations is presented as Other in the tables below and primarily consists of 1) the equity in earnings of Eversource parent from its subsidiaries and intercompany interest income, both of which are eliminated in consolidation, and interest expense related to the debt of Eversource parent, 2) the revenues and expenses of Eversource Service, most of which are eliminated in consolidation, 3) the operations of CYAPC and YAEC, 4) Eversource Water Ventures, Inc., parent company of Aquarion, and 5) the results of other unregulated subsidiaries, which are not part of its core business. In addition, Other in the tables below includes Eversource parent's equity ownership interests in certain natural gas pipeline projects owned by Enbridge, Inc., the Bay State Wind project, a renewable energy investment fund, and two companies that transmit hydroelectricity imported from the Hydro-Quebec system in Canada. In the ordinary course of business, Yankee Gas and NSTAR Gas purchase natural gas transmission services from the Enbridge, Inc. natural gas pipeline projects described above. These affiliate transaction costs total approximately $62.5 million annually and are classified as Purchased Power, Fuel and Transmission on the Eversource statements of income.

Each of Eversource's subsidiaries, including CL&P, NSTAR Electric and PSNH, has one reportable segment.

The Electric Transmission segment includes a reduction to Operations and Maintenance expense of $27.5 million in 2016 for costs incurred in previous years that was recovered in transmission rates over the period June 1, 2016 through May 31, 2017. These costs were associated with the merger of Northeast Utilities and NSTAR.

Cash flows used for investments in plant included in the segment information below are cash capital expenditures that do not include amounts incurred but not paid, cost of removal, AFUDC related to equity funds, and the capitalized portions of pension and PBOP expense.

Eversource's segment information is as follows:

Eversource *(Millions of Dollars)*	For the Year Ended December 31, 2018 [1] Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$ 6,957.2	$ 1,022.2	$ 1,286.3	$ 212.0	$ 936.3	$ (1,965.8)	$ 8,448.2
Depreciation and Amortization	(671.8)	(75.0)	(231.8)	(46.5)	(49.1)	2.2	(1,072.0)
Other Operating Expenses	(5,548.6)	(787.6)	(375.5)	(99.8)	(831.5)	1,966.7	(5,676.3)
Operating Income	736.8	159.6	679.0	65.7	55.7	3.1	1,699.9
Interest Expense	(202.8)	(44.1)	(120.6)	(34.3)	(129.3)	32.3	(498.8)
Interest Income	18.7	—	2.4	—	30.3	(33.3)	18.1
Other Income/(Loss), Net	67.5	7.1	31.1	(0.4)	1,185.3	(1,180.3)	110.3
Income Tax (Expense)/Benefit	(160.2)	(29.4)	(161.8)	(0.1)	62.5	—	(289.0)
Net Income	460.0	93.2	430.1	30.9	1,204.5	(1,178.2)	1,040.5
Net Income Attributable to Noncontrolling Interests	(4.6)	—	(2.9)	—	—	—	(7.5)
Net Income Attributable to Common Shareholders	$ 455.4	$ 93.2	$ 427.2	$ 30.9	$ 1,204.5	$ (1,178.2)	$ 1,033.0
Total Assets (as of)	$ 21,389.1	$ 3,904.9	$ 10,285.0	$ 2,253.0	$ 17,874.2	$ (17,464.9)	$ 38,241.3
Cash Flows Used for Investments in Plant	$ 961.3	$ 351.5	$ 929.7	$ 102.3	$ 178.6	$ —	$ 2,523.4

Eversource *(Millions of Dollars)*	For the Year Ended December 31, 2017 [2] Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution [3]	Other	Eliminations	Total
Operating Revenues	$ 5,542.9	$ 947.3	$ 1,301.7	$ 15.9	$ 931.0	$ (986.8)	$ 7,752.0
Depreciation and Amortization	(542.6)	(72.9)	(209.4)	(3.7)	(37.4)	2.2	(863.8)
Other Operating Expenses	(4,072.6)	(716.4)	(382.8)	(8.3)	(806.6)	986.7	(5,000.0)
Operating Income	927.7	158.0	709.5	3.9	87.0	2.1	1,888.2
Interest Expense	(186.3)	(43.1)	(115.1)	(3.1)	(90.0)	15.8	(421.8)
Interest Income	7.3	0.1	1.8	0.1	15.7	(16.7)	8.3
Other Income/(Loss), Net	41.6	3.8	27.3	—	1,113.0	(1,086.0)	99.7
Income Tax Expense	(288.3)	(44.2)	(228.7)	(2.1)	(15.5)	(0.1)	(578.9)
Net Income/(Loss)	502.0	74.6	394.8	(1.2)	1,110.2	(1,084.9)	995.5
Net Income Attributable to Noncontrolling Interests	(4.6)	—	(2.9)	—	—	—	(7.5)
Net Income/(Loss) Attributable to Common Shareholders	$ 497.4	$ 74.6	$ 391.9	$ (1.2)	$ 1,110.2	$ (1,084.9)	$ 988.0
Total Assets (as of)	$ 19,250.4	$ 3,595.2	$ 9,401.2	$ 2,182.9	$ 16,220.9	$ (14,430.2)	$ 36,220.4
Cash Flows Used for Investments in Plant	$ 1,020.7	$ 298.2	$ 867.6	$ 16.0	$ 145.6	$ —	$ 2,348.1

Eversource *(Millions of Dollars)*	For the Year Ended December 31, 2016 [2] Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$ 5,594.3	$ 857.7	$ 1,210.0	$ —	$ 870.4	$ (893.3)	$ 7,639.1
Depreciation and Amortization	(504.7)	(65.3)	(185.8)	—	(33.5)	2.2	(787.1)
Other Operating Expenses	(4,173.0)	(629.0)	(321.3)	—	(779.2)	891.8	(5,010.7)
Operating Income	916.6	163.4	702.9	—	57.7	0.7	1,841.3
Interest Expense	(193.1)	(41.3)	(110.0)	—	(63.5)	6.9	(401.0)
Interest Income	10.0	0.1	1.2	—	7.0	(7.3)	11.0
Other Income, Net	22.7	0.7	17.8	—	1,021.2	(1,008.9)	53.5
Income Tax (Expense)/Benefit	(288.8)	(45.2)	(238.2)	—	16.5	0.7	(555.0)
Net Income	467.4	77.7	373.7	—	1,038.9	(1,007.9)	949.8
Net Income Attributable to Noncontrolling Interests	(4.6)	—	(2.9)	—	—	—	(7.5)
Net Income Attributable to Common Shareholders	$ 462.8	$ 77.7	$ 370.8	$ —	$ 1,038.9	$ (1,007.9)	$ 942.3
Cash Flows Used for Investments in Plant	$ 812.6	$ 255.3	$ 801.0	$ —	$ 108.0	$ —	$ 1,976.9

(1) Effective January 1, 2018, upon implementation of the new revenue accounting guidance, the electric distribution segment is presented gross and intercompany transmission billings are presented in the eliminations column, as Eversource believes that the electric distribution segment acts as a principal, rather than an agent, in its contracts with retail customers. Retail customers contract directly with the electric distribution utility and do not differentiate between distribution and transmission services. Therefore, the electric distribution segment revenues, which are derived from retail customer billings, are presented gross of the eliminations. Prior to 2018, the electric distribution segment presented intercompany electric transmission billings net, based on indicators of net presentation prior to the new revenue guidance. See Note 22 "Revenues," to the financial statements regarding accounting for revenues.

(2) As a result of the adoption of new accounting guidance, the non-service related components of pension, SERP and PBOP benefit costs are presented as non-operating income and recorded in Other Income, Net on the statements of income. The 2017 and 2016 amounts, which were previously presented within Operations and Maintenance expense on the statements of income, have been retrospectively presented within Other Income, Net for the years ended December 31, 2017 and 2016. See Note 1C, "Summary of Significant Accounting Policies - Accounting Standards" and Note 1N, "Summary of Significant Accounting Policies - Other Income, Net," to the financial statements for further information.

(3) The water distribution business was determined to be a reportable segment beginning in 2018. The 2017 segment information has been recast to conform to the current segment reporting structure.

24. ACQUISITION OF AQUARION AND GOODWILL

A. Acquisition of Aquarion

On December 4, 2017, Eversource acquired Aquarion for a purchase price of $1.675 billion, consisting of approximately $880 million in cash and $795 million of assumed Aquarion debt. Aquarion is a holding company that owns three separate regulated water utility subsidiaries engaged in the water collection, treatment and distribution business that operate in Connecticut, Massachusetts and New Hampshire. These regulated utilities collect, treat and distribute water to residential, commercial and industrial customers, to other utilities for resale, and for private and municipal fire protection. Aquarion and its subsidiaries became wholly-owned subsidiaries of Eversource, and Eversource's consolidated financial information includes Aquarion and its subsidiaries' activity beginning December 4, 2017. The approximate $880 million cash purchase price included the $745 million equity purchase price plus a $135 million shareholder loan that was repaid at closing.

Purchase Price Allocation: The purchase price allocation reflects a measurement period adjustment recorded in the first quarter of 2018 to revise the fair value of Aquarion's regulated debt. The $7.9 million increase to the fair value of Long-Term Debt (including the current portion) and corresponding increase to Regulatory Assets, included within Other Noncurrent Assets, excluding Goodwill in the table below, will be amortized over the life of the related debt. The allocation of the cash purchase price was as follows:

(Millions of Dollars)		
Current Assets	$	41.2
PP&E		1,034.9
Goodwill		907.9
Other Noncurrent Assets, excluding Goodwill		215.5
Current Liabilities		(121.9)
Noncurrent Liabilities		(421.6)
Long-Term Debt		(778.3)
Total Cash Purchase Price	$	877.7

Pro Forma Financial Information: The following unaudited pro forma financial information reflects the pro forma combined results of operations of Eversource and Aquarion and reflects the amortization of purchase price adjustments assuming the acquisition had taken place on January 1, 2016. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Eversource.

	For the Years Ended December 31,	
(Pro forma amounts in millions, except share amounts)	2017	2016
Operating Revenues	$ 7,947.7	$ 7,849.0
Net Income Attributable to Common Shareholders	1,019.1	969.3
Basic EPS	3.21	3.05
Diluted EPS	3.20	3.04

Aquarion Revenues and Pre-Tax Income: The impact of Aquarion on Eversource's accompanying consolidated statement of income included operating revenues of $15.9 million and pre-tax income of $1.1 million for the year ended December 31, 2017.

B. Goodwill
In a business combination, the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is recognized as goodwill. Goodwill is evaluated for impairment at least annually and more frequently if indicators of impairment arise. In accordance with the accounting standards, if the fair value of a reporting unit is less than its carrying value (including goodwill), the goodwill is tested for impairment. Goodwill is not subject to amortization, however is subject to a fair value based assessment for impairment at least annually and whenever facts or circumstances indicate that there may be an impairment. A resulting write-down, if any, would be charged to Operating Expenses.

Eversource completed the acquisition of Aquarion on December 4, 2017, resulting in the addition of $0.9 billion of goodwill. Upon completion of the acquisition, Eversource determined that the reporting units for the purpose of testing goodwill are Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution. The goodwill resulting from the Aquarion acquisition has been entirely allocated to the Water Distribution reporting unit. These reporting units are consistent with the operating segments underlying the reportable segments identified in Note 23, "Segment Information," to the financial statements.

Eversource completed its annual goodwill impairment test for Electric Distribution, Electric Transmission, Natural Gas Distribution and Water Distribution reporting units as of October 1, 2018 and determined that no impairment existed. There were no events subsequent to October 1, 2018 that indicated impairment of goodwill. The annual goodwill assessment included an evaluation of the Company's share price and credit ratings, analyst reports, financial performance, cost and risk factors, long-term strategy, growth and future projections, as well as macroeconomic, industry and market conditions. This evaluation required the consideration of several factors that impact the fair value of the reporting units, including conditions and assumptions that affect the future cash flows of the reporting units. Key considerations include discount rates, utility sector market performance and merger transaction multiples, and internal estimates of future cash flows and net income.

The following table presents goodwill by reportable segment as of December 31, 2018 and 2017:

(Billions of Dollars)	Electric Distribution	Electric Transmission	Natural Gas Distribution	Water Distribution	Total
Goodwill	$ 2.5	$ 0.6	$ 0.4	$ 0.9	$ 4.4

25. QUARTERLY FINANCIAL DATA (UNAUDITED)

Eversource *(Millions of Dollars, except per share information)*	**Quarter Ended**							
	2018				**2017**			
	March 31,	**June 30,**	**September 30,**	**December 31,**	**March 31,**	**June 30,**	**September 30,**	**December 31,**
Operating Revenues	$ 2,288.0	$ 1,853.9	$ 2,271.4	$ 2,034.9	$ 2,105.1	$ 1,762.8	$ 1,988.5	$ 1,895.6
Operating Income	442.5	391.4	466.0	400.0	501.0	448.2	495.3	443.7
Net Income	271.4	244.6	291.3	233.2	261.3	232.6	262.2	239.4
Net Income Attributable to Common Shareholders	269.5	242.8	289.4	231.3	259.5	230.7	260.4	237.4
Basic and Diluted EPS (1)	$ 0.85	$ 0.76	$ 0.91	$ 0.73	$ 0.82	$ 0.73	$ 0.82	$ 0.75

(1) The summation of quarterly EPS data may not equal annual data due to rounding.

	Quarter Ended							
	2018				**2017**			
(Millions of Dollars)	**March 31,**	**June 30,**	**September 30,**	**December 31,**	**March 31,**	**June 30,**	**September 30,**	**December 31,**
CL&P								
Operating Revenues	$ 785.0	$ 694.9	$ 865.0	$ 751.3	$ 732.3	$ 666.6	$ 774.8	$ 713.7
Operating Income	157.2	163.1	172.7	142.8	175.5	175.6	177.1	155.2
Net Income	98.6	99.7	100.3	79.1	90.2	91.3	96.1	99.1
NSTAR Electric								
Operating Revenues	$ 770.1	$ 690.7	$ 939.5	$ 712.6	$ 733.8	$ 704.7	$ 851.9	$ 690.2
Operating Income	119.0	133.6	205.5	126.0	156.6	177.9	229.7	124.2
Net Income	77.1	87.9	140.6	77.5	83.4	95.0	125.8	70.5
PSNH								
Operating Revenues	$ 267.4	$ 235.1	$ 290.2	$ 254.9	$ 253.2	$ 230.4	$ 250.0	$ 248.0
Operating Income	55.8	46.9	56.5	37.2	66.6	63.5	66.0	69.8
Net Income	35.1	25.8	40.7	14.3	34.3	31.6	33.7	36.4

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No events that would be described in response to this item have occurred with respect to Eversource, CL&P, NSTAR Electric or PSNH.

Item 9A. Controls and Procedures

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, is responsible for the preparation, integrity, and fair presentation of the accompanying Financial Statements and other sections of this combined Annual Report on Form 10-K. Eversource's internal controls over financial reporting were audited by Deloitte & Touche LLP.

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control framework and processes have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There are inherent limitations of internal controls over financial reporting that could allow material misstatements due to error or fraud to occur and not be prevented or detected on a timely basis by employees during the normal course of business. Additionally, internal controls over financial reporting may become inadequate in the future due to changes in the business environment. Under the supervision and with the participation of the principal executive officer and principal financial officer, an evaluation of the effectiveness of internal controls over financial reporting was conducted based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation under the framework in COSO, management concluded that internal controls over financial reporting at Eversource, CL&P, NSTAR Electric and PSNH were effective as of December 31, 2018.

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, evaluated the design and operation of the disclosure controls and procedures as of December 31, 2018 to determine whether they are effective in ensuring that the disclosure of required information is made timely and in accordance with the Securities Exchange Act of 1934 and the rules and regulations of the SEC. This evaluation was made under management's supervision and with management's participation, including the principal executive officer and principal financial officer as of the end of the period covered by this Annual Report on Form 10-K. There are inherent limitations of disclosure controls and procedures, including the possibility of human error and the circumventing or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The principal executive officer and principal financial officer have concluded, based on their review, that the disclosure controls and procedures of Eversource, CL&P, NSTAR Electric and PSNH are effective to ensure that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and regulations and (ii) is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in internal controls over financial reporting for Eversource, CL&P, NSTAR Electric and PSNH during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Item 9B. Other Information

No information is required to be disclosed under this item as of December 31, 2018, as this information has been previously disclosed in applicable reports on Form 8-K during the fourth quarter of 2018.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information in Item 10 is provided as of February 26, 2019, except where otherwise indicated.

Certain information required by this Item 10 is omitted for NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly Owned Subsidiaries.

Eversource Energy

In addition to the information provided below concerning the executive officers of Eversource Energy, incorporated herein by reference is the information to be contained in the sections captioned “Election of Trustees,” “Governance of Eversource Energy” and the related subsections, “Selection of Trustees,” and “Section 16(a) Beneficial Ownership Reporting Compliance” of Eversource Energy’s definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2019.

CL&P

The information required by this Item 10 for CL&P has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Item 11. Executive Compensation

Eversource Energy

The information required by this Item 11 for Eversource Energy is incorporated herein by reference to certain information contained in Eversource Energy's definitive proxy statement for solicitation of proxies, which is expected to be filed with the SEC on or about March 22, 2019, under the sections captioned "Compensation Discussion and Analysis," plus related subsections, and "Compensation Committee Report," plus related subsections following such Report.

NSTAR ELECTRIC and PSNH

Certain information required by this Item 11 has been omitted for NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries.

CL&P

The information required by this Item 11 for CL&P has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Eversource Energy

In addition to the information below under "Securities Authorized for Issuance Under Equity Compensation Plans," incorporated herein by reference is the information contained in the sections "Common Share Ownership of Certain Beneficial Owners" and "Common Share Ownership of Trustees and Management" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2019.

NSTAR ELECTRIC and PSNH

Certain information required by this Item 12 has been omitted for NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries.

CL&P

The information required by this Item 12 for CL&P has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the number of Eversource Energy common shares issuable under Eversource Energy equity compensation plans, as well as their weighted exercise price, as of December 31, 2018, in accordance with the rules of the SEC:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))
Equity compensation plans approved by security holders	1,281,929	$—	3,720,650
Equity compensation plans not approved by security holders (3)	—	—	—
Total	1,281,929	$—	3,720,650

(1) Includes 782,365 common shares for distribution in respect of restricted share units, and 499,564 performance shares issuable at target, all pursuant to the terms of our Incentive Plan.

(2) The weighted-average exercise price does not take into account restricted share units or performance shares, which have no exercise price.

(3) Securities set forth in this table are authorized for issuance under compensation plans that have been approved by shareholders of Eversource Energy or the former shareholders of NSTAR.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Eversource Energy

Incorporated herein by reference is the information contained in the sections captioned "Trustee Independence" and "Related Person Transactions" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2019.

NSTAR ELECTRIC and PSNH

Certain information required by this Item 13 has been omitted for NSTAR Electric and PSNH pursuant to Instruction I(2)(c) to Form 10-K, Omission of Information by Certain Wholly-Owned Subsidiaries**.**

CL&P

The information required by this Item 13 for CL&P has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Item 14. Principal Accountant Fees and Services

Eversource Energy

Incorporated herein by reference is the information contained in the section "Relationship with Independent Auditors" of Eversource Energy's definitive proxy statement for solicitation of proxies, expected to be filed with the SEC on or about March 22, 2019.

CL&P, NSTAR ELECTRIC and PSNH

The information required by this Item 14 for CL&P, NSTAR Electric and PSNH has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements:

The financial statements filed as part of this Annual Report on Form 10-K are set forth under Item 8, "Financial Statements and Supplementary Data."

2. Schedules

I. Financial Information of Registrant:

Eversource Energy (Parent) Balance Sheets as of December 31, 2018 and 2017	*
Eversource Energy (Parent) Statements of Income for the Years Ended December 31, 2018, 2017 and 2016	*
Eversource Energy (Parent) Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016	*
Eversource Energy (Parent) Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016	*
II. Valuation and Qualifying Accounts and Reserves for Eversource, CL&P, NSTAR Electric and PSNH for 2018, 2017 and 2016	*

All other schedules of the companies for which inclusion is required in the applicable regulations of the SEC are permitted to be omitted under the related instructions or are not applicable, and therefore have been omitted.

3. Exhibit Index E-1

* **The schedules have been omitted from this report because they are not required. They are set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.**

Item 16. Form 10-K Summary

Not applicable.

EXHIBIT INDEX

Each document described below is incorporated by reference by the registrant(s) listed to the files identified, unless designated with a (*), which exhibits are filed herewith. Management contracts and compensation plans or arrangements are designated with a (+).

The portion of the Exhibit Index listing exhibits of CL&P, NSTAR Electric and PSNH has been omitted from this report but is set forth in the Annual Report on Form 10-K for 2018 filed with the SEC on a combined basis with Eversource Energy on February 26, 2019. Such report is also available in the Investors section at www.eversource.com.

Exhibit Number	**Description**
3.	Articles of Incorporation and By-Laws
3.1	Declaration of Trust of Eversource Energy, as amended through May 3, 2017 (Exhibit 3.1, Eversource Form 10-Q filed on May 5, 2017)
4.	Instruments defining the rights of security holders, including indentures
(A)	Eversource Energy
4.1	Indenture between Eversource Energy and The Bank of New York as Trustee dated as of April 1, 2002 (Exhibit A-3, Eversource Energy 35-CERT filed April 16, 2002, File No. 070-09535)
4.1.1	Fifth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of May 1, 2013, relating to $450 million of Senior Notes, Series F, due 2023 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed May 16, 2013, File No. 001-05324)
4.1.2	Sixth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2015, relating to $300 million of Senior Notes, Series H, due 2025 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 21, 2015, File No. 001-05324)
4.1.3	Seventh Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of March 7, 2016, relating to $250 million of Senior Notes, Series I, due 2021 and $250 million of Senior Notes, Series J, due 2026 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed March 15, 2016, File No. 001-05324)
4.1.4	Eighth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of March 10, 2017, relating to $300 million of Senior Notes, Series K, Due 2022 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed March 16, 2017, File No. 001-05324)
4.1.5	Ninth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of October 1, 2017, relating to $450 million of Senior Notes, Series K, due 2022 and $450 million of Senior Notes, Series L, due 2024 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed October 12, 2017, File No. 001-05324)
4.1.6	Tenth Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of January 1, 2018, relating to $200 million of Senior Notes, Series I, Due 2021 and $450 million of Senior Notes, Series M, Due 2028 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed January 12, 2018, File No. 001-05324)
4.1.7	Eleventh Supplemental Indenture between Eversource Energy and The Bank of New York Trust Company N.A., as Trustee, dated as of December 1, 2018, relating to 400 million of Senior Notes, Series N, Due 2023 and $500 million of Senior Notes, Series O, Due 2029 (Exhibit 4.1, Eversource Energy Current Report on Form 8-K filed December 18, 2018, File No. 001-05324)
4.2	Indenture dated as of January 12, 2000, between Eversource Energy, as successor to NSTAR LLC, as successor to NSTAR, and Bank One Trust Company N.A. (Exhibit 4.1 to NSTAR Registration Statement on Form S-3, filed January 14, 2000, on File No. 333-94735)
4.2.1	Form of 4.50% Debenture Due 2019 (Exhibit 99.2, NSTAR Form 8-K filed November 16, 2009, File No. 001-14768)

(F) Eversource Energy, The Connecticut Light and Power Company and Public Service Company of New Hampshire

4.1 Amended and Restated Credit Agreement, dated December 8, 2017, by and among Eversource Energy, CL&P, NSTAR Gas, PSNH and Yankee Gas Services Company and the Banks named therein, pursuant to which Bank of America, N.A. serves as Administrative Agent (Exhibit 4.1, 2017 Eversource Form 10-K filed on February 26, 2018)

10. Material Contracts

(A) Eversource Energy

10.1 Lease between The Rocky River Realty Company and Eversource Energy Service Company, dated as of July 1, 2008 (Exhibit 10.1, 2017 Eversource Form 10-K filed on February 26, 2018)

*+10.2 Eversource Energy Board of Trustees' Compensation Arrangement Summary (Exhibit 10.3, 2016 Eversource Energy Form 10-K filed February 23, 2017, File No. 001-05324)

+10.3 Amended and Restated Memorandum Agreement between Eversource Energy and Leon J. Olivier effective January 1, 2009 (Exhibit 10.9, 2008 Eversource Energy Form 10-K filed February 27, 2009, File No. 001-05324)

+10.4 Eversource Supplemental Executive Retirement Program effective as of January 1, 2015 (Exhibit 10.5, 2015 Eversource Energy Form 10-K filed February 26, 2016, File No. 001-05324)

+10.5 Composite Transmission Service Agreement, by and between Northern Pass Transmission LLC, as Owner and H.Q. Hydro Renewable Energy, Inc., as Purchaser dated October 4, 2010 and effective February 14, 2014 (Exhibit 10.5, 2013 Eversource Energy Form 10-K filed on February 25, 2014, File No. 001-05324)

10.6 Eversource Energy Deferred Compensation Plan for Executives effective as of January 1, 2014 (Exhibit 10.6, 2015 Eversource Energy Form 10-K filed February 26, 2016, File No. 001-05324)

*+10.6.1 Amendment No 1 to the Eversource Deferred Compensation Plan effective February 7, 2018

+10.7 NSTAR Excess Benefit Plan, effective August 25, 1999 (Exhibit 10.1 1999 NSTAR Form 10-K/A filed September 29, 2000, File No. 001-14768)

+10.7.1 NSTAR Excess Benefit Plan, incorporating the NSTAR 409A Excess Benefit Plan, as amended and restated effective January 1, 2008, dated December 24, 2008 (Exhibit 10.1.1 2008 NSTAR Form 10-K filed February 9, 2009, File No. 001-14768)

+10.8 Amended and Restated Change in Control Agreement by and between James J. Judge and NSTAR, dated November 15, 2007 (Exhibit 10.9, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.9 Amended and Restated Change in Control Agreement by and between Joseph R. Nolan, Jr. and NSTAR, dated November 15, 2007 (Exhibit 10.13, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.10 Amended and Restated Change in Control Agreement by and between Werner J. Schweiger and NSTAR, dated November 15, 2007 (Exhibit 10.14, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.11 Amended and Restated Change in Control Agreement by and between Senior Vice President and NSTAR, dated November 15, 2007 (Exhibit 10.15, 2007 NSTAR Form 10-K filed February 11, 2008, File No. 001-14768)

+10.12 Master Trust Agreement between NSTAR and State Street Bank and Trust Company (Rabbi Trust), effective August 25, 1999 (Exhibit 10.5, NSTAR Form 10-Q for the Quarter Ended September 30, 2000 filed November 14, 2000, File No. 001-14768)

+10.13 Currently effective Change in Control Agreement between NSTAR's Vice Presidents and NSTAR (in form) (Exhibit 10.17, 2009 NSTAR Form 10-K filed February 25, 2010, File No. 001-14768)

(B) Eversource Energy, The Connecticut Light and Power Company, NSTAR Electric Company and Public Service Company of New Hampshire

10.1 Amended and Restated Form of Service Contract between each of Eversource Energy, CL&P, NSTAR Electric Company and Eversource Energy Service Company dated as of January 1, 2014. (Exhibit 10.1, Eversource Energy Form 10-K filed on February 25, 2014, File No. 001-05324)

10.2 Transmission Operating Agreement between the Initial Participating Transmission Owners, Additional Participating Transmission Owners and ISO New England, Inc. dated as of February 1, 2005 (Exhibit 10.29, 2004 Eversource Energy Form 10-K filed March 17, 2005, File No. 001-05324)

10.2.1 Rate Design and Funds Disbursement Agreement among the Initial Participating Transmission Owners, Additional Participating Transmission Owners and ISO New England, Inc., effective June 30, 2006 (Exhibit 10.22.1, 2006 Eversource Energy Form 10-K filed March 1, 2007, File No. 001-05324)

10.3 Eversource Energy's Third Amended and Restated Tax Allocation Agreement dated as of April 10, 2012, (Exhibit 10.1 Eversource Energy Form 10-Q for Quarter Ended June 30, 2012 filed August 7, 2012, File No. 001-05324)

+10.4 Amended and Restated Incentive Plan Effective January 1, 2009 (Exhibit 10.3, Eversource Energy Form 10-Q for the Quarter Ended September 30, 2008 filed November 10, 2008, File No. 001-05324)

+10.5 2018 Eversource Energy Incentive Plan (Exhibit 99.2, Eversource Energy Current Report on Form 8-K dated May 3, 2018)

+10.6 Trust under Supplemental Executive Retirement Plan dated May 2, 1994 (Exhibit 10.33, 2002 Eversource Energy Form 10-K filed March 21, 2003, File No. 001-05324)

+10.6.1 First Amendment to Trust Under Supplemental Executive Retirement Plan, effective as of December 10, 2002 (Exhibit 10 (B) 10.19.1, 2003 Eversource Energy Form 10-K filed March 12, 2004, File No. 001-05324)

+10.6.2 Second Amendment to Trust Under Supplemental Executive Retirement Plan, effective as of November 12, 2008 (Exhibit 10.12.2, 2008 Eversource Energy Form 10-K filed February 27, 2009, File No. 001-05324)

+10.7 Special Severance Program for Officers of Eversource Energy Companies as of January 1, 2009 (Exhibit 10.2 Eversource Energy Form 10-Q for Quarter Ended September 30, 2008 filed November 10, 2008, File No. 001-05324)

+10.8 Amended and Restated Employment Agreement with Gregory B. Butler, effective January 1, 2009 (Exhibit 10.7, 2008 Eversource Energy 2010 Form 10-K filed February 27, 2009, File No. 001-05324)

(C) Eversource Energy, The Connecticut Light and Power Company, Public Service Company of New Hampshire and NSTAR Electric Company

10.1 Agreements among New England Utilities with respect to the Hydro-Quebec interconnection projects

10.1.1 Composite conformed copy of Equity Funding Agreement for New England Hydro-Transmission Electric Company., dated as of June 1, 1985 (Massachusetts) (Exhibit 10.1.1, 2017 Eversource Form 10-K filed February 26, 2018)

10.1.2 Composite conformed copy of Equity Funding Agreement of Equity Funding Agreement for New England Hydro-Transmission Electric Company, Inc., dated as of June 1, 1985 (New Hampshire) (Exhibit 10.1.2, 2017 Eversource Form 10-K filed February 26, 2018)

10.1.3 Composite conformed copy of Phase II Massachusetts Transmission Facilities Support Agreement, dated as of June 1, 1985 (Exhibit 10.1.3, 2017 Eversource Form 10-K filed February 26, 2018)

10.1.4 Composite conformed copy of Phase II New England Power AC Facilities Support Agreement dated June 1, 1985 (Exhibit 10.1.4, 2017 Eversource Form 10-K filed on February 26, 2018)

10.1.5 Composite conformed copy of Phase II New Hampshire Transmission Facilities Support Agreement dated as of June 1, 1985 (Exhibit 10.1.5, Eversource 10-K filed on February 26, 2018)

10.2 Eversource Energy Service Company Transmission and Ancillary Service Wholesale Revenue Allocation Methodology among The Connecticut Light and Power Company, NSTAR Electric Company, Public Service Company of New Hampshire, Holyoke Water Power Company and Holyoke Power and Electric Company Trustee dated as of January 1, 2008 (Exhibit 10.1, Eversource Energy Form 10-Q for the Quarter Ended March 31, 2008 filed May 9, 2008, File No. 001-05324)

(D) Eversource Energy and The Connecticut Light and Power Company

10.1 CL&P Agreement Re: Connecticut NEEWS Projects by and between CL&P and The United Illuminating Company dated July 14, 2010 (Exhibit 10, CL&P Form 10-Q for the Quarter Ended June 30, 2010 filed August 6, 2010, File No. 000-00404)

*21. Subsidiaries of the Registrant

*23. Consents of Independent Registered Public Accounting Firm

*31. Rule 13a - 14(a)/15 d - 14(a) Certifications

31 Certification by the Chief Executive Officer of Eversource Energy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.1 Certification by the Chief Financial Officer of Eversource Energy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

*32 18 U.S.C. Section 1350 Certifications

32 Certification by the Chief Executive Officer and Chief Financial Officer of Eversource Energy pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*101.INS XBRL Instance Document

*101.SCH XBRL Taxonomy Extension Schema

*101.CAL XBRL Taxonomy Extension Calculation

*101.DEF XBRL Taxonomy Extension Definition

*101.LAB XBRL Taxonomy Extension Labels

*101.PRE XBRL Taxonomy Extension Presentation

EVERSOURCE ENERGY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EVERSOURCE ENERGY

February 26, 2019	By:	/s/ Jay S. Buth
		Jay S. Buth Vice President, Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Gregory B. Butler, Philip J. Lembo and Jay S. Buth and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ James J. Judge James J. Judge	Chairman of the Board, President and Chief Executive Officer and a Trustee (Principal Executive Officer)	February 26, 2019
/s/ Philip J. Lembo Philip J. Lembo	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2019
/s/ Jay S. Buth Jay S. Buth	Vice President, Controller and Chief Accounting Officer	February 26, 2019
/s/ Cotton M. Cleveland Cotton M. Cleveland	Trustee	February 26, 2019
/s/ Sanford Cloud, Jr. Sanford Cloud, Jr.	Trustee	February 26, 2019

Signature	Title	Date
/s/ James S. DiStasio James S. DiStasio	Trustee	February 26, 2019
/s/ Francis A. Doyle Francis A. Doyle	Trustee	February 26, 2019
/s/ Linda Dorcena Forry Linda Dorcena Forry	Trustee	February 26, 2019
/s/ John Y. Kim John Y. Kim	Trustee	February 26, 2019
/s/ Kenneth R. Leibler Kenneth R. Leibler	Trustee	February 26, 2019
/s/ William C. Van Faasen William C. Van Faasen	Trustee	February 26, 2019
/s/ Frederica M. Williams Frederica M. Williams	Trustee	February 26, 2019
/s/ Dennis R. Wraase Dennis R. Wraase	Trustee	February 26, 2019

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Exhibit 31

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Judge, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eversource Energy (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2019

/s/ James J. Judge

James J. Judge
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip J. Lembo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Eversource Energy (the registrant);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2019

/s/ Philip J. Lembo

Philip J. Lembo
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Annual Report on Form 10-K of Eversource Energy (the registrant) for the period ending December 31, 2018 as filed with the Securities and Exchange Commission (the Report), we, James J. Judge, Chairman of the Board, President and Chief Executive Officer of the registrant, and Philip J. Lembo, Executive Vice President and Chief Financial Officer of the registrant, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

/s/ James J. Judge

James J. Judge
Chairman of the Board, President and Chief Executive Officer

/s/ Philip J. Lembo

Philip J. Lembo
Executive Vice President and Chief Financial Officer

Date: February 26, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Eversource Energy Trustees

James J. Judge
Chairman of the Board,
President and Chief Executive Officer,
Eversource Energy

Cotton M. Cleveland
President, Mather Associates

Sanford Cloud, Jr.*
Chairman and Chief Executive Officer,
The Cloud Company, LLC

James S. DiStasio
Retired Senior Vice Chairman
and Americas Chief Operating Officer,
Ernst & Young

Francis A. Doyle
President and Chief Executive Officer,
Connell Limited Partnership

Linda Dorcena Forry
Vice President, Diversity, Inclusion & Community
for the Northeast,
Suffolk Construction

John Y. Kim
Retired President,
New York Life Insurance Company

Kenneth R. Leibler
Chairman,
The Putnam Mutual Funds

William C. Van Faasen
Chairman Emeritus,
Blue Cross Blue Shield of Massachusetts Inc.

Frederica M. Williams
President and Chief Executive Officer,
Whittier Street Health Center

Dennis R. Wraase
Retired Chairman of the Board,
President and Chief Executive Officer,
Pepco Holdings, Inc.

*Lead Trustee

Eversource Energy Executive Officers

James J. Judge
Chairman of the Board, President and Chief Executive Officer

Gregory B. Butler
Executive Vice President and General Counsel

Christine M. Carmody
Executive Vice President – Human Resources and Information Technology

Philip J. Lembo
Executive Vice President and Chief Financial Officer

Joseph R. Nolan, Jr.
Executive Vice President – Customer and Corporate Relations

Leon J. Olivier
Executive Vice President –
Enterprise Energy Strategy and Business Development

Werner J. Schweiger
Executive Vice President and Chief Operating Officer

Shareholder Information

Shareholders

As of December 31, 2018, there were 35,982 common shareholders of record of Eversource Energy holding an aggregate of 316,885,808 common shares.

Transfer Agent and Registrar

Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078

1-800-999-7269

TDD for hearing impaired: 1-800-952-9245

Shareholder Account Access

We have partnered with Computershare to offer you online access to your important shareholder communications in a single secure place. You can manage your account online via the Investor Center website, Computershare's web-based tool for shareholders at *www.computershare.com/investor*. Through free around-the-clock access to the Investor Center website, you can view your account, access forms and request a variety of account transactions.

Investor Relations

You may contact our Investor Relations Department:

Jeffrey Kotkin:	860-665-5154
Barbara Nieman:	860-665-3249
John Gavin:	781-441-8118

www.eversource.com

Dividend Reinvestment Plan

Eversource offers a dividend reinvestment and share purchase plan. This plan is sponsored by the company and not only offers the reinvestment of dividends but provides both registered shareholders and interested first-time investors an affordable alternative for buying and selling Eversource common shares. To request an enrollment package, please call 1-800-999-7269 or log into:

www.computershare.com/investor.

Direct Deposit for Quarterly Dividends

Direct deposit provides the convenience of automatic and immediate access to your funds, while eliminating the possibility for mail delays and lost, stolen or destroyed checks. This service is free of charge to you. Please call 1-800-999-7269 to request an enrollment form.

Common Share Dividend Payment Dates

Last business day of March, June, September and December.

Common Share Information

The common shares of Eversource Energy are listed on the New York Stock Exchange. The ticker symbol is "ES." The high and low daily prices and dividends paid for the past two years, by quarters, are shown in the table below.

Year	Quarter	High	Low	Quarterly Dividend per Share
2018	**First**	**$64.99**	**$55.93**	**$0.505**
	Second	**$60.89**	**$52.76**	**$0.505**
	Third	**$63.88**	**$57.49**	**$0.505**
	Fourth	**$70.53**	**$60.56**	**$0.505**
2017	First	$60.36	$54.08	$0.475
	Second	$63.34	$58.11	$0.475
	Third	$64.19	$59.55	$0.475
	Fourth	$66.15	$59.59	$0.475

Corporate Governance

For information on Corporate Governance at Eversource, go to our website, *www.eversource.com*, and select Investors and then "Corporate Governance."

EVERSOURCE
ENERGY

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