

EVERSOURCE ENERGY  
Form 10-Q  
August 05, 2016

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

**FORM 10-Q**

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

**For the Quarterly Period Ended June 30, 2016**

or

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

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

**Commission  
File Number**

**Registrant; State of Incorporation;  
Address; and Telephone Number**

**I.R.S. Employer  
Identification No.**

1-5324

**EVERSOURCE ENERGY**  
(a Massachusetts voluntary association)  
300 Cadwell Drive  
Springfield, Massachusetts 01104  
Telephone: (860) 286-5000

04-2147929

0-00404

**THE CONNECTICUT LIGHT AND POWER COMPANY** 06-0303850  
(a Connecticut corporation)  
107 Selden Street  
Berlin, Connecticut 06037-1616

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Telephone: (860) 286-5000

1-02301	<b>NSTAR ELECTRIC COMPANY</b> (a Massachusetts corporation) 800 Boylston Street Boston, Massachusetts 02199 Telephone: (860) 286-5000	04-1278810
1-6392	<b>PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE</b> (a New Hampshire corporation) Energy Park 780 North Commercial Street Manchester, New Hampshire 03101-1134 Telephone: (860) 286-5000	02-0181050
0-7624	<b>WESTERN MASSACHUSETTS ELECTRIC COMPANY</b> (a Massachusetts corporation) 300 Cadwell Drive Springfield, Massachusetts 01104 Telephone: (860) 286-5000	04-1961130





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

<u>Yes</u>	<u>No</u>
x	..

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

<u>Yes</u>	<u>No</u>
x	..

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

	<b>Large Accelerated Filer</b>	<b>Accelerated Filer</b>	<b>Non-accelerated Filer</b>
Eversource Energy	x	..	..
The Connecticut Light and Power Company	..	..	x
NSTAR Electric Company	..	..	x
Public Service Company of New Hampshire	..	..	x
Western Massachusetts Electric Company	..	..	x

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

	<u>Yes</u>	<u>No</u>
Eversource Energy	..	x
The Connecticut Light and Power Company	..	x
NSTAR Electric Company	..	x
Public Service Company of New Hampshire	..	x
Western Massachusetts Electric Company	..	x

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

<u>Company - Class of Stock</u>	<u>Outstanding as of July 31, 2016</u>
Eversource Energy Common shares, \$5.00 par value	317,207,036 shares
The Connecticut Light and Power Company Common stock, \$10.00 par value	6,035,205 shares
NSTAR Electric Company Common stock, \$1.00 par value	100 shares
Public Service Company of New Hampshire Common stock, \$1.00 par value	301 shares
Western Massachusetts Electric Company Common stock, \$25.00 par value	434,653 shares

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

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

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

**GLOSSARY OF TERMS**

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

**Current or former Eversource Energy companies, segments or investments:**

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

**Regulators:**

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

**Other Terms and Abbreviations:**

ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance For Funds Used During Construction

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AOCI	Accumulated Other Comprehensive Income/(Loss)
ARO	Asset Retirement Obligation
C&LM	Conservation and Load Management
CfD	Contract for Differences
Clean Air Project	The construction of a wet flue gas desulphurization system, known as "scrubber technology," to reduce mercury emissions of the Merrimack coal-fired generation station in Bow, New Hampshire
CO <sub>2</sub>	Carbon dioxide
CPSL	Capital Projects Scheduling List
CTA	Competitive Transition Assessment
CWIP	Construction Work in Progress
EDC	Electric distribution company
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act of 1974
ESOP	Employee Stock Ownership Plan
ESPP	Employee Share Purchase Plan
Eversource 2015 Form 10-K	The Eversource Energy and Subsidiaries 2015 combined Annual Report on Form 10-K as filed with the SEC
FERC ALJ	FERC Administrative Law Judge
Fitch	Fitch Ratings
FMCC	Federally Mandated Congestion Charge
FTR	Financial Transmission Rights
GAAP	Accounting principles generally accepted in the United States of America
GSC	Generation Service Charge
GSRP	Greater Springfield Reliability Project
GWh	Gigawatt-Hours



HQ	Hydro-Québec, a corporation wholly owned by the Québec government, including its divisions that produce, transmit and distribute electricity in Québec, Canada
HVDC	High voltage direct current
Hydro Renewable Energy	Hydro Renewable Energy, Inc., a wholly owned subsidiary of Hydro-Québec
IPP	Independent Power Producers
ISO-NE Tariff	ISO-NE FERC Transmission, Markets and Services Tariff
kV	Kilovolt
kVa	Kilovolt-ampere
kW	Kilowatt (equal to one thousand watts)
kWh	Kilowatt-Hours (the basic unit of electricity energy equal to one kilowatt of power supplied for one hour)
LBR	Lost Base Revenue
LNG	Liquefied natural gas
LRS	Supplier of last resort service
McF	Million cubic feet
MGP	Manufactured Gas Plant
MMBtu	One million British thermal units
Moody's	Moody's Investors Services, Inc.
MW	Megawatt
MWh	Megawatt-Hours
NEEWS	New England East-West Solution
Northern Pass	The high voltage direct current transmission line project from Canada into New Hampshire
NO <sub>x</sub>	Nitrogen oxides
PAM	Pension and PBOP Rate Adjustment Mechanism
PBOP	Postretirement Benefits Other Than Pension
PBOP Plan	Postretirement Benefits Other Than Pension Plan that provides certain retiree benefits, primarily medical, dental and life insurance
PCRBS	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PPA	Pension Protection Act
RECs	Renewable Energy Certificates
Regulatory ROE	The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment
RNS	Regional Network Service
ROE	Return on Equity
RRB	Rate Reduction Bond or Rate Reduction Certificate
RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans
SIP	Simplified Incentive Plan
SO <sub>2</sub>	Sulfur dioxide
SS	Standard service

TCAM  
TSA  
UI

Transmission Cost Adjustment Mechanism  
Transmission Service Agreement  
The United Illuminating Company

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

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**ITEM 2.**

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EVERSOURCE ENERGY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	June 30, 2016	December 31, 2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 38,726	\$ 23,947
Receivables, Net	806,340	775,480
Unbilled Revenues	203,824	202,647
Taxes Receivable	103,926	305,359
Fuel, Materials, Supplies and Inventory	292,547	336,476
Regulatory Assets	863,360	845,843
Prepayments and Other Current Assets	106,561	129,034
Total Current Assets	2,415,284	2,618,786
Property, Plant and Equipment, Net	20,448,475	19,892,441
Deferred Debits and Other Assets:		
Regulatory Assets	3,661,578	3,737,960
Goodwill	3,519,401	3,519,401
Marketable Securities	518,750	516,478
Other Long-Term Assets	319,175	295,243
Total Deferred Debits and Other Assets	8,018,904	8,069,082
Total Assets	\$ 30,882,663	\$ 30,580,309
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes Payable	\$ 767,000	\$ 1,160,953
Long-Term Debt - Current Portion	178,883	228,883
Accounts Payable	631,566	813,646
Obligations to Third Party Suppliers	133,943	128,564
Regulatory Liabilities	119,413	107,759
Other Current Liabilities	472,964	549,985
Total Current Liabilities	2,303,769	2,989,790
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	5,398,926	5,147,678
Regulatory Liabilities	527,678	513,595
Derivative Liabilities	381,572	337,102
Accrued Pension, SERP and PBOP	1,294,548	1,407,288

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Other Long-Term Liabilities	875,270	871,499
Total Deferred Credits and Other Liabilities	8,477,994	8,277,162
Capitalization:		
Long-Term Debt	9,435,924	8,805,574
Noncontrolling Interest - Preferred Stock of Subsidiaries	155,568	155,568
Equity:		
Common Shareholders' Equity:		
Common Shares	1,669,392	1,669,313
Capital Surplus, Paid In	6,252,514	6,262,368
Retained Earnings	2,962,843	2,797,355
Accumulated Other Comprehensive Loss	(65,364)	(66,844)
Treasury Stock	(309,977)	(309,977)
Common Shareholders' Equity	10,509,408	10,352,215
Total Capitalization	20,100,900	19,313,357
Total Liabilities and Capitalization	\$ 30,882,663	\$ 30,580,309

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







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

(Thousands of Dollars, Except Share Information)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	\$ 1,767,184	\$ 1,817,061	\$ 3,822,819	\$ 4,330,491
Operating Expenses:				
Purchased Power, Fuel and Transmission	581,260	685,118	1,336,119	1,847,167
Operations and Maintenance	320,714	316,641	640,850	650,024
Depreciation	176,507	163,668	350,492	327,505
Amortization of Regulatory (Liabilities)/Assets, Net	(8,716)	(1,166)	12,281	59,438
Energy Efficiency Programs	119,667	101,850	256,842	248,452
Taxes Other Than Income Taxes	154,330	138,935	314,277	288,415
Total Operating Expenses	1,343,762	1,405,046	2,910,861	3,421,001
Operating Income	423,422	412,015	911,958	909,490
Interest Expense	100,492	92,259	198,703	187,102
Other Income, Net	8,038	12,899	10,049	18,626
Income Before Income Tax Expense	330,968	332,655	723,304	741,014
Income Tax Expense	125,439	123,268	271,742	276,494
Net Income	205,529	209,387	451,562	464,520
Net Income Attributable to Noncontrolling Interests	1,880	1,880	3,759	3,759
Net Income Attributable to Common Shareholders	\$ 203,649	\$ 207,507	\$ 447,803	\$ 460,761
Basic and Diluted Earnings Per Common Share	\$ 0.64	\$ 0.65	\$ 1.41	\$ 1.45
Dividends Declared Per Common Share	\$ 0.45	\$ 0.42	\$ 0.89	\$ 0.84
Weighted Average Common Shares Outstanding:				
Basic	317,785,495	317,613,166	317,651,319	317,352,004
Diluted	318,476,699	318,559,568	318,478,876	318,525,378

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME  
(Unaudited)

Net Income	\$	205,529	\$	209,387	\$	451,562	\$	464,520
Other Comprehensive (Loss)/Income, Net of Tax:								
Qualified Cash Flow Hedging Instruments		534		509		1,068		1,018
Changes in Unrealized Gains/(Losses) on Marketable Securities		1,061		(1,248)		1,325		(1,116)
Changes in Funded Status of Pension, SERP and PBOP Benefit Plans		(1,784)		1,120		(913)		2,074
Other Comprehensive (Loss)/Income, Net of Tax		(189)		381		1,480		1,976
Comprehensive Income Attributable to Noncontrolling Interests		(1,880)		(1,880)		(3,759)		(3,759)
Comprehensive Income Attributable to Common Shareholders	\$	203,460	\$	207,888	\$	449,283	\$	462,737

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





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

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net Income	\$ 451,562	\$ 464,520
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	350,492	327,505
Deferred Income Taxes	250,851	176,800
Pension, SERP and PBOP Expense	22,659	48,432
Pension and PBOP Contributions	(65,929)	(31,032)
Regulatory Underrecoveries, Net	(5,768)	(73,547)
Amortization of Regulatory Assets, Net	12,281	59,438
Other	(10,808)	(38,521)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(76,751)	(123,984)
Fuel, Materials, Supplies and Inventory	43,930	60,044
Taxes Receivable/Accrued, Net	230,075	214,577
Accounts Payable	(151,996)	(228,176)
Other Current Assets and Liabilities, Net	(72,160)	9,226
Net Cash Flows Provided by Operating Activities	978,438	865,282
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(869,168)	(740,379)
Proceeds from Sales of Marketable Securities	327,581	427,990
Purchases of Marketable Securities	(322,244)	(408,242)
Other Investing Activities	(2,991)	4,821
Net Cash Flows Used in Investing Activities	(866,822)	(715,810)
<b>Financing Activities:</b>		
Cash Dividends on Common Shares	(282,314)	(264,936)
Cash Dividends on Preferred Stock	(3,759)	(3,759)
Decrease in Notes Payable	(393,953)	(449,375)
Issuance of Long-Term Debt	800,000	750,000
Retirements of Long-Term Debt	(200,000)	(166,577)
Other Financing Activities	(16,811)	(17,059)
Net Cash Flows Used in Financing Activities	(96,837)	(151,706)
Net Increase/(Decrease) in Cash and Cash Equivalents	14,779	(2,234)
Cash and Cash Equivalents - Beginning of Period	23,947	38,703
Cash and Cash Equivalents - End of Period	\$ 38,726	\$ 36,469

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



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

(Thousands of Dollars)	June 30, 2016	December 31, 2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 9,449	\$ 1,057
Receivables, Net	370,982	352,536
Accounts Receivable from Affiliated Companies	9,703	21,214
Unbilled Revenues	99,822	99,879
Taxes Receivable	12,498	137,643
Regulatory Assets	312,160	268,318
Materials and Supplies	52,538	43,124
Prepayments and Other Current Assets	15,826	32,234
Total Current Assets	882,978	956,005
Property, Plant and Equipment, Net	7,336,577	7,156,809
Deferred Debits and Other Assets:		
Regulatory Assets	1,368,897	1,369,028
Other Long-Term Assets	121,477	111,115
Total Deferred Debits and Other Assets	1,490,374	1,480,143
Total Assets	\$ 9,709,929	\$ 9,592,957
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$ 93,000	\$ 277,400
Long-Term Debt - Current Portion	150,000	-
Accounts Payable	219,332	267,764
Accounts Payable to Affiliated Companies	60,169	66,456
Obligations to Third Party Suppliers	61,532	60,746
Regulatory Liabilities	63,287	61,155
Derivative Liabilities	91,603	91,820
Other Current Liabilities	122,886	110,631
Total Current Liabilities	861,809	935,972
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	1,922,428	1,820,865
Regulatory Liabilities	80,617	74,830
Derivative Liabilities	380,643	336,189
Accrued Pension, SERP and PBOP	247,419	271,056

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Other Long-Term Liabilities	131,883	133,446
Total Deferred Credits and Other Liabilities	2,762,990	2,636,386
Capitalization:		
Long-Term Debt	2,614,878	2,763,682
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200
Common Stockholder's Equity:		
Common Stock	60,352	60,352
Capital Surplus, Paid In	2,056,389	1,910,663
Retained Earnings	1,237,620	1,170,278
Accumulated Other Comprehensive Loss	(309)	(576)
Common Stockholder's Equity	3,354,052	3,140,717
Total Capitalization	6,085,130	6,020,599
Total Liabilities and Capitalization	\$ 9,709,929	\$ 9,592,957

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







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

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	\$ 679,787	\$ 666,554	\$ 1,415,103	\$ 1,471,471
Operating Expenses:				
Purchased Power and Transmission	234,504	253,180	507,104	586,799
Operations and Maintenance	122,532	118,687	233,375	236,044
Depreciation	57,532	52,191	114,500	105,094
Amortization of Regulatory (Liabilities)/Assets, Net	(2,988)	(7,530)	6,891	40,776
Energy Efficiency Programs	35,498	33,963	73,589	76,770
Taxes Other Than Income Taxes	70,568	62,102	146,030	130,181
Total Operating Expenses	517,646	512,593	1,081,489	1,175,664
Operating Income	162,141	153,961	333,614	295,807
Interest Expense	35,978	36,124	72,477	72,748
Other Income, Net	6,275	4,062	7,211	6,221
Income Before Income Tax Expense	132,438	121,899	268,348	229,280
Income Tax Expense	49,563	43,129	98,427	81,276
Net Income	\$ 82,875	\$ 78,770	\$ 169,921	\$ 148,004

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

CONDENSED STATEMENTS OF COMPREHENSIVE  
INCOME  
(Unaudited)

Net Income	\$ 82,875	\$ 78,770	\$ 169,921	\$ 148,004
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	111	111	222	222
Changes in Unrealized Gains/(Losses) on Marketable	36	(43)	45	(39)

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Securities				
Other Comprehensive Income, Net of Tax	147	68	267	183
Comprehensive Income	\$ 83,022	\$ 78,838	\$ 170,188	\$ 148,187

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





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

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net Income	\$ 169,921	\$ 148,004
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	114,500	105,094
Deferred Income Taxes	97,913	30,145
Pension, SERP, and PBOP Expense, Net of PBOP Contributions	3,325	7,079
Regulatory Underrecoveries, Net	(40,386)	(55,302)
Amortization of Regulatory Assets, Net	6,891	40,776
Other	(4,477)	(2,432)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(26,729)	(73,279)
Taxes Receivable/Accrued, Net	145,852	123,051
Accounts Payable	(38,137)	(55,192)
Other Current Assets and Liabilities, Net	774	2,085
Net Cash Flows Provided by Operating Activities	429,447	270,029
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(288,630)	(242,346)
Proceeds from the Sale of Property, Plant and Equipment	9,047	-
Other Investing Activities	205	(1,362)
Net Cash Flows Used in Investing Activities	(279,378)	(243,708)
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(99,800)	(98,000)
Cash Dividends on Preferred Stock	(2,779)	(2,779)
Capital Contributions from Eversource Parent	145,700	-
Issuance of Long-Term Debt	-	300,000
Retirement of Long-Term Debt	-	(162,000)
Decrease in Notes Payable to Eversource Parent	(184,400)	(47,800)
Other Financing Activities	(398)	(8,871)
Net Cash Flows Used in Financing Activities	(141,677)	(19,450)
Net Increase in Cash	8,392	6,871
Cash - Beginning of Period	1,057	2,356
Cash - End of Period	\$ 9,449	\$ 9,227

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





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

(Thousands of Dollars)	June 30, 2016	December 31, 2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,391	\$ 3,346
Receivables, Net	254,376	229,936
Accounts Receivable from Affiliated Companies	12,241	4,034
Unbilled Revenues	43,115	29,464
Taxes Receivable	21,564	70,236
Materials, Supplies and Inventory	40,292	75,487
Regulatory Assets	316,715	348,408
Prepayments and Other Current Assets	9,510	11,448
Total Current Assets	701,204	772,359
Property, Plant and Equipment, Net	5,788,659	5,655,458
Deferred Debits and Other Assets:		
Regulatory Assets	1,112,099	1,112,977
Other Long-Term Assets	61,886	62,467
Total Deferred Debits and Other Assets	1,173,985	1,175,444
Total Assets	\$ 7,663,848	\$ 7,603,261
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes Payable	\$ 329,000	\$ 62,500
Long-Term Debt - Current Portion	-	200,000
Accounts Payable	146,868	228,250
Accounts Payable to Affiliated Companies	46,174	38,648
Obligations to Third Party Suppliers	61,538	56,718
Renewable Portfolio Standards Compliance Obligations	44,239	104,847
Regulatory Liabilities	6,923	3,281
Other Current Liabilities	58,770	72,007
Total Current Liabilities	693,512	766,251
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	1,809,408	1,760,339
Regulatory Liabilities	267,809	264,352
Accrued Pension, SERP and PBOP	194,734	209,153

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Other Long-Term Liabilities	124,877	120,939
Total Deferred Credits and Other Liabilities	2,396,828	2,354,783
Capitalization:		
Long-Term Debt	2,077,687	1,829,766
Preferred Stock Not Subject to Mandatory Redemption	43,000	43,000
Common Stockholder's Equity:		
Common Stock	-	-
Capital Surplus, Paid In	995,378	995,378
Retained Earnings	1,456,919	1,613,538
Accumulated Other Comprehensive Income	524	545
Common Stockholder's Equity	2,452,821	2,609,461
Total Capitalization	4,573,508	4,482,227
Total Liabilities and Capitalization	\$ 7,663,848	\$ 7,603,261

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





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

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	\$ 591,301	\$ 617,196	\$ 1,205,517	\$ 1,384,004
Operating Expenses:				
Purchased Power and Transmission	219,189	283,129	473,525	684,995
Operations and Maintenance	88,954	69,430	183,650	145,254
Depreciation	52,571	48,949	104,457	97,716
Amortization of Regulatory Assets/(Liabilities), Net	3,971	(7,336)	8,654	(12,901)
Energy Efficiency Programs	61,922	41,733	128,165	97,150
Taxes Other Than Income Taxes	34,194	29,876	66,750	60,841
Total Operating Expenses	460,801	465,781	965,201	1,073,055
Operating Income	130,500	151,415	240,316	310,949
Interest Expense	20,216	17,781	41,104	38,227
Other Income, Net	2,836	2,533	2,502	3,136
Income Before Income Tax Expense	113,120	136,167	201,714	275,858
Income Tax Expense	44,953	54,204	79,053	110,335
Net Income	\$ 68,167	\$ 81,963	\$ 122,661	\$ 165,523

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

CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME  
(Unaudited)

Net Income	\$ 68,167	\$ 81,963	\$ 122,661	\$ 165,523
Other Comprehensive Loss, Net of Tax:				
Changes in Funded Status of SERP Benefit Plan	(11)	(2)	(21)	(182)
	(11)	(2)	(21)	(182)

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Other Comprehensive Loss, Net of  
Tax

Comprehensive Income	\$	68,156	\$	81,961	\$	122,640	\$	165,341
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.







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

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net Income	\$ 122,661	\$ 165,523
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	104,457	97,716
Deferred Income Taxes	48,505	61,734
Pension and PBOP Contributions, Net of Pension, SERP and PBOP Expense	(13,236)	(264)
Regulatory Over/(Under) Recoveries, Net	26,277	(96,290)
Amortization of Regulatory Assets/(Liabilities), Net	8,654	(12,901)
Other	(3,978)	(28,653)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(56,140)	(91,753)
Materials, Supplies and Inventory	35,194	17,595
Taxes Receivable/Accrued, Net	45,608	100,661
Accounts Payable	(88,774)	(30,839)
Other Current Assets and Liabilities, Net	(64,084)	25,076
Net Cash Flows Provided by Operating Activities	165,144	207,605
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(199,824)	(188,103)
Other Investing Activities	-	53
Net Cash Flows Used in Investing Activities	(199,824)	(188,050)
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(278,300)	(99,000)
Cash Dividends on Preferred Stock	(980)	(980)
Increase in Notes Payable	266,500	75,200
Issuance of Long-Term Debt	250,000	-
Retirements of Long-Term Debt	(200,000)	(4,700)
Other Financing Activities	(2,495)	-
Net Cash Flows Provided by/(Used in) Financing Activities	34,725	(29,480)
Increase/(Decrease) in Cash and Cash Equivalents	45	(9,925)
Cash and Cash Equivalents - Beginning of Period	3,346	12,773
Cash and Cash Equivalents - End of Period	\$ 3,391	\$ 2,848

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



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

(Thousands of Dollars)	June 30, 2016	December 31, 2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 1,084	\$ 1,733
Receivables, Net	77,389	77,546
Accounts Receivable from Affiliated Companies	3,938	2,352
Unbilled Revenues	38,275	38,207
Taxes Receivable	8,848	43,128
Fuel, Materials, Supplies and Inventory	151,475	156,868
Regulatory Assets	122,879	104,971
Prepayments and Other Current Assets	19,570	24,302
Total Current Assets	423,458	449,107
Property, Plant and Equipment, Net	2,925,288	2,855,363
Deferred Debits and Other Assets:		
Regulatory Assets	238,612	257,873
Other Long-Term Assets	34,886	34,176
Total Deferred Debits and Other Assets	273,498	292,049
Total Assets	\$ 3,622,244	\$ 3,596,519
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$ 120,900	\$ 231,300
Accounts Payable	96,059	87,925
Accounts Payable to Affiliated Companies	21,049	24,214
Regulatory Liabilities	5,986	6,898
Other Current Liabilities	37,264	43,921
Total Current Liabilities	281,258	394,258
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	746,785	705,894
Regulatory Liabilities	47,283	47,851
Accrued Pension, SERP and PBOP	75,721	89,579
Other Long-Term Liabilities	50,318	50,746
Total Deferred Credits and Other Liabilities	920,107	894,070

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Capitalization:

Long-Term Debt	1,071,532	1,071,017
Common Stockholder's Equity:		
Common Stock	-	-
Capital Surplus, Paid In	831,634	748,634
Retained Earnings	523,414	494,901
Accumulated Other Comprehensive Loss	(5,701)	(6,361)
Common Stockholder's Equity	1,349,347	1,237,174
Total Capitalization	2,420,879	2,308,191
Total Liabilities and Capitalization	\$ 3,622,244	\$ 3,596,519

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





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

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	\$ 218,517	\$ 241,875	\$ 460,807	\$ 526,722
Operating Expenses:				
Purchased Power, Fuel and Transmission	45,653	47,938	95,867	147,516
Operations and Maintenance	63,788	76,468	123,001	134,895
Depreciation	28,644	25,751	56,879	51,397
Amortization of Regulatory (Liabilities)/Assets, Net	(8,186)	12,050	332	27,181
Energy Efficiency Programs	3,259	3,356	6,879	7,128
Taxes Other Than Income Taxes	22,287	22,249	44,082	41,331
Total Operating Expenses	155,445	187,812	327,040	409,448
Operating Income	63,072	54,063	133,767	117,274
Interest Expense	12,526	11,662	24,987	22,935
Other Income, Net	282	1,245	432	1,628
Income Before Income Tax Expense	50,828	43,646	109,212	95,967
Income Tax Expense	19,573	15,701	41,899	35,977
Net Income	\$ 31,255	\$ 27,945	\$ 67,313	\$ 59,990

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME  
(Unaudited)

Net Income	\$ 31,255	\$ 27,945	\$ 67,313	\$ 59,990
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	291	290	581	581
Changes in Unrealized Gains/(Losses) on Marketable Securities	63	(75)	79	(67)

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Other Comprehensive Income, Net of Tax	354	215	660	514
Comprehensive Income	\$ 31,609	\$ 28,160	\$ 67,973	\$ 60,504

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





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

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net Income	\$ 67,313	\$ 59,990
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	56,879	51,397
Deferred Income Taxes	45,976	47,454
Regulatory Underrecoveries, Net	(10,740)	(3,089)
Amortization of Regulatory Assets, Net	332	27,181
Other	(8,484)	8,726
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(5,247)	(6,597)
Fuel, Materials, Supplies and Inventory	5,394	11,019
Taxes Receivable/Accrued, Net	33,840	(20,414)
Accounts Payable	20,417	(21,362)
Other Current Assets and Liabilities, Net	(1,422)	(3,792)
Net Cash Flows Provided by Operating Activities	204,258	150,513
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(138,713)	(140,171)
Other Investing Activities	172	169
Net Cash Flows Used in Investing Activities	(138,541)	(140,002)
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(38,800)	(53,000)
Capital Contributions from Eversource Parent	83,000	-
(Decrease)/Increase in Notes Payable to Eversource Parent	(110,400)	43,000
Other Financing Activities	(166)	(182)
Net Cash Flows Used in Financing Activities	(66,366)	(10,182)
Net (Decrease)/Increase in Cash	(649)	329
Cash - Beginning of Period	1,733	489
Cash - End of Period	\$ 1,084	\$ 818

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



WESTERN MASSACHUSETTS ELECTRIC COMPANY  
 CONDENSED BALANCE SHEETS  
 (Unaudited)

(Thousands of Dollars)	June 30, 2016	December 31, 2015
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 1,421	\$ 834
Receivables, Net	54,685	50,912
Accounts Receivable from Affiliated Companies	9,139	18,633
Unbilled Revenues	13,928	15,065
Taxes Receivable	422	33,407
Regulatory Assets	57,660	56,166
Prepayments and Other Current Assets	8,598	7,882
Total Current Assets	145,853	182,899
Property, Plant and Equipment, Net	1,616,305	1,575,306
Deferred Debits and Other Assets:		
Regulatory Assets	124,804	135,010
Other Long-Term Assets	27,625	24,875
Total Deferred Debits and Other Assets	152,429	159,885
Total Assets	\$ 1,914,587	\$ 1,918,090
<b><u>LIABILITIES AND CAPITALIZATION</u></b>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$ 53,700	\$ 143,400
Accounts Payable	32,783	58,364
Accounts Payable to Affiliated Companies	19,935	19,896
Obligations to Third Party Suppliers	10,336	9,654
Renewable Portfolio Standards Compliance Obligations	11,251	6,395
Regulatory Liabilities	11,256	13,122
Other Current Liabilities	11,556	13,878
Total Current Liabilities	150,817	264,709
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	487,389	470,539
Regulatory Liabilities	13,280	11,597
Accrued Pension, SERP and PBOP	12,135	19,515
Other Long-Term Liabilities	40,175	36,819
Total Deferred Credits and Other Liabilities	552,979	538,470

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Capitalization:			
Long-Term Debt		566,885	517,329
Common Stockholder's Equity:			
Common Stock		10,866	10,866
Capital Surplus, Paid In		426,398	391,398
Retained Earnings		209,232	198,140
Accumulated Other Comprehensive Loss		(2,590)	(2,822)
Common Stockholder's Equity		643,906	597,582
Total Capitalization		1,210,791	1,114,911
Total Liabilities and Capitalization	\$	1,914,587	\$ 1,918,090

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





WESTERN MASSACHUSETTS ELECTRIC COMPANY  
 CONDENSED STATEMENTS OF  
 INCOME  
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Revenues	\$ 116,396	\$ 125,194	\$ 244,491	\$ 278,058
Operating Expenses:				
Purchased Power and Transmission	32,665	43,055	72,228	112,716
Operations and Maintenance	22,088	20,104	43,893	39,889
Depreciation	11,476	10,848	22,847	21,223
Amortization of Regulatory Assets, Net	992	3,336	2,203	7,264
Energy Efficiency Programs	10,347	9,519	21,203	20,594
Taxes Other Than Income Taxes	9,600	9,398	19,833	18,833
Total Operating Expenses	87,168	96,260	182,207	220,519
Operating Income	29,228	28,934	62,284	57,539
Interest Expense	6,072	6,291	12,075	13,112
Other Income/(Loss), Net	104	1,245	(46)	1,819
Income Before Income Tax Expense	23,260	23,888	50,163	46,246
Income Tax Expense	9,995	9,693	20,071	18,807
Net Income	\$ 13,265	\$ 14,195	\$ 30,092	\$ 27,439

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

CONDENSED STATEMENTS OF COMPREHENSIVE  
 INCOME  
 (Unaudited)

Net Income	\$ 13,265	\$ 14,195	\$ 30,092	\$ 27,439
Other Comprehensive Income, Net of Tax:				
Qualified Cash Flow Hedging Instruments	110	84	219	169
Changes in Unrealized Gains/(Losses) on Marketable Securities	10	(12)	13	(11)
Other Comprehensive Income, Net of Tax	120	72	232	158
Comprehensive Income	\$ 13,385	\$ 14,267	\$ 30,324	\$ 27,597



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



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

(Thousands of Dollars)	For the Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net Income	\$ 30,092	\$ 27,439
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	22,847	21,223
Deferred Income Taxes	17,155	12,503
Regulatory Underrecoveries, Net	(2,651)	(7,911)
Amortization of Regulatory Assets, Net	2,203	7,264
Other	(2,547)	(3,598)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	6,500	(11,593)
Taxes Receivable/Accrued, Net	32,985	18,774
Accounts Payable	(13,176)	(21,056)
Other Current Assets and Liabilities, Net	2,502	859
Net Cash Flows Provided by Operating Activities	95,910	43,904
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	(71,459)	(62,966)
Proceeds from Sales of Marketable Securities	1,484	49,739
Purchases of Marketable Securities	(1,457)	(50,118)
Net Cash Flows Used in Investing Activities	(71,432)	(63,345)
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(19,000)	(18,600)
Capital Contribution from Eversource Parent	35,000	-
(Decrease)/Increase in Notes Payable to Eversource Parent	(89,700)	39,200
Issuance of Long-Term Debt	50,000	-
Other Financing Activities	(191)	(16)
Net Cash Flows (Used in)/Provided by Financing Activities	(23,891)	20,584
Net Increase in Cash	587	1,143
Cash - Beginning of Period	834	-
Cash - End of Period	\$ 1,421	\$ 1,143

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



**EVSOURCE ENERGY AND SUBSIDIARIES**

**THE CONNECTICUT LIGHT AND POWER COMPANY**

**NSTAR ELECTRIC COMPANY AND SUBSIDIARY**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE AND SUBSIDIARY**

**WESTERN MASSACHUSETTS ELECTRIC COMPANY**

**COMBINED NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)**

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

**1.**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.**

**Basis of Presentation**

Eversource Energy is a public utility holding company primarily engaged, through its wholly owned regulated utility subsidiaries, in the energy delivery business. Eversource Energy's wholly owned regulated utility subsidiaries consist of CL&P, NSTAR Electric, PSNH, WMECO, Yankee Gas and NSTAR Gas. Eversource provides energy delivery service to approximately 3.6 million electric and natural gas customers through these six regulated utilities in Connecticut, Massachusetts and New Hampshire.

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

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

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

Certain information and footnote disclosures included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. The accompanying financial statements should be read in conjunction with the *Combined Notes to Financial Statements* included in Item 8, "Financial Statements and Supplementary Data," of the Eversource 2015 Form 10-K, which was filed with the SEC. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect

the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements contain, in the opinion of management, all adjustments (including normal, recurring adjustments) necessary to present fairly Eversource's, CL&P's, NSTAR Electric's, PSNH's and WMECO's financial position as of June 30, 2016 and December 31, 2015, the results of operations and comprehensive income for the three and six months ended June 30, 2016 and 2015, and the cash flows for the six months ended June 30, 2016 and 2015.

The results of operations and comprehensive income for the three and six months ended June 30, 2016 and 2015 and the cash flows for the six months ended June 30, 2016 and 2015 are not necessarily indicative of the results expected for a full year.

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

Access Northeast is a natural gas pipeline and storage project (the "Project") being developed jointly by Eversource, Spectra Energy Corp and National Grid. Access Northeast will enhance the Algonquin and Maritimes & Northeast pipeline systems using existing routes. Eversource and Spectra Energy Corp each own a 40 percent interest in the Project, with the remaining 20 percent interest owned by National Grid. The total projected cost for both the pipeline and the LNG storage is expected to be approximately \$3 billion, to be funded in proportion to ownership interest (approximately \$1.2 billion by Eversource), with anticipated in-service dates commencing in November 2018.

Eversource's cumulative equity investment in the Project as of June 30, 2016 of \$20.7 million is presented in Other Long-Term Assets.

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

Certain reclassifications of prior period data were made in the accompanying financial statements to conform to the current period presentation and as a result of the adoption of new accounting guidance. See Note 1B, "Summary of Significant Accounting Policies - Accounting Standards," for further information.

## **B.**

### **Accounting Standards**

*Accounting Standards Issued but not Yet Effective:* In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which amends existing revenue recognition guidance and is required to be applied retrospectively (either to each reporting period presented or cumulatively at the date of initial application). In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 to the first quarter of 2018, with 2017 application permitted. The guidance continues to be interpreted on an industry specific level. The Company is evaluating the requirements and potential impacts of ASU 2014-09 and will implement the standard in the first quarter of 2018. The ASU is not currently expected to have a material impact on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH or WMECO.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Liabilities*, which is required to be implemented in the first quarter of 2018. The Company is reviewing the requirements of the ASU. The ASU will remove the available-for-sale designation for equity securities, whereby changes in fair value are recorded in other comprehensive income in shareholders' equity, and will require changes in fair value of all equity securities to be recorded in earnings beginning on January 1, 2018, with the unrealized gain or loss on available-for-sale equity securities as of that date reclassified to retained earnings as a cumulative effect of adoption. The fair value of available-for-sale equity securities subject to this guidance as of June 30, 2016 was approximately \$48 million. The remaining available-for-sale equity securities included in marketable securities on the balance sheet are held in nuclear decommissioning trusts and are subject to regulatory accounting treatment and will not be impacted by this guidance. Implementation of the ASU for other financial instruments is not expected to have a material impact on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH or WMECO.

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

*Recently Adopted Accounting Standards:* In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, effective for annual periods, including interim periods, beginning after December 15, 2015. The ASU amends existing guidance on intangibles and internal-use software and may be applied prospectively or retrospectively. On January 1, 2016, Eversource adopted the new accounting guidance prospectively, which did not have an impact on the financial statements of Eversource, CL&P, NSTAR Electric, PSNH or WMECO.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The ASU is intended to simplify some aspects of the accounting for share-based payment transactions. The ASU is required to be implemented in the first quarter of 2017, with early adoption permitted. The Company implemented this guidance in the first quarter of 2016. Beginning in the first quarter of 2016, the excess tax benefits associated with the distribution of stock compensation awards, previously recognized in Capital Surplus, Paid In in Common Shareholders' Equity on the balance sheet, are recognized in income tax expense in the income statement. The implementation reduced income tax expense by \$2.7 million for the six months ended June 30, 2016. Also, beginning in 2016, in the statement of cash flows, the excess tax benefits are presented as an operating activity rather than a financing activity, and in both periods presented, cash paid to satisfy the statutory income tax withholding obligation previously reflected within operating activities in 2015 is now treated as a financing activity. The cash payments to satisfy this obligation for the six months ended June 30, 2016 and 2015 were \$9.1 million and \$9.7 million, respectively, and are included in Other Financing Activities on the statements of cash flows.

C.



### Provision for Uncollectible Accounts

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

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

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

<i>(Millions of Dollars)</i>	<b>Total Provision for Uncollectible Accounts</b>		<b>Uncollectible Hardship</b>	
	<b>As of June 30, 2016</b>	<b>As of December 31, 2015</b>	<b>As of June 30, 2016</b>	<b>As of December 31, 2015</b>
Eversource	\$ 205.5	\$ 190.7	\$ 123.7	\$ 118.5
CL&P	82.7	79.5	66.2	68.1
NSTAR Electric	56.9	52.6	28.6	25.3
PSNH	9.6	8.7	-	-
WMECO	15.3	14.0	8.4	7.4

### D.

#### Fair Value Measurements

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



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

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

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

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

*Determination of Fair Value:* The valuation techniques and inputs used in Eversource's fair value measurements are described in Note 4, "Derivative Instruments," Note 5, "Marketable Securities," and Note 9, "Fair Value of Financial Instruments," to the financial statements.

## **E.**

### **Other Income, Net**

Items included within Other Income, Net on the statements of income primarily consist of investment income/(loss), interest income, AFUDC related to equity funds, and equity in earnings of equity method investees. Investment income/(loss) primarily relates to debt and equity securities held in trust. For further information, see Note 5, "Marketable Securities," to the financial statements.

## **F.**

### **Other Taxes**

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

<i>(Millions of Dollars)</i>	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Eversource	\$ 37.5	\$ 33.2	\$ 79.8	\$ 75.1
CL&P	33.6	29.5	69.6	62.5

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

## G.

### Supplemental Cash Flow Information

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

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>		<b>As of June 30, 2015</b>	
Eversource	\$	186.3	\$	142.3
CL&P		59.5		47.2
NSTAR Electric		38.5		29.5
PSNH		31.1		25.6
WMECO		14.6		13.7

## 2.

### REGULATORY ACCOUNTING

Eversource's Regulated companies are subject to rate-regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the timing of the recognition of certain revenues and expenses. The Regulated companies' financial statements reflect the effects of the rate-making process. The rates charged to the customers of Eversource's Regulated companies are designed to collect each company's costs to provide service, including a return on investment.

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



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

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>		<b>As of December 31, 2015</b>	
	<b>Eversource</b>		<b>Eversource</b>	
Benefit Costs	\$	1,754.1	\$	1,828.2
Derivative Liabilities		413.7		388.0
Income Taxes, Net		644.3		650.9
Storm Restoration Costs		428.9		436.9
Goodwill-related		474.6		484.9
Regulatory Tracker Mechanisms		562.5		526.5
Contractual Obligations - Yankee Companies		117.3		134.4
Other Regulatory Assets		129.6		134.0
Total Regulatory Assets		4,525.0		4,583.8
Less: Current Portion		863.4		845.8
Total Long-Term Regulatory Assets	\$	3,661.6	\$	3,738.0

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>				<b>As of December 31, 2015</b>			
	<b>NSTAR</b>				<b>NSTAR</b>			
	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>
Benefit Costs	\$ 383.2	\$ 477.0	\$ 160.0	\$ 77.9	\$ 413.6	\$ 479.9	\$ 164.2	\$ 84.9
Derivative Liabilities	411.3	2.4	-	-	380.8	1.3	-	-
Income Taxes, Net	442.5	86.3	28.2	31.0	444.4	85.7	34.5	31.8
Storm Restoration Costs	269.5	117.7	21.7	20.0	271.4	110.9	31.5	23.1
Goodwill-related	-	407.5	-	-	-	416.3	-	-
Regulatory Tracker Mechanisms	96.6	287.0	120.5	41.5	45.1	311.0	101.2	40.1
Other Regulatory Assets	78.0	50.9	31.1	12.1	82.0	56.3	31.5	11.3
Total Regulatory Assets	1,681.1	1,428.8	361.5	182.5	1,637.3	1,461.4	362.9	191.2
Less: Current Portion	312.2	316.7	122.9	57.7	268.3	348.4	105.0	56.2
Total Long-Term Regulatory Assets	\$ 1,368.9	\$ 1,112.1	\$ 238.6	\$ 124.8	\$ 1,369.0	\$ 1,113.0	\$ 257.9	\$ 135.0

*Regulatory Costs in Other Long-Term Assets:* The Regulated companies had \$83 million (including \$2.6 million for CL&P, \$38.5 million for NSTAR Electric, \$5.5 million for PSNH and \$19.4 million for WMECO) and \$75.3 million (including \$3.1 million for CL&P, \$35.4 million for NSTAR Electric, \$4.8 million for PSNH, and \$16.7 million for WMECO) of additional regulatory costs as of June 30, 2016 and December 31, 2015, respectively, that were included in Other Long-Term Assets on the balance sheets. These amounts represent incurred costs for which recovery has not yet been specifically approved by the applicable regulatory agency. However, based on regulatory policies or past precedent on similar costs, management believes it is probable that these costs will ultimately be approved and

recovered from customers in rates.

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

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>		<b>As of December 31, 2015</b>	
	<b>Eversource</b>		<b>Eversource</b>	
Cost of Removal	\$	448.5	\$	437.1
Regulatory Tracker Mechanisms		104.4		99.7
AFUDC - Transmission		65.7		66.1
Other Regulatory Liabilities		28.5		18.5
Total Regulatory Liabilities		647.1		621.4
Less: Current Portion		119.4		107.8
Total Long-Term Regulatory Liabilities	\$	527.7	\$	513.6

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>				<b>As of December 31, 2015</b>			
	<b>NSTAR</b>				<b>NSTAR</b>			
	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>
Cost of Removal	\$ 30.4	\$ 261.6	\$ 46.6	\$ 4.6	\$ 24.1	\$ 257.4	\$ 47.2	\$ 2.8
Regulatory Tracker Mechanisms	50.0	6.1	3.2	11.1	56.2	3.3	3.4	12.9
AFUDC - Transmission	50.9	6.0	-	8.8	51.5	5.7	-	8.9
Other Regulatory Liabilities	12.6	1.0	3.5	0.1	4.2	1.3	4.2	0.1
Total Regulatory Liabilities	143.9	274.7	53.3	24.6	136.0	267.7	54.8	24.7
Less: Current Portion	63.3	6.9	6.0	11.3	61.2	3.3	6.9	13.1
Total Long-Term Regulatory Liabilities	\$ 80.6	\$ 267.8	\$ 47.3	\$ 13.3	\$ 74.8	\$ 264.4	\$ 47.9	\$ 11.6

3.

**PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION**

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

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>		<b>As of December 31, 2015</b>	
	<b>Eversource</b>		<b>Eversource</b>	
Distribution - Electric	\$	13,425.4	\$	13,054.8
Distribution - Natural Gas		2,819.9		2,727.2
Transmission - Electric		7,896.3		7,691.9
Generation		1,218.3		1,194.1
Electric and Natural Gas Utility		25,359.9		24,668.0
Other <sup>(1)</sup>		583.5		558.6
Property, Plant and Equipment, Gross		25,943.4		25,226.6
Less: Accumulated Depreciation				
Electric and Natural Gas Utility		(6,342.9)		(6,141.1)
Other		(274.5)		(255.6)
Total Accumulated Depreciation		(6,617.4)		(6,396.7)
Property, Plant and Equipment, Net		19,326.0		18,829.9
Construction Work in Progress		1,122.5		1,062.5
Total Property, Plant and Equipment, Net	\$	20,448.5	\$	19,892.4

(1)

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

<i>(Millions of Dollars)</i>	<b>As of June 30, 2016</b>				<b>As of December 31, 2015</b>			
	<b>NSTAR</b>				<b>NSTAR</b>			
	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>	<b>CL&amp;P</b>	<b>Electric</b>	<b>PSNH</b>	<b>WMECO</b>
Distribution	\$ 5,471.5	\$ 5,279.1	\$ 1,883.8	\$ 831.0	\$ 5,377.2	\$ 5,100.5	\$ 1,804.8	\$ 812.3
Transmission	3,691.2	2,205.3	972.0	977.9	3,618.0	2,131.3	928.2	964.9
Generation	-	-	1,182.4	35.9	-	-	1,158.1	36.0
Property, Plant and Equipment, Gross	9,162.7	7,484.4	4,038.2	1,844.8	8,995.2	7,231.8	3,891.1	1,813.2
Less: Accumulated Depreciation	(2,089.2)	(1,962.7)	(1,217.3)	(323.0)	(2,041.9)	(1,886.8)	(1,171.0)	(307.0)
Property, Plant and Equipment, Net	7,073.5	5,521.7	2,820.9	1,521.8	6,953.3	5,345.0	2,720.1	1,506.2



Net Construction Work in Progress Total Property, Plant and Equipment, Net	263.1	267.0	104.4	94.5	203.5	310.5	135.3	69.1
	\$ 7,336.6	\$ 5,788.7	\$ 2,925.3	\$ 1,616.3	\$ 7,156.8	\$ 5,655.5	\$ 2,855.4	\$ 1,575.3

As of June 30, 2016, PSNH had \$1.2 billion in gross generation utility plant assets and related Accumulated Depreciation of \$542.8 million. These generation assets are the subject of a divestiture agreement whereby PSNH agreed to divest of these generation assets. The NHPUC approved the divestiture agreement on July 1, 2016. The NHPUC is in the process of selecting an auction adviser to assist with the divestiture. Upon completion of the divestiture process, all remaining costs not recovered by the sale of these assets (stranded costs) will be recovered via bonds that will be secured by a non-bypassable charge or through recoveries in rates billed to PSNH's customers. See Note 8E, "Commitments and Contingencies - PSNH Generation Restructuring," for further information.

#### 4.

#### DERIVATIVE INSTRUMENTS

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

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

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



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

	As of June 30, 2016			As of December 31, 2015		
	Commodity Supply and Price Risk	Netting <sup>(1)</sup>	Net Amount Recorded as a Derivative	Commodity Supply and Price Risk	Netting <sup>(1)</sup>	Net Amount Recorded as a Derivative
<i>(Millions of Dollars)</i>	Management			Management		
<u>Current Derivative</u>						
<u>Assets:</u>						
Level 2:						
Eversource	\$ 3.5	\$ -	\$ 3.5	\$ -	\$ -	\$ -
Level 3:						
Eversource	17.5	(10.8)	6.7	16.7	(10.9)	5.8
CL&P	16.6	(10.8)	5.8	16.7	(10.9)	5.8
NSTAR						
Electric	0.9	-	0.9	-	-	-
<u>Long-Term Derivative Assets:</u>						
Level 2:						
Eversource	\$ -	\$ -	\$ -	\$ 0.1	\$ -	\$ 0.1
Level 3:						
Eversource	70.1	(14.8)	55.3	62.0	(19.3)	42.7
CL&P	69.9	(14.8)	55.1	60.7	(19.3)	41.4
NSTAR						
Electric	0.2	-	0.2	1.3	-	1.3
<u>Current Derivative Liabilities:</u>						
Level 2:						
Eversource	\$ -	\$ -	\$ -	\$ (5.8)	\$ -	\$ (5.8)
Level 3:						
Eversource	(93.0)	-	(93.0)	(92.3)	-	(92.3)
CL&P	(91.6)	-	(91.6)	(91.8)	-	(91.8)
NSTAR						
Electric	(1.4)	-				