Minerd B. Scott
Form 3
October 01, 2010

FORM 3

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

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Minerd B. Scott
(Last) (First) (Middle)

2455 CORPORATE WEST DRIVE
(Street)

LISLE,Â ILÂ 60532
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
10/01/2010

3. Issuer Name **and** Ticker or Trading Symbol
Guggenheim Build America Bonds Managed Duration Trust [BAB]

4. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Chief Investment Officer

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	0	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative	5. Ownership Form of Derivative Security:	6. Nature of Indirect Beneficial Ownership (Instr. 5)
		Title			

Date Exercisable	Expiration Date	Amount or Number of Shares	Security	Direct (D) or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Minerd B. Scott 2455 CORPORATE WEST DRIVE LISLE,Â ILÂ 60532	Â	Â	Â	Chief Investment Officer

Signatures

/s/ B. Scott Minerd by Kevin M. Robinson Pursuant to Power of Attorney	10/01/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
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71.9

—

3.4

—

(7.5
)

336.4

Total Retail Tariff Sales Revenue
5,192.0

713.2

—

152.2

—

(10.9
)

6,046.5

Wholesale Transmission Revenue
—

—

988.9

—

34.4

(826.9
)

196.4

Wholesale Market Sales Revenue
141.4

41.4

—

3.1

—

—

185.9

Other Revenue from Contracts with Customers
54.4

(1.4
)

9.4

5.4

658.1

(659.8
)

66.1

Reserve for Revenue Subject to Refund
(21.2
)

(11.5
)

—

(3.3
)

—

—

(36.0
)
Total Revenue from Contracts with Customers
5,366.6

741.7

998.3

157.4

692.5

(1,497.6
)

6,458.9

Alternative Revenue Programs
(57.2
)

(3.2
)

(45.3
)

3.7

—

41.5

(60.5
)
Other Revenue
12.4

2.0

—

0.4

—

—

14.8

Total Operating Revenues
$
5,321.8

$
740.5

$
953.0

$
161.5

$
692.5

$
(1,456.1
)

$
6,413.2

33

(Millions of Dollars)	For the Three Months Ended September 30, 2018 CL&P	NSTAR Electric	PSNH	For the Nine Months Ended September 30, 2018 CL&P	NSTAR Electric	PSNH
Revenue from Contracts with Customers						
Retail Tariff Sales						
Residential	$539.6	$414.8	$157.3	$1,410.0	$1,071.6	$418.8
Commercial	259.0	443.8	87.3	702.2	1,083.8	238.4
Industrial	39.4	38.0	21.3	111.8	96.9	59.9
Total Retail Tariff Sales Revenue	838.0	896.6	265.9	2,224.0	2,252.3	717.1
Wholesale Transmission Revenue	179.1	128.3	57.1	469.8	367.7	151.4
Wholesale Market Sales Revenue	13.3	18.1	17.4	34.3	56.4	52.3
Other Revenue from Contracts with Customers	9.3	10.3	4.0	25.0	27.9	11.4
Reserve for Revenue Subject to Refund	8.3	—	(3.1)	(8.3)	(3.7)	(9.2)
Total Revenue from Contracts with Customers	1,048.0	1,053.3	341.3	2,744.8	2,700.6	923.0
Alternative Revenue Programs	(64.3)	(15.4)	(8.9)	(68.4)	(15.6)	(18.5)
Other Revenue	2.8	1.8	0.2	6.5	5.1	0.8
Eliminations	(121.5)	(100.2)	(42.4)	(338.0)	(289.8)	(112.6)
Total Operating Revenues	$865.0	$939.5	$290.2	$2,344.9	$2,400.3	$792.7

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).

34

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 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 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. Eversource expects to refund these amounts to customers through various rate mechanisms in the future, depending on regulatory outcomes, and CL&P began refunding these amounts in the third quarter of 2018.

NSTAR Electric (effective February 1, 2018), CL&P (effective May 1, 2018) and NSTAR Gas (effective July 1, 2018) lowered distribution rates charged to customers to reflect the new federal corporate income tax rate. PSNH will adjust distribution rates to reflect the 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. As part of Yankee Gas' rate case settlement, if approved, distribution rates will be adjusted to reflect the lower federal income tax rate, effective November 15, 2018.

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 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.

17. SEGMENT INFORMATION

Presentation: 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 the first quarter of 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, and 4) 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.

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.

36

Eversource's segment information is as follows:

For the Three Months Ended September 30, 2018 [1]

Eversource (Millions of Dollars)	Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$2,027.4	$ 109.0	$ 330.6	$ 63.5	$224.6	$(483.7)	$2,271.4
Depreciation and Amortization	(206.1)	(13.9)	(58.3)	(11.7)	(12.0)	0.6	(301.4)
Other Operating Expenses	(1,562.2)	(102.4)	(96.7)	(25.5)	(200.9)	483.7	(1,504.0)
Operating Income/(Loss)	$259.1	$ (7.3)	$ 175.6	$ 26.3	$11.7	$0.6	$466.0
Interest Expense	$(52.4)	$ (11.3)	$ (30.3)	$ (8.5)	$(30.5)	$7.8	$(125.2)
Other Income, Net	32.2	1.5	9.0	0.7	251.7	(278.4)	16.7
Net Income/(Loss) Attributable to Common Shareholders	173.8	(12.6)	109.5	17.6	271.1	(270.0)	289.4

For the Nine Months Ended September 30, 2018 [1]

Eversource (Millions of Dollars)	Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$5,321.8	$ 740.5	$ 953.0	$ 161.5	$692.5	$(1,456.1)	$6,413.2
Depreciation and Amortization	(486.0)	(59.6)	(171.8)	(34.6)	(35.9)	1.7	(786.2)
Other Operating Expenses	(4,238.6)	(585.7)	(268.7)	(73.9)	(617.2)	1,457.0	(4,327.1)
Operating Income	$597.2	$ 95.2	$ 512.5	$ 53.0	$39.4	$2.6	$1,299.9
Interest Expense	$(152.0)	$ (33.7)	$ (89.9)	$ (25.5)	$(94.8)	$23.2	$(372.7)
Other Income/(Loss), Net	70.9	5.1	26.7	(0.4)	913.8	(915.4)	100.7
Net Income Attributable to Common Shareholders	379.3	50.2	329.6	26.3	905.9	(889.6)	801.7
Cash Flows Used for Investments in Plant	717.4	245.5	735.8	68.1	118.3	—	1,885.1

For the Three Months Ended September 30, 2017

Eversource (Millions of Dollars)	Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$1,547.1	$ 109.2	$ 328.5	$ —	$224.2	$ (220.5)	$1,988.5
Depreciation and Amortization	(159.6)	(15.2)	(52.6)	—	(9.5)	0.6	(236.3)
Other Operating Expenses	(1,095.2)	(96.2)	(95.5)	—	(190.1)	220.1	(1,256.9)
Operating Income/(Loss)	$292.3	$ (2.2)	$ 180.4	$ —	$24.6	$ 0.2	$495.3
Interest Expense	$(51.3)	$ (10.8)	$ (29.2)	$ —	$(21.8)	$ 4.4	$(108.7)
Other Income, Net	14.2	1.0	8.5	—	267.6	(262.8)	28.5
Net Income/(Loss) Attributable to Common Shareholders	157.4	(6.2)	99.0	—	268.4	(258.2)	260.4

For the Nine Months Ended September 30, 2017

Eversource (Millions of Dollars)	Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
Operating Revenues	$4,224.2	$ 698.8	$ 970.0	$ —	$677.5	$ (714.0)	$5,856.5
Depreciation and Amortization	(394.9)	(54.8)	(154.5)	—	(26.7)	1.7	(629.2)

Other Operating Expenses	(3,076.1)	(537.3)	(280.6)	—	(602.9)	714.0	(3,782.9)
Operating Income	$753.2	$ 106.7	$ 534.9	$ —	$47.9	$ 1.7	$1,444.4
Interest Expense	$(149.0)	$ (32.3)	$ (86.1)	$ —	$(63.1)	$ 11.0	$(319.5)
Other Income, Net	35.3	2.9	20.3	—	854.4	(833.7)	79.2
Net Income Attributable to Common Shareholders	393.4	49.1	289.6	—	839.5	(821.0)	750.6
Cash Flows Used for Investments in Plant	752.4	209.8	575.6	—	104.5	—	1,642.3

37

(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 16, "Revenues," regarding accounting for revenues.

The following table summarizes Eversource's segmented total assets:

Eversource (Millions of Dollars)	Electric Distribution	Natural Gas Distribution	Electric Transmission	Water Distribution	Other	Eliminations	Total
As of September 30, 2018	$ 21,189.0	$ 3,747.4	$ 10,077.5	$ 2,240.3	$16,979.4	$(16,717.9)	$37,515.7
As of December 31, 2017	19,250.4	3,595.2	9,401.2	2,470.0	15,933.8	(14,430.2)	36,220.4

18. 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 is 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

38

EVERSOURCE ENERGY AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related combined notes included in this combined Quarterly Report on Form 10-Q, the combined Quarterly Report on Form 10-Q for the quarters ended March 31, 2018 and June 30, 2018, as well as the Eversource 2017 Form 10-K. References in this combined Quarterly Report on Form 10-Q 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 unaudited condensed consolidated financial statements of Eversource, NSTAR Electric and PSNH and the unaudited condensed financial statements of CL&P are herein collectively referred to as the "financial statements."

Refer to the Glossary of Terms included in this combined Quarterly Report on Form 10-Q 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.

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 Quarterly Report on Form 10-Q and in Eversource's 2017 combined Annual Report on Form 10-K. This combined Quarterly Report on Form 10-Q and Eversource's 2017 combined Annual Report on Form 10-K also describe 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.

39

Financial Condition and Business Analysis

Executive Summary

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

Earnings Overview:

- We earned $289.4 million, or $0.91 per share, in the third quarter of 2018, and $801.7 million, or $2.52 per share, in the first nine months of 2018, compared with $260.4 million, or $0.82 per share, in the third quarter of 2017, and $750.6 million, or $2.36 per share, in the first nine months of 2017.

- Our electric distribution segment earned $173.8 million, or $0.55 per share, in the third quarter of 2018, and $379.3 million, or $1.19 per share, in the first nine months of 2018, compared with $157.4 million, or $0.50 per share, in the third quarter of 2017, and $393.4 million, or $1.24 per share, in the first nine months of 2017. Our electric transmission segment earned $109.5 million, or $0.34 per share, in the third quarter of 2018, and $329.6 million, or $1.04 per share, in the first nine months of 2018, compared with $99.0 million, or $0.31 per share, in the third quarter of 2017, and $289.6 million, or $0.91 per share, in the first nine months of 2017. Our natural gas distribution segment had a net loss of $12.6 million, or $0.04 per share, in the third quarter of 2018, and earnings of $50.2 million, or $0.16 per share, in the first nine months of 2018, compared with a net loss of $6.2 million, or $0.02 per share, in the third quarter of 2017, and earnings of $49.1 million, or $0.15 per share, in the first nine months of 2017. Our water distribution segment earned $17.6 million, or $0.06 per share in the third quarter of 2018, and $26.3 million, or $0.08 per share, in the first nine months of 2018.

- Eversource parent and other companies earned $1.1 million in the third quarter of 2018 and $16.3 million, or $0.05 per share, in the first nine months of 2018, compared with $10.2 million, or $0.03 per share, in the third quarter of 2017 and $18.5 million, or $0.06 per share, in the first nine months of 2017.

Liquidity:

- Cash flows provided by operating activities totaled $1.41 billion in the first nine months of 2018, compared with $1.48 billion in the first nine months of 2017. Investments in property, plant and equipment totaled $1.89 billion in the first nine months of 2018, compared with $1.64 billion in the first nine months of 2017. Cash and cash equivalents totaled $59.1 million as of September 30, 2018, compared with $38.2 million as of December 31, 2017.

- In the third quarter of 2018, we issued $150 million of new long-term debt, consisting of $50 million by Yankee Gas and $100 million by NSTAR Gas. Proceeds from these new issuances were used primarily to repay short-term borrowings and repay long-term debt at maturity.

- On September 10, 2018, our Board of Trustees approved a common share dividend payment of $0.505 per share, which was paid on September 28, 2018, to shareholders of record as of September 21, 2018.

Strategic, Legislative, Regulatory, Policy and Other Items:

- 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 U.S. Court of Appeals for the D.C. Circuit. 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 them in each of the four complaint proceedings. Briefs and reply briefs will be filed in the first quarter of 2019.

- In the third quarter of 2018, we recorded an other-than-temporary impairment charge to our investment in the Access Northeast project of $32.9 million pre-tax ($26 million after-tax), representing the full carrying value of our equity method investment. As a result of certain non-Eversource natural gas related events in eastern Massachusetts in September 2018 that resulted in widespread damage, 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 changes affecting the natural gas industry and pipeline expansion, which may significantly delay the completion of the Access Northeast project.

- On August 26, 2018, PSNH completed the sale of its hydroelectric generation assets. In accordance with the Purchase and Sale Agreement dated October 11, 2017, the original purchase price of $83 million was adjusted to reflect contractual adjustments totaling $5.7 million, resulting in net proceeds of $77.3 million. As of August 26, 2018, PSNH no longer owns any generation facilities.

40

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 third quarter and the first nine months of 2018 and 2017.

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018		2017		2018		2017	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net Income Attributable to Common Shareholders (GAAP)	$289.4	$0.91	$260.4	$0.82	$801.7	$2.52	$750.6	$2.36
Regulated Companies	$288.3	$0.91	$250.2	$0.79	$785.4	$2.47	$732.1	$2.30
Eversource Parent and Other Companies	1.1	—	10.2	0.03	16.3	0.05	18.5	0.06
Net Income Attributable to Common Shareholders (GAAP)	$289.4	$0.91	$260.4	$0.82	$801.7	$2.52	$750.6	$2.36

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

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2018		2017		2018		2017	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Electric Distribution	$173.8	$0.55	$157.4	$0.50	$379.3	$1.19	$393.4	$1.24
Electric Transmission	109.5	0.34	99.0	0.31	329.6	1.04	289.6	0.91
Natural Gas Distribution	(12.6)	(0.04)	(6.2)	(0.02)	50.2	0.16	49.1	0.15
Water Distribution	17.6	0.06	N/A	N/A	26.3	0.08	N/A	N/A
Net Income - Regulated Companies	$288.3	$0.91	$250.2	$0.79	$785.4	$2.47	$732.1	$2.30

Our electric distribution segment earnings increased $16.4 million in the third quarter of 2018, as compared to the third quarter of 2017, due primarily to the impact of the CL&P base distribution rate increase effective May 1, 2018, the recognition of carrying charges on PSNH storm costs approved for recovery, higher sales volumes at PSNH, higher non-service income from our benefit plans, and a gain on the sale of property at PSNH. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act. The earnings increase was partially offset by higher operations and maintenance expense, lower generation earnings at PSNH due to the sale of its thermal and hydroelectric generation assets in 2018, higher depreciation expense and higher property and other tax expense.

Our electric distribution segment earnings decreased $14.1 million in the first nine months of 2018, as compared to the first nine months of 2017, due primarily to lower generation earnings at PSNH due to the sales of its thermal and hydroelectric generation assets in 2018, higher operations and maintenance expense, higher depreciation 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, the recognition of carrying charges on PSNH storm costs approved for recovery, and a gain on the sale of property at PSNH. 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 $10.5 million and $40.0 million in the third quarter and first nine months of 2018, respectively, as compared to the third quarter and first nine months of 2017, due primarily to a higher transmission rate base as a result of our continued investment in our transmission infrastructure.

Our natural gas distribution segment earnings decreased $6.4 million in the third quarter of 2018, as compared to the third quarter of 2017, due primarily to higher operations and maintenance expense.

Our natural gas distribution segment earnings increased $1.1 million in the first nine months of 2018, as compared to the first nine months of 2017, due primarily to an increase in sales volumes and demand revenues driven by colder January and April weather in Connecticut in 2018, as compared to the same periods in 2017, as well as growth in new customer base, partially offset by higher operations and maintenance expense and higher depreciation expense.

Our third quarter and first nine months of 2018 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 had earnings of $1.1 million in the third quarter of 2018 and $16.3 million in the first nine months of 2018, compared with $10.2 million in the third quarter of 2017 and $18.5 million in the first nine months of 2017. The decrease in earnings in both periods was due primarily to a pre-tax $32.9 million ($26 million after-tax) other-than-temporary impairment to our equity method investment in the Access Northeast project and higher interest expense, partially offset by a lower effective tax rate due primarily to an $18 million aggregate after-tax benefit resulting from both federal and Connecticut tax law changes. Earnings in the first nine months were also favorably impacted by increased unrealized gains on our investment in a renewable energy fund and an income tax benefit associated with our investments. For further information on the impairment of our Access Northeast project, see "Business Development and Capital Expenditures - Natural Gas Transmission Business" 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 are 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 impact earnings ("Traditional" in the table below). For CL&P, NSTAR Electric (effective February 1, 2018, as a result of the DPU-approved rate case decision) 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 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 the first nine months of 2018, compared to $18.8 million and $54.7 million in the third quarter and first nine months of 2017, and no longer has an LBR 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 three and nine months ended September 30, 2018, as compared to 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		2018	2017 (2)	
Three Months Ended September 30:									
Traditional	2,206	2,020	9.2 %	5,984	5,550	7.8 %	732	706	3.7 %
Decoupled	13,110	12,076	8.6 %	4,674	4,828	(3.2)%	7,118	7,257	(1.9)%
Special Contracts (3)	N/A	N/A	N/A	684	1,147	(40.4)%	N/A	N/A	N/A
Total - Decoupled and Special Contracts	13,110	12,076	8.6 %	5,358	5,975	(10.3)%	7,118	7,257	(1.9)%

Total Sales Volumes	15,316	14,096	8.7 %	11,342	11,525	(1.6)%	7,850	7,963	(1.4)%
Nine Months Ended September 30:									
Traditional	7,857	7,542	4.2 %	35,745	32,233	10.9 %	1,684	1,608	4.7 %
Decoupled	32,814	31,889	2.9 %	35,358	33,958	4.1 %	16,491	17,084	(3.5)%
Special Contracts (3)	N/A	N/A	N/A	2,222	3,495	(36.4)%	N/A	N/A	N/A
Total - Decoupled and Special Contracts	32,814	31,889	2.9 %	37,580	37,453	0.3 %	16,491	17,084	(3.5)%
Total Sales Volumes	40,671	39,431	3.1 %	73,325	69,686	5.2 %	18,175	18,692	(2.8)%

(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 September 2017 as decoupled, to conform to the 2018 presentation for comparative purposes.

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

(3) 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.

42

Traditional retail electric sales volumes were higher in the third quarter of 2018, as compared to the third quarter of 2017, due primarily to warmer summer weather in 2018. Traditional retail electric sales volumes were higher in the first nine months of 2018, as compared to the first nine months of 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 the third quarter and first nine months of 2018 were 50.3 percent and 28.3 percent higher in New Hampshire, respectively, as compared to the same periods in 2017. Heating degree days in January of 2018 were 21.7 percent higher in the Boston metropolitan, 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 the first nine months of 2018, as compared to the first nine months of 2017, due primarily to colder January and April weather in 2018. Heating degree days in the first nine months of 2018 were 4.1 percent higher in Connecticut, as compared to the first nine months of 2017.

Liquidity

Cash and cash equivalents totaled $59.1 million as of September 30, 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. The revolving credit facility terminates on December 8, 2022 and 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. The revolving credit facility terminates on December 8, 2022 and serves to backstop NSTAR Electric's $650 million commercial paper program.

There were no borrowings outstanding on either the Eversource parent or NSTAR Electric revolving credit facilities as of September 30, 2018 or December 31, 2017. Eversource's water distribution segment has a $100 million revolving credit facility, which expires on August 19, 2019, and there were no amounts outstanding as of September 30, 2018 and $76.0 million outstanding as of December 31, 2017.

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

	Borrowings Outstanding as of		Available Borrowing Capacity as of		Weighted-Average Interest Rate as of	
(Millions of Dollars)	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Eversource Parent Commercial Paper Program	$826.7	$ 979.3	$623.3	$ 470.7	2.34 %	1.86 %
NSTAR Electric Commercial Paper Program	240.5	234.0	409.5	416.0	2.17 %	1.55 %

Amounts outstanding under the commercial paper programs and revolving credit facility are included in Notes Payable for Eversource and NSTAR Electric and are classified in current liabilities on the 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.

As of September 30, 2018, there were intercompany loans from Eversource parent of $45.9 million to CL&P, $46.6 million to PSNH and $16.0 million to Harbor Electric Energy Company, a wholly-owned subsidiary of NSTAR Electric. Intercompany loans from Eversource parent to other Eversource subsidiaries primarily included $196.9 million to Eversource Service, $108.0 million to Aquarion, and $117.2 million to NSTAR Gas as of September 30, 2018. 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 to other Eversource subsidiaries primarily included $115.9 million to Eversource Service and $198.0 million to NSTAR Gas as of December 31, 2017. These 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. Intercompany loans from Eversource parent are eliminated in consolidation on Eversource'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
Other:					
Eversource Parent 2.50% Series I Senior Notes [1]	January 2018	200.0		March 2021	Repaid long-term debt that matured in 2018 and 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 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
NSTAR Gas 4.09% Series P First Mortgage Bonds	September 2018	100.0		October 2048	Repaid short-term borrowings
Yankee Gas 6.90% Series J First Mortgage Bonds	October 2018	(100.0	)	October 2018	Repaid at maturity on October 1, 2018

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

On October 10, 2018, PSNH delivered a redemption notice for its $89.3 million adjustable rate 2001 Series A Pollution Control Revenue Bonds. The bonds, which are scheduled to mature on May 1, 2021, will be redeemed on November 28, 2018 at a redemption price of $89.3 million. The bonds are classified as Long-Term Debt on the balance sheet as of September 30, 2018.

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 RRBs to finance PSNH's unrecovered stranded 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 stranded costs resulting from the divestiture of PSNH's generation assets.

The proceeds were used 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.

Cash Flows: Cash flows provided by operating activities totaled $1.41 billion in the first nine months of 2018, compared with $1.48 billion in the first nine months of 2017. The decrease in operating cash flows was due primarily to cash payments made in 2018 for storm restoration costs of approximately $228 million, an increase of $67.4 million in income tax payments made in the first nine months of 2018, as compared to 2017, and the unfavorable impacts related to the timing of payments of our working capital items, including accounts receivable. Partially offsetting these unfavorable impacts were the timing of cash collected for regulatory tracking mechanisms and a decrease of $9.0 million in 2018 of pension and PBOP contributions.

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.

On September 10, 2018, our Board of Trustees approved a common share dividend payment of $0.505 per share, which was paid on September 28, 2018, to shareholders of record as of September 21, 2018. In the first nine months of 2018, we paid cash dividends of $480.1 million, compared with $451.6 million paid in the first nine months of 2017.

In the first nine months of 2018, CL&P, NSTAR Electric and PSNH paid $60.0 million, $161.0 million, and $150.0 million, respectively, in common stock dividends to Eversource parent. In the first nine months of 2018, PSNH returned $530 million of capital to Eversource parent.

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 the first nine months of 2018, investments for Eversource, CL&P, NSTAR Electric, and PSNH were $1.89 billion, $660.7 million, $539.0 million, and $236.2 million respectively.

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 $1.96 billion in the first nine months of 2018, compared to $1.69 billion in the first nine months of 2017. These amounts included $113.9 million and $97.8 million in the first nine months of 2018 and 2017, respectively, related to information technology and facilities upgrades and enhancements, primarily at Eversource Service and The Rocky River Realty Company.

Offshore Wind Projects: Bay State Wind is a proposed offshore wind project being jointly developed by Eversource and Denmark-based Ørsted. Bay State Wind will be located in a 300-square-mile area of the Atlantic Ocean approximately 25 miles off the coast of Massachusetts that 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.

Based on current clean energy requirements in New England and New York, future solicitations for offshore wind are expected to occur in late 2018 and early 2019. Bay State Wind expects to participate, or has submitted proposals, in some or all of the following opportunities:

- Connecticut issued an RFP for zero carbon resources for up to 12 terawatt hours, in which nuclear and clean energy resources, including offshore wind, are eligible to participate. Bay State Wind submitted its bid in September 2018. We currently expect a decision in late 2018 or early 2019.

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

- New York has a goal to procure 2,400 MW of offshore wind by 2030. The New York State Energy Research and Development Authority ("NYSERDA") issued a draft RFP for 800 MW in September 2018, and the final RFP is expected to be issued in the fourth quarter of 2018. NYSERDA has the authority to award more than 800 MW in the first solicitation if sufficient attractive offers are received. Contracts are expected to be awarded in 2019.

Bay State Wind had previously participated in certain other New England RFPs earlier this year and was not selected.

Natural Gas Transmission Business: Access Northeast is a natural gas pipeline and storage project being developed jointly 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 in 2017 or 2018.

In September 2018, certain non-Eversource natural gas related events 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 related event, compounded by the adverse legislative environment, as negative evidence that indicated potential impairment. Our impairment assessment uses a discounted cash flow income approach, including consideration of the severity and duration of any decline in fair value of our investment in the project, and involves significant management judgment and estimation, including projections of the project's discounted cash flows and assumptions about exit price. As of September 30, 2018, management determined that the future cash flows of the Access Northeast project are uncertain and can no longer be reasonably estimated and that the book value of our equity method investment is not recoverable. As a result, for the three months ended September 30, 2018, Eversource recorded an other-than-temporary impairment of $32.9 million within Other Income, Net on our statement of income, representing the full carrying value of our equity method investment.

Electric Transmission Business: Our consolidated electric transmission business capital expenditures increased by $124.4 million in the first nine months of 2018, as compared to the first nine months of 2017. A summary of electric transmission capital expenditures by company is as follows:

	For the Nine Months Ended September 30,	
(Millions of Dollars)	2018	2017
CL&P	$346.7	$300.7
NSTAR Electric	210.8	179.4
PSNH	142.1	87.4
NPT	24.4	32.1
Total Electric Transmission Segment	$724.0	$599.6

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:

- 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.

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, based on the NHSEC's failure to follow applicable law in its review of the project. On October 12, 2018, the New Hampshire Supreme Court accepted this appeal and directed the NHSEC to transmit the record of its proceedings to the Court by December 11, 2018. The Supreme Court has not yet issued a schedule for the balance of the appeal process. In parallel, NPT intends to continue to pursue all available options to secure NHSEC approval and to construct the 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. The events that occurred subsequent to March 31, 2018 did not require an additional review of recoverability of the Northern Pass project costs as of September 30, 2018, which were approximately $302 million.

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 $302 million of capitalized project costs being impaired. Such an impairment could have a material adverse effect on our financial position and results of operations.

Greater Boston Reliability Solution: 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. Construction has also begun on multiple projects, several of which have been placed in service. Most upgrades are expected to be completed by the end of 2019. One project is now 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 $311.4 million has been capitalized through September 30, 2018.

GHCC: 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 scheduled to be placed in service through 2019. As of September 30, 2018, 21 projects have been placed in service, and six projects are in active construction. As of September 30, 2018, CL&P had capitalized $226.5 million in costs associated with GHCC.

Seacoast Reliability Project: 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. In June 2016, the NHSEC accepted the application as complete. On February 28, 2018, the New Hampshire Department of Environmental Services issued a final decision and recommended approval of the application to the NHSEC. On July 1, 2018, PSNH filed with the NHSEC, per its order, a more detailed review of potential construction methods for installing the underwater line. The review supports the original proposed method of embedding the cable in the floor of the bay as cost effective with minimal environmental impacts. The NHSEC decision is expected in early 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 capitalized $29.4 million in costs through September 30, 2018.

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

	For the Nine Months Ended September 30,						
(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	Total Electric	Natural Gas	Water	Total
2018							
Basic Business	$199.5	$144.6	$57.4	$401.5	$52.7	$10.9	$465.1
Aging Infrastructure	100.7	79.7	61.6	242.0	166.3	51.4	459.7
Load Growth and Other	59.5	39.3	9.1	107.9	38.2	1.8	147.9
Total Distribution	359.7	263.6	128.1	751.4	257.2	64.1	1,072.7
Generation and Solar	—	48.1	0.9	49.0	—	—	49.0
Total	$359.7	$311.7	$129.0	$800.4	$257.2	$64.1	$1,121.7
2017							
Basic Business	$161.8	$126.7	$52.5	$341.0	$51.3	N/A	$392.3
Aging Infrastructure	127.4	65.9	63.9	257.2	149.6	N/A	406.8
Load Growth and Other	41.0	51.7	14.1	106.8	30.6	N/A	137.4
Total Distribution	330.2	244.3	130.5	705.0	231.5	N/A	936.5
Generation and Solar	—	45.5	6.7	52.2	—	N/A	52.2
Total	$330.2	$289.8	$137.2	$757.2	$231.5	N/A	$988.7

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.

FERC Regulatory Matters

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 will need to be certified to the FERC by the Settlement Administrative Law Judge and then ordered on by 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 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.

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").

The ROE 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. 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 September 30, 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 September 30, 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 them in each of the four complaint proceedings. Briefs and reply briefs will be filed in the first quarter of 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, then the 10.41 percent base ROE and a 13.08 percent incentive cap would not have a significant impact on our financial statements for the first complaint period.

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 significant 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 does 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: On March 15, 2018, the FERC issued a notice of inquiry requesting comments from FERC-regulated utilities on whether and how the FERC should address changes in ADIT as a result of the Tax Cuts and Jobs Act. 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 act, which impacts only the revenue requirements we currently bill customers, not the excess ADIT. 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.

Regulatory Developments and Rate Matters

Electric, Natural Gas and Water Base Distribution Rates:

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. Other than as described below, for the first nine months of 2018, changes made to the regulated companies' rates did not have a material impact on their earnings, financial position, or cash flows. For further information, see "Financial Condition and Business Analysis – Regulatory Developments and Rate Matters" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the Eversource 2017 Form 10-K.

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, which we expect to be passed back to customers once reflected in rates, depending on regulatory outcomes, and (2) the provisional regulated excess ADIT liabilities that we expect will benefit our customers in future periods, which were estimated to be approximately $2.9 billion and included in regulatory liabilities as of September 30, 2018.

Eversource established a 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 September 30, 2018, this liability, net of amounts refunded to customers, was $36.2 million.

For 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:

CL&P Rate Case Settlement: 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 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 also 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 distribution rates charged to customers were adjusted to reflect the prospective impacts of a lower federal income tax rate from the Tax Cuts and Jobs Act. Amounts related to the excess ADIT liabilities will be incorporated into the May 1, 2019 distribution rate change. The settlement agreement also incorporated $18.6 million of rate base recovery for catastrophic storms occurring after December 31, 2016, subject to a future storm filing.

Yankee Gas Rate Case Settlement: On June 15, 2018, Yankee Gas filed its rate case application with PURA. On September 21, 2018, an amended settlement agreement was reached with the Office of Consumer Counsel and the prosecutorial division of the PURA and filed for approval by PURA, which included revised 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 part of the settlement, Yankee Gas proposed to continue its ongoing natural gas system expansion program, implement a Distribution Integrity Management Program cost recovery mechanism that includes recovery of approximately $26 million to $37 million of capital additions annually in excess of $150 million included in rate base per year, implement a revenue decoupling rate mechanism, and recover merger costs. The settlement agreement includes a regulatory ROE of 9.3 percent. In addition, the distribution rates to be charged to customers will be 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 excess ADIT from the Tax Cuts and Jobs Act. The settlement results in new rates effective November 15, 2018. A final decision from PURA is expected in late 2018.

Massachusetts:

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 will address the excess ADIT issue and any potential refunds for the periods January 1, 2018 to the effective dates of the rate changes that have occurred. On September 19, 2018, NSTAR Electric submitted a filing to the DPU to adjust rates to refund the excess ADIT to customers, effective January 1, 2019. NSTAR Gas' excess ADIT is pending DPU approval.

49

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 the second half of 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.

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, resulting in net proceeds of $134.1 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 $5.7 million, resulting in net proceeds of $77.3 million. The difference between the carrying value of the hydroelectric generation assets and the sale proceeds resulted in a gain of $17.2 million. An estimated gain from the sale of these assets was included as an offset to the total stranded costs associated with the sale of generation assets.

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 stranded costs resulting from the divestiture of PSNH's generation assets. These bonds are secured by a non-bypassable charge billed to PSNH's customers. PSNH recorded regulatory assets and other deferred costs in connection with the generation asset divestiture and the securitization of stranded 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. Distribution rates are to reflect the deferred excess ADIT, the impact of 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 September 30, 2018, PSNH has recorded a reserve of $9.4 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.

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 funding 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 approval, PSNH recognized $8.7 million (pre-tax) within Other Income, Net on our statement of income in the third quarter of 2018 for the equity return component of the carrying charges, which have been billed and collected. Storm costs incurred from March 2013 through 2016 are currently being audited by the NHPUC staff. As of September 30, 2018, the pre-tax equity return component of the carrying charges related to storms incurred after March 2013 was $6.5 million, which will be recognized to earnings upon NHPUC approval of those storm costs.

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 communicates to and discusses with the Audit Committee of our Board of Trustees significant matters relating to critical accounting policies. Our critical accounting policies that we believed were the most critical in nature were reported in the Eversource 2017 Form 10-K. There have been no material changes with regard to these critical accounting policies.

See Note 1C, "Summary of Significant Accounting Policies – Northern Pass," and Note 1D, "Summary of Significant Accounting Policies – Impairment of Access Northeast," to the financial statements for further discussion of critical accounting estimates surrounding impairment analysis.

Other Matters

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

Contractual Obligations and Commercial Commitments: There have been no material contractual obligations identified and no material changes with regard to the contractual obligations and commercial commitments previously disclosed in the Eversource 2017 Form 10-K.

Web Site: Additional financial information is available through our website at 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 combined Quarterly Report on Form 10-Q.

51

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 three and nine months ended September 30, 2018 and 2017 included in this combined Quarterly Report on Form 10-Q:

(Millions of Dollars)	For the Three Months Ended September 30, 2018	2017	Increase/ (Decrease)	For the Nine Months Ended September 30, 2018	2017	Increase/ (Decrease)
Operating Revenues	$2,271.4	$1,988.5	$ 282.9	$6,413.2	$5,856.5	$ 556.7
Operating Expenses:						
Purchased Power, Fuel and Transmission	842.3	651.8	190.5	2,443.0	1,955.1	487.9
Operations and Maintenance	344.5	307.7	36.8	970.9	956.3	14.6
Depreciation	208.7	194.5	14.2	612.1	571.2	40.9
Amortization	92.7	41.8	50.9	174.1	58.1	116.0
Energy Efficiency Programs	130.0	129.2	0.8	366.1	391.8	(25.7)
Taxes Other Than Income Taxes	187.2	168.2	19.0	547.1	479.6	67.5
Total Operating Expenses	1,805.4	1,493.2	312.2	5,113.3	4,412.1	701.2
Operating Income	466.0	495.3	(29.3)	1,299.9	1,444.4	(144.5)
Interest Expense	125.2	108.7	16.5	372.7	319.5	53.2
Other Income, Net	16.7	28.5	(11.8)	100.6	79.2	21.4
Income Before Income Tax Expense	357.5	415.1	(57.6)	1,027.8	1,204.1	(176.3)
Income Tax Expense	66.2	152.8	(86.6)	220.5	447.9	(227.4)
Net Income	291.3	262.3	29.0	807.3	756.2	51.1
Net Income Attributable to Noncontrolling Interests	1.9	1.9	—	5.6	5.6	—
Net Income Attributable to Common Shareholders	$289.4	$260.4	$ 29.0	$801.7	$750.6	$ 51.1

Operating Revenues

Operating Revenues by segment increased/(decreased) for the three and nine months ended September 30, 2018, as compared to the same periods in 2017, as follows (the variance in electric distribution revenues reflects intercompany transmission billings in both periods):

(Millions of Dollars)	Three Months Ended	Nine Months Ended
Electric Distribution	$210.3	$338.1
Natural Gas Distribution	(0.2)	41.7
Electric Transmission	2.1	(17.0)
Water Distribution	63.5	161.5
Other	0.4	15.0
Eliminations	6.8	17.4
Total Operating Revenues	$282.9	$556.7

Sales Volumes: 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 three and nine months ended September 30, 2018, as compared to 2017, is as follows:

	Electric Sales Volumes (GWh)	Percentage Increase	Firm Natural Gas Sales Volumes (MMcf)	Percentage Increase/ (Decrease)	Water Sales Volumes (MG)	Percentage Increase/ (Decrease)

	2018	2017 (1)		2018	2017		2018	2017 (2)	
Three Months Ended September 30:									
Traditional	2,206	2,020	9.2 %	5,984	5,550	7.8 %	732	706	3.7 %
Decoupled	13,110	12,076	8.6 %	4,674	4,828	(3.2)%	7,118	7,257	(1.9)%
Special Contracts (3)	N/A	N/A	N/A	684	1,147	(40.4)%	N/A	N/A	N/A
Total - Decoupled and Special Contracts	13,110	12,076	8.6 %	5,358	5,975	(10.3)%	7,118	7,257	(1.9)%
Total Sales Volumes	15,316	14,096	8.7 %	11,342	11,525	(1.6)%	7,850	7,963	(1.4)%
Nine Months Ended September 30:									
Traditional	7,857	7,542	4.2 %	35,745	32,233	10.9 %	1,684	1,608	4.7 %
Decoupled	32,814	31,889	2.9 %	35,358	33,958	4.1 %	16,491	17,084	(3.5)%
Special Contracts (3)	N/A	N/A	N/A	2,222	3,495	(36.4)%	N/A	N/A	N/A
Total - Decoupled and Special Contracts	32,814	31,889	2.9 %	37,580	37,453	0.3 %	16,491	17,084	(3.5)%
Total Sales Volumes	40,671	39,431	3.1 %	73,325	69,686	5.2 %	18,175	18,692	(2.8)%

52

(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 September 2017 as decoupled, to conform to the 2018 presentation for comparative purposes.

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

(3) 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 impact earnings ("Traditional" in the table above). For CL&P, NSTAR Electric (effective February 1, 2018, as a result of the DPU-approved rate case decision) 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). Fluctuations in water sales volumes largely do not impact earnings as our Connecticut water distribution business is decoupled.

CL&P and NSTAR Electric reconcile their annual base distribution rate recovery amounts to their respective pre-established levels of baseline distribution delivery service revenues of approximately $1.1 billion (effective May 1, 2018) and $947 million, respectively. 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.

Three Months Ended: Operating Revenues, which primarily consist of base distribution revenues and tracked revenues further described below, increased $282.9 million for the three months ended September 30, 2018, as compared to the same period in 2017.

Base Electric and Natural Gas Distribution Revenues:

- Electric distribution revenues increased $9.7 million due primarily to 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 driven by warmer summer weather in 2018. The increase in revenues was partially offset by 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).

- Electric distribution revenues decreased $3.1 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.

- Base natural gas distribution revenues increased $1.1 million due primarily to an increase in demand revenues. The increase in revenues was more than offset by a $3.5 million decrease due to the liability established to reflect the impact of the reduction in federal corporate income tax rates, effective January 1, 2018. Effective July 1, 2018 for NSTAR Gas, rates charged to customers have been adjusted to reflect the new federal corporate income tax rate.

Tracked Electric and Natural Gas 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 (including securitized RRB charges). In addition, tracked revenues include certain incentives earned and carrying charges that are billed in rates to customers.

- Tracked electric distribution revenues increased as a result of an increase in electric energy supply costs ($97.4 million), driven by increased average retail prices. In addition, there was an increase in stranded cost recovery revenues ($31.7 million) and an increase in retail electric transmission charges ($24.6 million).

- Tracked natural gas distribution revenues increased as a result of an increase in natural gas supply costs ($3.0 million).

Water: Water operating revenues totaled $63.5 million for the three months ended September 30, 2018 as a result of the acquisition of Aquarion on December 4, 2017.

Electric Transmission Revenues: The electric transmission segment revenues increased $2.1 million due to an increase related to ongoing investments in our transmission infrastructure, partially offset by lower revenue requirements primarily related to the lower federal corporate income tax rate that was reflected in 2018 transmission revenues.

Nine Months Ended: Operating Revenues, which primarily consist of base distribution revenues and tracked revenues further described below, increased $556.7 million for the nine months ended September 30, 2018, as compared to the same period in 2017.

Base Electric and Natural Gas Distribution Revenues:

- Electric distribution revenues decreased $39.6 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 $29.5 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.

- Base natural gas distribution revenues increased $10.7 million due primarily to an increase in sales volumes and demand revenues driven by colder January and April weather in Connecticut in 2018, as well as growth in new customer base. The increase in revenues was more than offset by an $11.5 million decrease due to the liability established to reflect the impact of the reduction in federal corporate income tax rates, effective January 1, 2018. Effective July 1, 2018 for NSTAR Gas, rates charged to customers have been adjusted to reflect the new federal corporate income tax rate.

Tracked Electric and Natural Gas 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 (including securitized RRB charges). In addition, tracked revenues include certain incentives earned and carrying charges that are billed in rates to customers.

- Tracked electric distribution revenues increased as a result of an increase in electric energy supply costs ($234.1 million), driven by increased average retail prices. In addition, there was an increase in stranded cost recovery revenues ($49.9 million) and an increase in retail electric transmission charges ($57.4 million).

- Tracked natural gas distribution revenues increased as a result of an increase in natural gas supply costs ($36.6 million) and an increase in energy efficiency program revenues ($4.6 million).

Water: Water operating revenues totaled $161.5 million for the nine months ended September 30, 2018 as a result of the acquisition of Aquarion on December 4, 2017.

Electric Transmission Revenues: The electric transmission segment revenues decreased $17.0 million due 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 for the three and nine months ended September 30, 2018, as compared to the same periods in 2017, due primarily to the following:

(Millions of Dollars)	Three Months Ended	Nine Months Ended
Electric Distribution	$ 145.8	$ 338.4
Natural Gas Distribution	2.9	31.0
Transmission	36.3	79.0
Water Distribution	0.4	1.1
Eliminations	5.1	38.4
Total Purchased Power, Fuel and Transmission	$ 190.5	$ 487.9

54

The variance in electric distribution reflects intercompany transmission charges in both periods. The increase in purchased power expense at the electric distribution business for the three and nine months ended September 30, 2018, as compared to the same periods in 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 the first nine months of 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 for the three and nine months ended September 30, 2018, as compared to the same periods in 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/(decreased) for the three and nine months ended September 30, 2018, as compared to the same periods in 2017, due primarily to the following:

(Millions of Dollars)	Three Months Ended	Nine Months Ended
Base Electric Distribution (Non-Tracked Costs):		
Employee-related expenses, including labor and benefits	$ 26.4	$ 30.7
Bad debt expense	2.6	13.6
Shared corporate costs (including computer software depreciation at Eversource Service)	(8.8)	1.1
Storm restoration costs	(3.3)	(11.4)
Operations-related expenses, including vegetation management, vehicles, and outside services (excluding storm restoration costs)	(1.8)	(12.9)
Other non-tracked operations and maintenance	5.1	5.7
Total Base Electric Distribution (Non-Tracked Costs)	20.2	26.8
Base Natural Gas Distribution (Non-Tracked Costs)	3.8	11.3
Water Distribution (Addition of Aquarion operations and maintenance expenses due to acquisition on December 4, 2017)	20.5	59.4
Tracked Costs (Electric Distribution, Electric Transmission and Natural Gas Distribution) - Decrease primarily due to lower PSNH generation operations expenses due to the 2018 sales of thermal and hydroelectric generation assets and lower transmission expenses	(16.5)	(78.2)
Other and eliminations:		
Eversource Parent and Other Companies - other operations and maintenance	(1.2)	(1.1)
Eliminations	10.0	(3.6)
Total Operations and Maintenance	$ 36.8	$ 14.6

Depreciation expense increased for the three and nine months ended September 30, 2018, as compared to the same periods in 2017, due primarily to higher net 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 commission-approved cost tracking mechanisms, and the amortization of certain costs. This deferral adjusts expense to match the corresponding revenues. Amortization increased for the three and nine months ended September 30, 2018, as compared to the same periods in 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.

Energy Efficiency Programs expense decreased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to a State of Connecticut policy change requiring CL&P to remit 2018 energy efficiency funds to the State of Connecticut. For the three and nine months ended September 30, 2018, these amounts totaled $10.7 million and $36.1 million, respectively. 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.

Taxes Other Than Income Taxes expense increased for the three and nine months ended September 30, 2018, as compared to the same periods in 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 $10.7 million and $36.1 million for the three and nine months ended September 30, 2018, respectively), as well as higher property taxes due to higher utility plant in service balances.

55

Interest Expense increased for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to an increase in interest on long-term debt ($5.9 million) as a result of new debt issuances, the addition of Aquarion interest in 2018 ($6.4 million), interest expense on the 2018 RRB issuance ($6.0 million) and an increase in interest on short-term borrowings ($2.7 million), partially offset by higher AFUDC related to debt funds ($1.9 million) and a decrease in regulatory deferrals, primarily at NSTAR Electric, which decreased interest expense ($1.3 million).

Interest Expense increased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to an increase in interest on long-term debt ($29.0 million) as a result of new debt issuances, the addition of Aquarion interest in 2018 ($19.2 million), interest expense on the 2018 RRB issuance ($8.8 million) and an increase in interest on short-term borrowings ($6.5 million), partially offset by higher AFUDC related to debt funds ($5.9 million) and a decrease in regulatory deferrals, primarily at NSTAR Electric, which decreased interest expense ($3.3 million).

Other Income, Net decreased for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to a decrease in equity in earnings of unconsolidated affiliates related to Eversource's equity investments ($33.0 million) and changes in the market value related to deferred compensation plans ($3.6 million). In the third quarter of 2018, Eversource recognized a $32.9 million other-than-temporary impairment to our equity method investment in the Access Northeast project, which was reflected as a loss within equity in earnings. These decreases were partially offset by higher AFUDC related to equity funds ($2.8 million), the recognition of $8.7 million of the equity return component of the carrying charges related to storms incurred from August 2011 through March 2013 at PSNH, an increase related to pension, SERP and PBOP non-service income components ($7.5 million) and gains on the sale of property ($5.0 million).

Other Income, Net increased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to higher AFUDC related to equity funds ($8.8 million), the recognition of $8.7 million of the equity return component of the carrying charges related to storms incurred from August 2011 through March 2013 at PSNH, an increase related to pension, SERP and PBOP non-service income components ($21.7 million) and gains on the sale of property ($5.0 million). Partially offsetting these increases was a decrease in equity in earnings of unconsolidated affiliates related to Eversource's equity investments ($23.4 million), driven by a $32.9 million other-than-temporary impairment to our equity method investment in the Access Northeast project. The equity in earnings decrease was partially offset by increased unrealized gains on our investment in a renewable energy fund.

Income Tax Expense decreased for the three months ended September 30, 2018, as compared to the same period in 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 ($63.5 million), partially offset by higher state taxes ($1.2 million). Income tax expense was further decreased by the impairment of Access Northeast ($6.9 million), return to provision items ($1.2 million), and 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 based on new information from a change in Connecticut tax law ($18.0 million), all partially offset by items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($1.8 million).

Income Tax Expense decreased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to a reduction in the federal corporate income tax rate from 35 percent to 21 percent and lower pre-tax earnings ($198.9 million) and by the impairment of Access Northeast ($6.9 million). Income tax expense was further decreased by return to provision items ($1.2 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 based on new information from a change in Connecticut tax law ($18.0 million), and by flow-through items and permanent differences ($2.4 million).

56

RESULTS OF OPERATIONS –
THE CONNECTICUT LIGHT AND POWER COMPANY
NSTAR ELECTRIC COMPANY AND SUBSIDIARY
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARIES

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for CL&P, NSTAR Electric and PSNH for the nine months ended September 30, 2018 and 2017 included in this combined Quarterly Report on Form 10-Q:

	For the Nine Months Ended September 30,								
	CL&P			NSTAR Electric			PSNH		
(Millions of Dollars)	2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)
Operating Revenues	$2,344.9	$2,173.6	$ 171.3	$2,400.3	$2,290.4	$ 109.9	$792.7	$733.6	$ 59.1
Operating Expenses:									
Purchased Power, Fuel and Transmission	850.8	711.2	139.6	981.9	799.0	182.9	294.0	179.3	114.7
Operations and Maintenance	355.5	361.1	(5.6)	344.5	346.5	(2.0)	153.3	195.6	(42.3)
Depreciation	208.9	184.3	24.6	205.2	204.4	0.8	69.5	95.3	(25.8)
Amortization of Regulatory Assets/(Liabilities), Net	97.4	58.8	38.6	35.5	17.2	18.3	41.3	(10.7)	52.0
Energy Efficiency Programs	71.6	106.5	(34.9)	229.4	228.5	0.9	15.7	11.0	4.7
Taxes Other Than Income Taxes	267.7	223.4	44.3	145.7	130.6	15.1	59.8	67.0	(7.2)
Total Operating Expenses	1,851.9	1,645.3	206.6	1,942.2	1,726.2	216.0	633.6	537.5	96.1
Operating Income	493.0	528.3	(35.3)	458.1	564.2	(106.1)	159.1	196.1	(37.0)
Interest Expense	113.1	106.6	6.5	80.8	88.7	(7.9)	44.0	38.7	5.3
Other Income, Net	20.7	15.4	5.3	40.6	24.6	16.0	24.3	7.3	17.0
Income Before Income Tax Expense	400.6	437.1	(36.5)	417.9	500.1	(82.2)	139.4	164.7	(25.3)
Income Tax Expense	102.0	159.5	(57.5)	112.2	196.0	(83.8)	37.9	65.1	(27.2)
Net Income	$298.6	$277.6	$ 21.0	$305.7	$304.1	$ 1.6	$101.5	$99.6	$ 1.9

Operating Revenues
Sales Volumes: A summary of our retail electric GWh sales volumes was as follows:

	For the Nine Months Ended September 30,			
	2018	2017	Increase	Percent
CL&P	16,376	15,812	564	3.6 %
NSTAR Electric	18,314	17,784	530	3.0 %
PSNH	5,981	5,835	146	2.5 %

Fluctuations in retail electric sales volumes at PSNH impact earnings. For CL&P and NSTAR Electric (effective February 1, 2018, as a result of the DPU-approved rate case decision), fluctuations in retail electric sales volumes do not impact earnings due to their respective regulatory commission-approved distribution revenue decoupling mechanisms.

CL&P and NSTAR Electric reconcile their annual base distribution rate recovery amounts to their respective pre-established levels of baseline distribution delivery service revenues of approximately $1.1 billion (effective May 1, 2018) and $947 million, respectively. 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.

Operating Revenues: Operating Revenues, which consist of base distribution revenues and tracked revenues further described below, increased for the nine months ended September 30, 2018, as compared to the same period in 2017, as follows:

(Millions of Dollars)	CL&P	NSTAR Electric	PSNH
Operating Revenues	$171.3	$109.9	$59.1

57

Base Distribution Revenues:

- CL&P's distribution revenues increased $17.0 million due primarily to the impact of its 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).
- NSTAR Electric's distribution revenues decreased $60.9 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 an increase in January 2018 sales volumes, as compared to January 2017, primarily driven by the colder weather. Effective February 1, 2018, NSTAR Electric operated entirely under a decoupled rate structure, and changes in sales volumes no longer impact earnings.
- PSNH's base distribution revenues increased $4.3 million primarily as a result of an increase in sales volumes in 2018, partially offset by a rate change due to the completion of the full recovery of certain costs in revenues. The rate change did not impact earnings.
- Distribution revenues decreased $16.6 million at CL&P, $3.7 million at NSTAR Electric and $9.2 million at PSNH 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.

Tracked Revenues: Tracked revenues consist of certain costs that are recovered from customers in rates through 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, net metering for distributed generation and restructuring and stranded cost recovery revenues (including securitized RRB charges). In addition, tracked revenues include certain incentives earned and carrying charges that are billed in rates to customers. Tracked revenues increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	CL&P	NSTAR Electric	PSNH
Energy supply procurement	$156.3	$ 80.6	$(2.8)
Retail transmission	(5.1)	62.2	0.3
Stranded cost recovery	2.3	(17.0)	64.6
Other distribution tracking mechanisms	2.0	45.0	6.7

Transmission Revenues: Transmission revenues decreased $8.4 million and $13.4 million at CL&P and NSTAR Electric, respectively, due 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 on behalf of CL&P, NSTAR Electric and PSNH's customers. These energy supply costs are recovered from customers in commission-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). Purchased Power, Fuel and Transmission expense increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	CL&P	NSTAR Electric	PSNH
Purchased Power Costs	$121.0	$ 107.5	$109.9
Transmission Costs	9.5	62.1	7.4

Eliminations	9.1	13.3	(2.6)
Total Purchased Power, Fuel and Transmission	$139.6	$182.9	$114.7

Purchased Power Costs: Included in purchased power costs are the costs associated with providing electric generation service supply to all customers who have not migrated to third party suppliers.

- The increase at CL&P was due primarily to an increase in the price and volume of power procured on behalf of our customers.
- The increase at NSTAR Electric was due primarily to an increase in the price of power procured on behalf of our customers.
- The increase at PSNH was due primarily to higher purchased power energy expenses that are recovered as a component of the Energy Service tracking mechanism. As a result of the sale of its thermal generation assets on January 10, 2018 and its hydroelectric generation assets on August 26, 2018, PSNH purchased power in place of its self-generation output in the first nine months of 2018.

Transmission Costs: Included in transmission costs are charges that recover 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 increase in transmission costs at CL&P, NSTAR Electric and PSNH 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.

Operations and Maintenance expense includes tracked costs and costs that are part of base distribution rates with changes impacting earnings (non-tracked costs). Operations and Maintenance expense increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	CL&P	NSTAR Electric	PSNH
Base Electric Distribution (Non-Tracked Costs):			
Employee-related expenses, including labor and benefits	$16.7	$ 11.5	$2.5
Bad debt expense	6.6	7.1	(0.1)
Storm restoration costs	(10.5)	0.1	(1.0)
Operations-related expenses, including vegetation management, vehicles, and outside services (excluding storm restoration costs)	(9.0)	(0.4)	(3.5)
Other non-tracked operations and maintenance	(2.1)	9.7	(0.8)
Total Base Electric Distribution (Non-Tracked Costs)	1.7	28.0	(2.9)
Tracked Costs:			
Decrease of PSNH generation operations expenses due to the 2018 sales of thermal and hydroelectric generation assets	—	—	(36.3)
Transmission expenses	(9.8)	(10.2)	(1.7)
Other tracked operations and maintenance	2.5	(19.8)	(1.4)
Total Tracked Costs	(7.3)	(30.0)	(39.4)
Total Operations and Maintenance	$(5.6)	$ (2.0)	$(42.3)

Depreciation increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The increase at CL&P was due primarily to higher net plant in service balances and the implementation of new depreciation rates effective with the CL&P distribution rate case settlement agreement.
- The increase at NSTAR Electric was due to higher net plant in service balances, offset by lower depreciation composite rates.
- The decrease at PSNH was due to the sale of the thermal and hydroelectric generation assets in 2018.

Amortization of Regulatory Assets/(Liabilities), Net expense includes the deferral of energy supply and energy-related costs included in certain regulatory-approved cost tracking mechanisms, and the amortization of certain costs. This deferral adjusts expense to match the corresponding revenues. Amortization of Regulatory Assets/(Liabilities), Net increased at CL&P, NSTAR Electric and PSNH for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the deferral adjustment of energy supply and energy-related costs, which can fluctuate from period to period based on the timing of costs incurred and related rate changes to recover these costs. In addition, the increase at PSNH includes amortization of the securitized asset rate reduction bonds in 2018. Energy supply and energy-related costs, which are the primary drivers of amortization, are recovered from customers in rates and have no impact on earnings.

Energy Efficiency Programs expense includes costs for various state energy policy initiatives and expanded energy efficiency programs, the majority of which are recovered from customers in rates and have no impact on earnings. Energy Efficiency Programs expense increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The decrease at CL&P was due primarily to a State of Connecticut policy change requiring CL&P to remit 2018 energy efficiency funds to the State of Connecticut. In the first nine months of 2018, this amount totaled $36.1 million. These costs were collected from CL&P's customers and remitted to the State of Connecticut; as such we have classified this amount as Taxes Other than Income Taxes.

- The increase at PSNH was due to the deferral adjustment, which reflects the actual costs of energy efficiency programs compared to the estimated amounts billed to customers and the timing of the recovery of energy efficiency costs.

Taxes Other Than Income Taxes increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The increase at CL&P was 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 $36.1 million for the first nine months of 2018), as well as higher property taxes due to higher utility plant balances and higher gross earnings taxes (the costs of which are tracked).
- The increase at NSTAR Electric was due primarily to higher property taxes due to higher utility plant balances.
- The decrease at PSNH was due primarily to the absence of property taxes as a result of the sales of its thermal and hydroelectric generation assets in 2018, and a 2018 refund of disputed property taxes for prior years from the Town of Bow, New Hampshire, partially offset by higher property taxes due to higher utility distribution plant balances.

59

Interest Expense increased/(decreased) for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The increase at CL&P was due primarily to higher interest on long-term debt as a result of new debt issuances ($5.9 million).
- The decrease at NSTAR Electric was due primarily to a decrease in regulatory deferrals, which decreased interest expense ($5.6 million) and lower interest on long-term debt ($4.3 million), partially offset by an increase in interest expense on short-term borrowings ($3.3 million).
- The increase at PSNH was due primarily to interest on RRBs ($8.8 million) and higher interest on short-term borrowings ($1.2 million), partially offset by lower interest on long-term debt ($4.8 million).

Other Income, Net increased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The increase at CL&P was due to an increase related to pension, SERP and PBOP non-service income components ($6.0 million) and higher AFUDC related to equity funds ($1.2 million).
- The increase at NSTAR Electric was due to an increase related to pension, SERP and PBOP non-service income components ($12.3 million) and higher AFUDC related to equity funds ($4.8 million), partially offset by amounts related to officer's life insurance policies ($1.5 million).
- The increase at PSNH was due to the recognition of $8.7 million of the equity return component of the carrying charges related to storms incurred from August 2011 through March 2013, a gain on the sale of property ($4.4 million), interest income primarily related to a 2018 refund of disputed property taxes for prior years ($2.6 million), and an increase related to pension, SERP and PBOP non-service income components ($1.9 million).

Income Tax Expense decreased for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

- The decrease at CL&P was 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 ($68.9 million) and state taxes ($5.4 million). This decrease was partially offset by return to provision items ($11.1 million) and by items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($5.7 million).
- The decrease at NSTAR Electric was due primarily to a reduction in the federal corporate tax rate and lower pre-tax earnings ($87.3 million), partially offset by return to provision items ($1.2 million) and by flow-through items and permanent differences ($2.3 million).
- The decrease at PSNH was due primarily to a reduction in the federal corporate income tax rate and lower pre-tax earnings ($28.3 million) and flow-through items and permanent differences ($1.7 million), partially offset by state taxes ($2.8 million).

EARNINGS SUMMARY

CL&P's earnings increased $21.0 million for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to the impact of the CL&P base distribution rate increase effective May 1, 2018, an increase in transmission earnings driven by a higher transmission rate base, and higher non-service income from our benefit plans. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act. The earnings increase was partially offset by higher depreciation expense, higher property and other tax expense, and higher interest expense.

NSTAR Electric's earnings increased $1.6 million for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to an increase in transmission earnings driven by a higher transmission rate base, higher non-service income from our benefit plans, lower interest expense, and lower depreciation expense. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act. The earnings increase was partially offset by higher operations and maintenance expense and higher property tax expense.

PSNH's earnings increased $1.9 million for the nine months ended September 30, 2018, as compared to the same period in 2017, due primarily to an increase in transmission earnings driven by a higher transmission rate base, the recognition of carrying charges on storm costs approved for recovery, a gain on the sale of property, lower operations and maintenance expense, higher sales volumes, and lower property tax expense due to the 2018 refund of disputed property taxes for prior tax years. Earnings were also favorably impacted by lower income tax expense, net of lower distribution revenues resulting from the Tax Cuts and Jobs Act. The earnings increase was partially offset by lower generation earnings due to the sales of its thermal and hydroelectric generation assets in 2018, and higher depreciation expense.

LIQUIDITY

Cash Flows: CL&P had cash flows provided by operating activities of $451.1 million for the nine months ended September 30, 2018, as compared to $625.1 million in the same period of 2017. The decrease in operating cash flows was due primarily to cash payments made in the first nine months of 2018 for storm restoration costs of approximately $120 million, an increase in pension contributions of $39.3 million and the timing of collections and payments related to our working capital items, including accounts receivable and accounts payable. Partially offsetting these unfavorable impacts were an increase related to the timing of cash collected for regulatory tracking mechanisms and income tax payments made in 2018 of $3.6 million, compared to income tax payments made in 2017 of $19.8 million.

60

NSTAR Electric had cash flows provided by operating activities of $574.3 million for the nine months ended September 30, 2018, as compared to $505.8 million in the same period of 2017. The increase in operating cash flows was due primarily to the timing of cash collected for regulatory tracking mechanisms, a decrease of $22.6 million in Pension and PBOP contributions, and the timing of payments related to our working capital items. Partially offsetting these favorable impacts were cash payments made for storm restoration costs of approximately $93 million and income tax payments made in 2018 of $42.4 million, compared to income tax payments made in 2017 of $25.9 million.

PSNH had cash flows provided by operating activities of $217.7 million for the nine months ended September 30, 2018, as compared to $263.9 million in the same period of 2017. The decrease in operating cash flows was due primarily to the timing of cash collected for regulatory tracking mechanisms and collections and payments of our working capital items.

For further information on CL&P's, NSTAR Electric's and PSNH's liquidity and capital resources, see "Liquidity" and "Business Development and Capital Expenditures" included in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS – THE CONNECTICUT LIGHT AND POWER COMPANY

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for CL&P for the three months ended September 30, 2018 and 2017 included in this combined Quarterly Report on Form 10-Q:

	For the Three Months Ended September 30,		
(Millions of Dollars)	2018	2017	Increase/(Decrease)
Operating Revenues	$865.0	$774.8	$ 90.2
Operating Expenses:			
Purchased Power and Transmission	314.6	259.0	55.6
Operations and Maintenance	128.5	123.5	5.0
Depreciation	72.0	63.7	8.3
Amortization of Regulatory Assets, Net	54.0	34.6	19.4
Energy Efficiency Programs	30.2	37.7	(7.5)
Taxes Other Than Income Taxes	93.0	79.2	13.8
Total Operating Expenses	692.3	597.7	94.6
Operating Income	172.7	177.1	(4.4)
Interest Expense	37.6	36.3	1.3
Other Income, Net	7.0	7.9	(0.9)
Income Before Income Tax Expense	142.1	148.7	(6.6)
Income Tax Expense	41.8	52.6	(10.8)
Net Income	$100.3	$96.1	$ 4.2

Operating Revenues

Sales Volumes: A summary of CL&P's retail electric GWh sales volumes was as follows:

	For the Three Months Ended September 30,			
	2018	2017	Increase	Percent
CL&P	6,153	5,644	509	9.0 %

Fluctuations in retail electric sales volumes do not impact earnings due to its PURA-approved distribution revenue decoupling mechanism.

Operating Revenues: Operating Revenues, which consist of base distribution revenues and tracked revenues further described below, increased $90.2 million for the three months ended September 30, 2018, as compared to the same period in 2017.

Base Distribution Revenues: CL&P's distribution revenues increased $11.4 million due primarily to the impact of its 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). Effective May 1, 2018, CL&P's rates charged to customers have been adjusted to reflect the new federal corporate income tax rate of 21 percent.

Tracked Revenues: Fluctuations in the overall level of operating revenues are primarily related to tracked revenues. Tracked revenues consist of certain costs that are recovered from customers in rates through PURA-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, and restructuring and stranded cost recovery revenues. In addition, tracked revenues include certain incentives earned and carrying charges that are billed in rates to customers. Tracked revenues increased/(decreased) for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	
Energy supply procurement	$64.6
Retail transmission	(9.3)
Other distribution tracking mechanisms	8.9

Purchased Power and Transmission expense includes costs associated with purchasing electricity on behalf of CL&P's customers. These energy supply costs are recovered from customers in PURA-approved cost tracking mechanisms, which have no impact on earnings (tracked costs). Purchased Power and Transmission expense increased/(decreased) for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	
Purchased Power Costs	$56.8
Transmission Costs	(3.3)
Eliminations	2.1
Total Purchased Power and Transmission	$55.6

62

The increase in purchased power costs was due primarily to an increase in both the price and volume of power procured on behalf of our customers. The decrease in transmission costs was the result of a decrease in the retail transmission cost deferral, which reflects the actual costs of transmission service compared to estimated amounts billed to customers, and a decrease in Local Network Service charges, which reflect the cost of transmission service. This was partially offset by an increase in costs billed by ISO-NE that support regional grid investment.

Operations and Maintenance expense includes tracked costs and costs that are part of base distribution rates with changes impacting earnings (non-tracked costs). Operations and Maintenance expense increased/(decreased) for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to the following:

(Millions of Dollars)	
Base Electric Distribution (Non-Tracked Costs):	
Employee-related expenses, including labor and benefits	$12.2
Storm restoration costs	(6.0)
Other non-tracked operations and maintenance	(0.6)
Total Base Electric Distribution (Non-Tracked Costs)	5.6
Total Tracked Costs	(0.6)
Total Operations and Maintenance	$5.0

Depreciation expense increased for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to higher net plant in service balances and the implementation of new depreciation rates effective with the CL&P distribution rate case settlement agreement.

Amortization of Regulatory Assets, Net expense includes the deferral of energy supply and energy-related costs included in certain regulatory-approved cost tracking mechanisms, and the amortization of certain costs. This deferral adjusts expenses to match the corresponding revenues. Amortization of Regulatory Assets, Net increased at CL&P for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to the deferral adjustment of energy supply and energy-related costs, which can fluctuate from period to period based on the timing of costs incurred and related rate changes to recover these costs. Energy supply and energy-related costs, which are the primary drivers of amortization, are recovered from customers in rates and have no impact on earnings.

Energy Efficiency Programs expense includes costs for state energy policy initiatives and expanded energy efficiency programs, the majority of which are recovered from customers in rates and have no impact on earnings. Energy Efficiency Programs expense decreased for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to a State of Connecticut policy change requiring CL&P to remit 2018 energy efficiency funds to the State of Connecticut. For the three months ended September 30, 2018, this amount totaled $10.7 million. These costs were collected from CL&P's customers and remitted to the State of Connecticut; as such we have classified this amount as Taxes Other than Income Taxes.

Taxes Other Than Income Taxes increased for the three months ended September 30, 2018, as compared to the same period in 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 $10.7 million for the three months ended September 30, 2018), as well as higher property taxes due to higher utility plant balances and higher gross earnings taxes (the costs of which are tracked).

Income Tax Expense decreased for the three months ended September 30, 2018, as compared to the same period in 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 ($22.2 million) and state taxes ($1.7 million). This decrease was partially offset by return to provision items ($11.1 million) and items that impact our tax rate as a result of regulatory treatment (flow-through items) and permanent differences ($2.0 million).

EARNINGS SUMMARY

CL&P's earnings increased $4.2 million for the three months ended September 30, 2018, as compared to the same period in 2017, due primarily to the impact of the CL&P base distribution rate increase effective May 1, 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 earnings increase was partially offset by higher operations and maintenance expense, higher depreciation expense, and higher property and other tax expense.

ITEM 3. 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

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.

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 September 30, 2018, our Regulated companies held collateral (letters of credit or cash) of $5 million from counterparties related to our standard service contracts. As of September 30, 2018, Eversource had $24.6 million of cash posted with ISO-NE related to energy transactions.

We have provided additional disclosures regarding interest rate risk management and credit risk management in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in Eversource's 2017 Form 10-K, which is incorporated herein by reference. There have been no additional risks identified and no material changes with regard to the items previously disclosed in the Eversource 2017 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Management, on behalf of Eversource, CL&P, NSTAR Electric and PSNH, evaluated the design and operation of the disclosure controls and procedures as of September 30, 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 Quarterly Report on Form 10-Q. 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 September 30, 2018 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

64

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are parties to various legal proceedings. We have disclosed these legal proceedings in Part I, Item 3, "Legal Proceedings," and elsewhere in our 2017 Form 10-K. These disclosures are incorporated herein by reference.

As previously disclosed, each of the Yankee Companies filed subsequent lawsuits against the DOE in the Court of Federal Claims on May 22, 2017 seeking monetary damages totaling approximately $100 million for CYAPC, YAEC and MYAPC, covering the years from 2013 to 2016 ("DOE Phase IV"). The DOE Phase IV trial is now expected to begin in early 2019. For a further discussion of the Yankee Companies v. U.S. Department of Energy, see Part I, Item 3, "Legal Proceedings" of our 2017 Form 10-K.

Other than as set forth above, there have been no additional material legal proceedings identified and no further material changes with regard to the legal proceedings previously disclosed in our 2017 Form 10-K.

ITEM 1A. RISK FACTORS

We are subject to a variety of significant risks in addition to the matters set forth under our forward-looking statements section in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this Quarterly Report on Form 10-Q. We have identified a number of these risk factors in Part I, Item 1A, "Risk Factors," in our 2017 Form 10-K, which risk factors are incorporated herein by reference. These risk factors should be considered carefully in evaluating our risk profile. There have been no additional risk factors identified and no material changes with regard to the risk factors previously disclosed in our 2017 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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)
July 1 - July 31, 2018	2,751	$ 59.43	—	—
August 1 - August 31, 2018	3,546	61.75	—	—
September 1 - September 30, 2018	6,069	61.85	—	—
Total	12,366	$ 61.28	—	—

ITEM 6. EXHIBITS

Each document described below is filed herewith, unless designated with an asterisk (*), which exhibits are incorporated by reference by the registrant under whose name the exhibit appears.

Exhibit No.	Description
Listing of Exhibits (Eversource)	
12	Ratio of Earnings to Fixed Charges
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	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
Listing of Exhibits (CL&P)	
12	Ratio of Earnings to Fixed Charges
31	Certification by the Chairman of The Connecticut Light and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.1	Certification by the Chief Financial Officer of The Connecticut Light and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification by the Chairman and the Chief Financial Officer of The Connecticut Light and Power Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Listing of Exhibits (NSTAR Electric Company)	
12	Ratio of Earnings to Fixed Charges
31	Certification by the Chairman of NSTAR Electric Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.1	Certification by the Chief Financial Officer of NSTAR Electric Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification by the Chairman and the Chief Financial Officer of NSTAR Electric Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Listing of Exhibits (PSNH)	

12	Ratio of Earnings to Fixed Charges
31	Certification by the Chairman of Public Service Company of New Hampshire pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.1	Certification by the Chief Financial Officer of Public Service Company of New Hampshire pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification by the Chairman and the Chief Financial Officer of Public Service Company of New Hampshire pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Listing of Exhibits (Eversource, CL&P, NSTAR Electric, PSNH)

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

Explanation of Responses:

SIGNATURE

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

November 6, 2018 By:/s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

SIGNATURE

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.

THE CONNECTICUT LIGHT AND POWER COMPANY

November 6, 2018 By:/s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

SIGNATURE

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.

NSTAR ELECTRIC COMPANY

November 6, 2018 By:/s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

SIGNATURE

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.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

November 6, 2018 By:/s/ Jay S. Buth
Jay S. Buth
Vice President, Controller and Chief Accounting Officer

68