NSTAR ELECTRIC CO
Form 10-K
February 23, 2017

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 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: (800) 286-5000	04-2147929
0-00404	THE CONNECTICUT LIGHT AND POWER COMPANY (a Connecticut corporation) 107 Selden Street Berlin, Connecticut 06037-1616 Telephone: (800) 286-5000	06-0303850
1-02301	NSTAR ELECTRIC COMPANY (a Massachusetts corporation) 800 Boylston Street Boston, Massachusetts 02199 Telephone: (800) 286-5000	04-1278810
1-6392	PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE (a New Hampshire corporation) Energy Park 780 North Commercial Street Manchester, New Hampshire 03101-1134 Telephone: (800) 286-5000	02-0181050

0-7624	WESTERN MASSACHUSETTS ELECTRIC COMPANY (a Massachusetts corporation) 300 Cadwell Drive Springfield, Massachusetts 01104 Telephone: (800) 286-5000	04-1961130

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

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

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

Registrant	Title of Each Class
The Connecticut Light and Power Company	Preferred Stock, par value $50.00 per share, issuable in series, of which the following series are outstanding:
	$1.90 Series of 1947
	$2.00 Series of 1947
	$2.04 Series of 1949
	$2.20 Series of 1949
	3.90% Series of 1949
	$2.06 Series E of 1954
	$2.09 Series F of 1955
	4.50% Series of 1956
	4.96% Series of 1958
	4.50% Series of 1963
	5.28% Series of 1967
	$3.24 Series G of 1968
	6.56% Series of 1968
NSTAR Electric Company	Preferred Stock, par value $100.00 per share, issuable in series, of which the following series are outstanding:
	4.25% Series of 1956
	4.78% Series of 1958

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

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

Yes	No
x	¨

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

Yes	No
¨	x

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

Yes	No
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).

Yes	No
x	¨

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

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

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer
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):

	Yes	No
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

The aggregate market value of Eversource Energy's Common Shares, $5.00 par value, held by non-affiliates, computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of Eversource Energy's most recently completed second fiscal quarter (June 30, 2016) was $18,939,770,997 based on a closing market price of $59.90 per share for the 316,189,833 common shares outstanding held by non-affiliates on June 30, 2016.

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

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

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

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-K. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

GLOSSARY OF TERMS

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

Current or former Eversource Energy companies, segments or investments:

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

Regulators:

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

Other Terms and Abbreviations:

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

AFUDC	Allowance For Funds Used During Construction
AOCL	Accumulated Other Comprehensive Loss
ARO	Asset Retirement Obligation
Bay State Wind	A proposed offshore wind project being developed off the coast of Massachusetts
Bcf	Billion cubic feet
C&LM	Conservation and Load Management
CfD	Contract for Differences
Clean Air Project	The construction of a wet flue gas desulphurization system, known as "scrubber technology," to reduce mercury emissions of the Merrimack coal-fired generation station in Bow, New Hampshire
CO_2	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
NETO	New England Transmission Owners
Northern Pass	The high-voltage direct-current and associated alternating-current transmission line project from Canada into New Hampshire
NOx	Nitrogen oxides
OCI	Other Comprehensive Income/(Loss)
PAM	Pension and PBOP Rate Adjustment Mechanism
PBOP	Postretirement Benefits Other Than Pension
PBOP Plan	Postretirement Benefits Other Than Pension Plan that provides certain retiree benefits, primarily medical, dental and life insurance
PCRBs	Pollution Control Revenue Bonds
Pension Plan	Single uniform noncontributory defined benefit retirement plan
PPA	Pension Protection Act
RECs	Renewable Energy Certificates
Regulatory ROE	The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment

RNS	Regional Network Service
ROE	Return on Equity
RRB	Rate Reduction Bond or Rate Reduction Certificate
RSUs	Restricted share units
S&P	Standard & Poor's Financial Services LLC
SBC	Systems Benefits Charge
SCRC	Stranded Cost Recovery Charge
SERP	Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans
SIP	Simplified Incentive Plan
SO_2	Sulfur dioxide
SS	Standard service
TCAM	Transmission Cost Adjustment Mechanism
TSA	Transmission Service Agreement
UI	The United Illuminating Company

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

2016 FORM 10-K ANNUAL REPORT

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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

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

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

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

- cyber breaches, acts of war or terrorism, or grid disturbances,
- actions or inaction of local, state and federal regulatory, public policy and taxing bodies,
- changes in business conditions, which could include disruptive technology related to our current or future business model,
- changes in economic conditions, including impact on interest rates, tax policies, and customer demand and payment ability,
- fluctuations in weather patterns,
- changes in laws, regulations or regulatory policy,
- 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,
- developments in legal or public policy doctrines,
- technological developments,
- 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, contain uncertainties that may materially affect our actual results and are beyond our control. You should not place undue reliance on the forward-looking statements, each speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. For more information, see Item 1A, Risk Factors, included in this combined Annual Report on Form 10-K. This Annual Report on Form 10-K also describes material contingencies and critical accounting policies in the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations and Combined Notes to Consolidated Financial Statements. We encourage you to review these items.

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

PART I

Item 1. Business

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

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

- The Connecticut Light and Power Company (CL&P), a regulated electric utility that serves residential, commercial and industrial customers in parts of Connecticut;
- NSTAR Electric Company (NSTAR Electric), a regulated electric utility that serves residential, commercial and industrial customers in parts of eastern Massachusetts;
- Public Service Company of New Hampshire (PSNH), a regulated electric utility that serves residential, commercial and industrial customers in parts of New Hampshire and owns generation assets used to serve customers;
- Western Massachusetts Electric Company (WMECO), a regulated electric utility that serves residential, commercial and industrial customers in parts of western Massachusetts and owns solar generating assets;
- NSTAR Gas Company (NSTAR Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Massachusetts; and
- Yankee Gas Services Company (Yankee Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Connecticut.

CL&P, NSTAR Electric, PSNH and WMECO also serve New England customers through Eversource Energy's electric transmission business.

CL&P, NSTAR Electric, PSNH and WMECO are each doing business as Eversource Energy in their respective service territories.

Eversource Energy, CL&P, NSTAR Electric, PSNH and WMECO each report their financial results separately. We also include information in this report on a segment basis for Eversource Energy. Eversource Energy recognizes three reportable segments: electric distribution, electric transmission and natural gas distribution. Eversource Energy's electric distribution segment includes the generation results of PSNH and WMECO. These three segments represented substantially all of Eversource Energy's total consolidated revenues for the years ended December 31, 2016, 2015 and 2014. CL&P, NSTAR Electric, PSNH and WMECO do not report separate business segments.

ELECTRIC DISTRIBUTION SEGMENT

General

Eversource Energy's electric distribution segment consists of the distribution businesses of CL&P, NSTAR Electric, PSNH and WMECO, which are engaged in the distribution of electricity to retail customers in Connecticut, eastern Massachusetts, New Hampshire and western Massachusetts, respectively, plus the regulated electric generation assets of PSNH and WMECO.

The following table shows the sources of 2016 electric franchise retail revenues for Eversource Energy's electric distribution companies, collectively, based on categories of customers:

(Thousands of Dollars, except percentages)	2016	% of Total	
Residential	$3,448,043	54	%
Commercial	2,465,664	39	%
Industrial	328,103	5	%
Other	139,527	2	%
Total Retail Electric Revenues	$6,381,337	100	%

A summary of our distribution companies' retail electric GWh sales volumes and percentage changes for 2016, as compared to 2015, is as follows:

	2016	2015	Percentage Change
Residential	21,002	21,441	(2.0)%
Commercial	27,206	27,598	(1.4)%
Industrial	5,434	5,577	(2.6)%
Total	53,642	54,616	(1.8)%

For 2016, retail electric sales volumes at our electric utilities with a traditional rate structure (NSTAR Electric and PSNH) were lower, as compared to 2015, due primarily to the impact of increased customer energy conservation efforts, including those resulting from company-sponsored energy efficiency programs. Fluctuations in retail electric sales volumes at NSTAR Electric and PSNH impact earnings as they operate under a traditional rate structure, where sales volume, impacted by weather, has a direct impact on revenue recognized.

For CL&P and WMECO, fluctuations in retail electric sales volumes do not impact earnings due to their respective regulatory commission approved distribution revenue decoupling mechanisms. These distribution revenues are decoupled from their customer sales volumes, which breaks the relationship between sales volumes and revenues recognized. CL&P and WMECO reconcile their annual base distribution rate recovery amounts to their respective pre-established levels of baseline distribution delivery service revenues of $1.059 billion and $132.4 million, respectively. Any difference between the allowed level of distribution revenue for CL&P and WMECO and the actual amount delivered during a 12-month period is adjusted through rates in the following period.

ELECTRIC DISTRIBUTION – CONNECTICUT

THE CONNECTICUT LIGHT AND POWER COMPANY

CL&P's distribution business consists primarily of the purchase, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2016, CL&P furnished retail franchise electric service to approximately 1.2 million customers in 149 cities and towns in Connecticut, covering an area of 4,400 square miles. CL&P does not own any electric generation facilities.

The following table shows the sources of CL&P's 2016 electric franchise retail revenues based on categories of customers:

	CL&P	
(Thousands of Dollars, except percentages)	2016	% of Total
Residential	$1,603,351	61
Commercial	858,965	32
Industrial	139,556	5
Other	47,672	2
Total Retail Electric Revenues	$2,649,544	100%

A summary of CL&P's retail electric GWh sales volumes and percentage changes for 2016, as compared to 2015, is as follows:

	2016	2015	Percentage Change
Residential	9,907	10,094	(1.9)%
Commercial	9,461	9,635	(1.8)%

Industrial	2,249	2,342	(4.0)%
Total	21,617	22,071	(2.1)%

Rates

CL&P is subject to regulation by the PURA, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities. CL&P's present general rate structure consists of various rate and service classifications covering residential, commercial and industrial services. CL&P's retail rates include a delivery service component, which includes distribution, transmission, conservation, renewable energy programs and other charges that are assessed on all customers. Connecticut utilities are entitled under state law to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs, in order to attract needed capital and maintain their financial integrity, while also protecting relevant public interests.

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

CL&P continues to supply approximately 42 percent of its customer load at SS or LRS rates while the other 58 percent of its customer load has migrated to competitive energy suppliers. Because this customer migration is only for energy supply service, it has no impact on CL&P's electric distribution business or its operating income.

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

- An electric GSC, which recovers energy-related costs incurred as a result of providing electric generation service supply to all customers that have not migrated to competitive energy suppliers. The GSC is adjusted periodically and reconciled semi-annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.
- A revenue decoupling adjustment (effective December 1, 2014) that reconciles the amounts recovered from customers, on an annual basis, to the distribution revenue requirement approved by the PURA in its last rate case, which currently is an annual amount of $1.059 billion.
- A distribution charge, which includes a fixed customer charge and a demand and/or energy charge to collect the costs of building and expanding the infrastructure to deliver electricity to customers, as well as ongoing operating costs to maintain the infrastructure.
- An FMCC, which recovers any costs imposed by the FERC as part of the New England Standard Market Design, including locational marginal pricing, locational installed capacity payments, and any costs approved by the PURA to reduce these charges. The FMCC also recovers costs associated with CL&P's system resiliency program. The FMCC is adjusted periodically and reconciled semi-annually in accordance with the policies and procedures of the PURA, with any differences refunded to, or recovered from, customers.
- A transmission charge that recovers the cost of transporting electricity over high-voltage lines from generating plants to substations, including costs allocated by ISO-NE to maintain the wholesale electric market.
- A CTA charge, assessed to recover stranded costs associated with electric industry restructuring such as various IPP contracts. The CTA is reconciled annually to actual costs incurred and reviewed by the PURA, with any difference refunded to, or recovered from, customers.
- An SBC, established to fund expenses associated with various hardship and low income programs and a program that compensates municipalities for lost property tax revenues due to decreased values of generating facilities caused by electric industry restructuring. The SBC is reconciled annually to actual costs incurred and reviewed by the PURA, with any difference refunded to, or recovered from, customers.
- A Clean Energy Fund charge, which is used to promote investment in renewable energy sources. Amounts collected by this charge are deposited into the Clean Energy Fund and administered by the Clean Energy Finance and Investment Authority. The Clean Energy Fund charge is set by statute and is currently 0.1 cent per kWh.
- A conservation charge, comprised of a statutory rate established to implement cost-effective energy conservation programs and market transformation initiatives, plus a conservation adjustment mechanism charge to recover the residual energy efficiency spending associated with the expanded energy efficiency costs directed by the Comprehensive Energy Strategy Plan for Connecticut.

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

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

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

- Long-term commitment to purchase 20 MW of solar power from a multi-site project in Connecticut. This project is expected to be operational by the end of 2017.

The PURA approved CL&P's application to amend customer rates, effective December 1, 2014, for a total base distribution rate increase of $152 million, which included an authorized ROE of 9.02 percent for the first twelve month period and 9.17 percent thereafter. The distribution rate increase included a revenue decoupling mechanism effective December 1, 2014, and the recovery of 2011 and 2012 storm restoration costs and system resiliency costs.

Sources and Availability of Electric Power Supply

As noted above, CL&P does not own any generation assets and purchases energy supply to serve its SS and LRS loads from a variety of competitive sources through requests for proposals. CL&P periodically enters into full requirements contracts for the majority of SS loads for periods of up to one year for its residential customers and small and medium commercial and industrial customers. CL&P is authorized to supply the remainder of the SS loads through a self-managed process that includes bilateral purchases and spot market purchases. CL&P typically enters into full requirements contracts for LRS for larger commercial and industrial customers every three months. Currently, CL&P has full requirements contracts in place for 70 percent of its SS loads for the first half of 2017 and has bilateral purchases in place to self-manage the remaining 30 percent. For the second half of 2017, CL&P has 50 percent of its SS load under full requirements contracts, and intends to purchase an additional 20 to 30 percent of full requirements and will self-manage the remainder as needed. None of the SS load for 2018 has been procured. CL&P has full requirements contracts in place for its LRS loads through the second quarter of 2017 and intends to purchase 100 percent of full requirements for the third and fourth quarters of 2017.

ELECTRIC DISTRIBUTION – MASSACHUSETTS

NSTAR ELECTRIC COMPANY
WESTERN MASSACHUSETTS ELECTRIC COMPANY

The electric distribution businesses of NSTAR Electric and WMECO consist primarily of the purchase, delivery and sale of electricity to residential, commercial and industrial customers within their respective franchise service territories. As of December 31, 2016, NSTAR Electric furnished retail franchise electric service to approximately 1.2 million customers in Boston and 80 surrounding cities and towns in Massachusetts, including Cape Cod and Martha's Vineyard, covering an area of approximately 1,700 square miles. WMECO provides retail franchise electric service to approximately 210,000 customers in 59 cities and towns in the western region of Massachusetts, covering an area of approximately 1,500 square miles. Neither NSTAR Electric nor WMECO owns any generating facilities used to supply customers, and each purchases its respective energy requirements from competitive energy suppliers.

In 2009, WMECO was authorized by the DPU to install solar energy generation in its service territory. From 2010 through 2014, WMECO completed development of a total of 8 MW solar generation facilities on sites in Pittsfield, Springfield, and East Springfield, Massachusetts. WMECO currently sells all energy and other products from its solar generation facilities into the ISO-NE market. NSTAR Electric does not own any solar generation facilities. On December 29, 2016, the DPU approved the NSTAR Electric and WMECO application to develop 35 MW and 27 MW, respectively, of solar generation facilities, in addition to WMECO's existing 8 MW of solar generation facilities. We expect development of the facilities to be completed by the end of 2017. We expect that NSTAR Electric and WMECO will sell energy from the new solar generation facilities into the ISO-NE market. We estimate our investment in these new facilities will be between approximately $180 million to $200 million.

The following table shows the sources of the 2016 electric franchise retail revenues of NSTAR Electric and WMECO based on categories of customers:

	NSTAR Electric		WMECO	
(Thousands of Dollars, except percentages)	2016	% of Total	2016	% of Total
Residential	$1,097,093	45	$225,685	58
Commercial	1,190,597	49	120,146	31
Industrial	84,834	4	32,849	9
Other	46,756	2	7,910	2
Total Retail Electric Revenues	$2,419,280	100%	$386,590	100%

A summary of NSTAR Electric's and WMECO's retail electric GWh sales volumes and percentage changes for 2016, as compared to 2015, is as follows:

	NSTAR Electric			WMECO		
	2016	2015	Percentage Change	2016	2015	Percentage Change
Residential	6,518	6,687	(2.5)%	1,441	1,465	(1.6)%
Commercial	12,925	13,120	(1.5)%	1,479	1,478	0.1 %
Industrial	1,176	1,248	(5.8)%	626	620	1.0 %
Total	20,619	21,055	(2.1)%	3,546	3,563	(0.5)%

Rates

NSTAR Electric and WMECO are each subject to regulation by the DPU, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, acquisition of securities, standards of service and construction and operation of facilities. The present general rate structure for both NSTAR Electric and WMECO consists of various rate and service classifications covering residential, commercial and industrial services. Massachusetts utilities are entitled under state law to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs, in order to attract needed capital and maintain their financial integrity, while also protecting relevant public interests.

Under Massachusetts law, all customers of each of NSTAR Electric and WMECO are entitled to choose their energy suppliers, while NSTAR Electric or WMECO remains their electric distribution company. Both NSTAR Electric and WMECO purchase power from competitive suppliers on behalf of, and pass the related cost through to, their respective customers who do not choose a competitive energy supplier (basic service). Most of the residential customers of NSTAR Electric and WMECO have continued to buy their power from NSTAR Electric or WMECO at basic service rates. Most commercial and industrial customers have switched to a competitive energy supplier.

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

NSTAR Electric continues to supply approximately 31 percent of its customer load at basic service rates while the other 69 percent of its customer load has migrated to competitive energy suppliers. WMECO continues to supply approximately 39 percent of its customer load at basic service rates while the other 61 percent of its customer load has migrated to competitive energy suppliers. Because customer migration is limited to energy supply service, it has no impact on the delivery business or operating income of NSTAR Electric and WMECO.

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

- A basic service charge that represents the collection of energy costs, including costs related to charge-offs of uncollectible energy costs from customers. Electric distribution companies in Massachusetts are required to obtain and resell power to retail customers through basic service for those who choose not to buy energy from a competitive energy supplier. Basic service rates are reset every six months (every three months for large commercial and industrial customers). Additionally, the DPU has authorized NSTAR Electric to recover the cost of its NSTAR Green wind contracts through the basic service charge. Basic service costs are reconciled annually, with any differences refunded to, or recovered from, customers.

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

- For WMECO, a revenue decoupling adjustment that reconciles distribution revenue, on an annual basis, to the amount of distribution revenue approved by the DPU in its last rate case in 2011. Currently, WMECO is allowed to collect $132.4 million annually.

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

- A transition charge that represents costs to be collected primarily from previously held investments in generating plants, costs related to existing above-market power contracts, and contract costs related to long-term power contract buy-outs.

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

- An energy efficiency charge that represents a legislatively-mandated charge to collect costs for energy efficiency programs.

- Reconciling adjustment charges that recover certain DPU-approved costs as follows: pension and PBOP benefits, low income customer discounts, lost revenue and credits associated with net-metering facilities installed by customers, storms, consultants retained by the attorney general, long-term renewable contracts and energy efficiency programs and lost base revenue associated with energy efficiency measures. In addition to these adjustments common to both NSTAR Electric and WMECO, NSTAR Electric has reconciling adjustment charges that collect costs associated with certain safety and reliability projects. WMECO has a reconciling adjustment charge that recovers costs associated with certain solar projects owned and operated by WMECO.

As required by regulation, NSTAR Electric and WMECO, along with two other Massachusetts electric utilities, signed long-term commitments to purchase a combined estimated generating capacity of approximately 334 MW of wind power from two wind farms in Maine over 15 years. One unit began operating in late 2015, and the other unit began operating in late 2016. In addition, WMECO previously signed a long-term commitment to purchase an estimated generating capacity of approximately 37.5 MW of wind power from a wind farm in Maine over 15 years that began operating in 2016.

Pursuant to a 2008 DPU order, Massachusetts electric utilities must adopt rate structures that decouple the volume of energy sales from the utility's revenues in their next rate case. WMECO is currently decoupled and NSTAR Electric has proposed decoupling in its current rate case, which will occur in the second half of 2017, for rates effective January 1, 2018.

NSTAR Electric and WMECO are each subject to service quality ("SQ") metrics that measure safety, reliability and customer service, and could be required to pay to customers a SQ charge of up to 2.5 percent of annual transmission and distribution revenues for failing to meet such metrics. Neither NSTAR Electric nor WMECO will be required to pay a SQ charge for its 2016 performance as each company achieved results at or above target for all of its respective SQ metrics in 2016.

Sources and Availability of Electric Power Supply

As noted above, neither NSTAR Electric nor WMECO owns any generation assets (other than WMECO's solar generation), and both companies purchase their respective energy requirements from a variety of competitive sources through requests for proposals issued periodically, consistent with DPU regulations. NSTAR Electric and WMECO enter into supply contracts for basic service for 50 percent of their respective residential and small commercial and industrial customers twice per year for twelve month terms. Both NSTAR Electric and WMECO enter into supply contracts for basic service for 100 percent of large commercial and industrial customers every three months.

Proposed Merger of NSTAR Electric and WMECO

Eversource has proposed to merge WMECO into NSTAR Electric with an anticipated effective date of January 1, 2018. On January 13, 2017, Eversource made two filings with FERC related to the proposed merger. One filing requests FERC approval of the merger, and the other filing requests FERC approval of NSTAR Electric's assumption of WMECO's short-term debt obligations. It is expected that FERC will act on these filings by mid-2017.

On January 17, 2017, NSTAR Electric and WMECO jointly filed an application with the DPU for approval of new base distribution rates, effective January 1, 2018. Among other things, the application proposes to streamline and align rate classifications between NSTAR Electric and WMECO, and request a revenue decoupling rate mechanism for NSTAR Electric. WMECO has a revenue decooffupling mechanism in place. For further information, see "Regulatory Developments and Rate Matters - Massachusetts - Distribution Rates" in the accompanying Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

ELECTRIC DISTRIBUTION – NEW HAMPSHIRE

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

PSNH's distribution business consists primarily of the generation, delivery and sale of electricity to its residential, commercial and industrial customers. As of December 31, 2016, PSNH furnished retail franchise electric service to approximately 511,000 retail customers in 211 cities and towns in New Hampshire, covering an area of approximately 5,630 square miles. PSNH currently owns and operates approximately 1,200 MW of primarily coal-, natural gas-, and oil-fired electricity generation plants. PSNH's distribution business includes the activities of its generation assets.

The following table shows the sources of PSNH's 2016 electric franchise retail revenues based on categories of customers:

	PSNH	
(Thousands of Dollars, except percentages)	2016	% of Total

Residential	$521,914	56
Commercial	295,956	32
Industrial	70,864	8
Other	37,188	4
Total Retail Electric Revenues	$925,922	100%

A summary of PSNH's retail electric GWh sales volumes and percentage changes for 2016, as compared to 2015, is as follows:

	2016	2015	Percentage Change
Residential	3,136	3,195	(1.8)%
Commercial	3,342	3,365	(0.7)%
Industrial	1,382	1,367	1.1 %
Total	7,860	7,927	(0.8)%

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Rates

PSNH is subject to regulation by the NHPUC, which, among other things, has jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of securities, standards of service and construction and operation of facilities. New Hampshire utilities are entitled under state law to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs, in order to attract needed capital and maintain their financial integrity, while also protecting relevant public interests.

Under New Hampshire law, all of PSNH's customers are entitled to choose competitive energy suppliers, with PSNH providing default energy service under its ES rate for those customers who do not choose a competitive energy supplier. At the end of 2016, approximately 25 percent of all of PSNH's customers (approximately 56 percent of load) were taking service from competitive energy suppliers, compared to 21 percent of customers (approximately 53 percent of load) at the end of 2015.

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

- A default energy service charge which recovers energy-related costs incurred as a result of providing electric generation service supply to all customers that have not migrated to competitive energy suppliers. These charges recover the costs of PSNH's generation, as well as purchased power, and include an allowed ROE of 9.81 percent.

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

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

- An SCRC, which allows PSNH to recover its stranded costs, including above-market expenses incurred under mandated power purchase obligations and other long-term investments and obligations.

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

- An electricity consumption tax, which is a state mandated tax on electric energy consumption.

The energy charge and SCRC rates change semi-annually and are reconciled annually and differences between actual costs incurred versus current rates are either refunded or recovered in subsequent rates charged to customers.

PSNH distribution rates were set in a 2010 NHPUC rate case settlement, which expired on June 30, 2015. As part of the 2015 settlement over the cost of the pollution-control equipment at PSNH's Merrimack facility, and the ability of PSNH to divest itself of its generation assets (as further described under "Generation Divestiture," below), PSNH agreed that its present distribution rates will stay in effect until at least July 1, 2017. However, certain aspects of the 2010 rate case settlement will continue, including funding for reliability enhancement program activities, adjustment of distribution rates for certain exogenous events that in the aggregate exceed $1 million, and major storm reserve funding.

Generation Divestiture

On June 10, 2015, Eversource and PSNH entered into the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (the "Agreement") with the New Hampshire Office of Energy and Planning, certain members of the NHPUC staff, the Office of Consumer Advocate, two State Senators, and several other parties. Under the terms of the Agreement, PSNH agreed to divest its generation assets, subject to NHPUC approval. The Agreement provided for a resolution of issues pertaining to PSNH's generation assets in pending regulatory proceedings before the NHPUC. The Agreement provided for the Clean Air Project prudence proceeding to be resolved and all remaining Clean Air Project costs to be included in rates effective January 1, 2016. As part of the Agreement, PSNH agreed to forego recovery of $25 million of the equity return related to the Clean Air Project. In addition, PSNH will not seek a general distribution rate increase effective before July 1, 2017 and will contribute $5 million to create a clean energy fund, which will not be recoverable from its customers. In 2015, PSNH recorded the $5 million contribution as a long-term liability on the balance sheet and an increase to Operations and Maintenance expense on the statement of income.

On July 1, 2016, the NHPUC approved the Agreement in an order that, among other things, instructs PSNH to begin the process to divest its generation assets. The NHPUC selected an auction adviser to assist with the divestiture, and a final plan and auction process was approved by the NHPUC in November 2016. In December 2016, certain intervenors asked the NHPUC to reconsider certain aspects of its divestiture plan; the NHPUC rejected that request on December 23, 2016. On January 10, 2017, these intervenors appealed the NHPUC's decision to the New Hampshire Supreme Court, alleging procedural deficiencies, and complaining that the auction schedule and process were unreasonable. PSNH and the New Hampshire Attorney General's office acting on behalf of the NHPUC requested the Court to reject this appeal. On February 10, 2017, the New Hampshire Supreme Court issued an order declining to accept the appeal. We continue to believe the assets will be sold by the end of 2017.

As of December 31, 2016, PSNH's energy service rate base subject to divestiture, was approximately $625 million. This rate base will be reduced by the amount of the sales proceeds from the generation assets that are divested and sold. Upon completion of the divestiture process, full recovery of PSNH's generation assets is probable through a combination of cash flows during the remaining operating period, sales proceeds upon divestiture, and recovery of stranded costs via bonds that will be secured by a non-bypassable charge or through recoveries in future rates billed to PSNH's customers. For further information, see "Regulatory Developments and Rate Matters - New Hampshire - Generation Divestiture" in the accompanying Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Sources and Availability of Electric Power Supply

During 2016, approximately 48 percent of PSNH's load was met through its own generation, long-term power supply provided pursuant to orders of the NHPUC, and contracts with competitive energy suppliers. The remaining 52 percent of PSNH's load was met by short-term (less than one year) purchases and spot purchases in the competitive New England wholesale power market. PSNH expects to meet its load requirements in 2017 in a similar manner. Included in the 48 percent above are PSNH's obligations to purchase power from approximately two dozen IPPs, the output of which it either uses to serve its customer load or sells into the ISO-NE market.

Merrimack and Schiller Stations have recently operated at lower than historical capacity factors due to moderate regional temperatures. The Hydro stations' annual generation was lower than average due to low river flows. PSNH's Energy Service Rate has been set at 11.17 cents per kWh effective January 1, 2017, which includes full recovery of costs related to the Clean Air Project.

ELECTRIC TRANSMISSION SEGMENT

General

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

Wholesale Transmission Revenues

A summary of Eversource Energy's wholesale transmission revenues is as follows:

(Thousands of Dollars)	2016
CL&P	$575,735
NSTAR Electric	337,947
PSNH	151,354
WMECO	145,103
Total Wholesale Transmission Revenues	$1,210,139

Wholesale Transmission Rates

Wholesale transmission revenues are recovered through FERC approved formula rates. Transmission revenues are collected from New England customers, including distribution customers of CL&P, NSTAR Electric, PSNH and

WMECO. The transmission rates provide for the annual reconciliation of estimated to actual costs. The financial impacts of differences between actual and estimated costs are deferred for future recovery from, or refunded to, transmission customers.

FERC Base ROE Complaints

Four separate complaints have been filed at FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties. Each complaint challenges the NETOs' previous base ROE of 11.14 percent or current base ROE of 10.57 percent and seeks to reduce it both for the four separate 15-month complaint periods and prospectively. For further information, see "FERC Regulatory Issues - FERC ROE Complaints" in the accompanying Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

FERC Order No. 1000

On August 15, 2014, the D.C. Circuit Court of Appeals upheld the FERC's authority to order major changes to transmission planning and cost allocation in FERC Order No. 1000 and Order No. 1000-A, including transmission planning for public policy needs, and the requirement that utilities remove from their transmission tariffs their rights of first refusal to build transmission, to allow for competition. ISO-NE and the NETOs, including CL&P, NSTAR Electric, PSNH and WMECO made compliance filings to address this policy, which included exemption from competition for certain transmission solutions previously evaluated by ISO-NE, and the NETOs' rights to retain use and control of existing right of ways. This compliance was accepted by the FERC on December 14, 2015. At the same time, the NETOs filed an appeal to the D.C. Circuit Court of Appeals, challenging FERC's removal of the right of first refusal. State regulators have also filed an appeal, challenging the FERC's determination that ISO-NE should select public policy transmission projects after a competitive process. Oral arguments were heard by the Court on January 13, 2017, and the Court is expected to resolve the appeals in 2017.

Transmission Projects

During 2016, we were involved in the planning, development and construction of a series of electric transmission projects, including the Greater Hartford Central Connecticut solutions; and Greater Boston Reliability Solutions, which are a series of new transmission projects over the next five years that will enhance system reliability and improve capacity. We were involved in the planning and development of Northern Pass, which is our planned HVDC transmission line from the Québec-New Hampshire border to Franklin, New Hampshire and an associated alternating current radial transmission line between Franklin and Deerfield, New Hampshire; and the Seacoast Reliability Project, a 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. For further information, see "Business Development and Capital Expenditures - Electric Transmission Business" in the accompanying Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Transmission Rate Base

Under our FERC-approved tariff, and with the exception of transmission projects that received specific FERC approval to include CWIP in rate base, transmission projects generally enter rate base after they are placed in commercial operation. At the end of 2016, our estimated transmission rate base was approximately $5.7 billion, including approximately $2.5 billion at CL&P, $1.5 billion at NSTAR Electric, $698 million at PSNH, and $722 million at WMECO.

NATURAL GAS DISTRIBUTION SEGMENT

NSTAR Gas distributes natural gas to approximately 289,000 customers in 51 communities in central and eastern Massachusetts covering 1,067 square miles, and Yankee Gas distributes natural gas to approximately 229,000 customers in 72 cities and towns in Connecticut covering 2,187 square miles. Total throughput (sales and transportation) in 2016 was approximately 63,186 MMBtu for NSTAR Gas and 55,679 MMBtu for Yankee Gas. Our natural gas businesses provide firm natural gas sales service to retail customers who require a continuous natural gas supply throughout the year, such as residential customers who rely on natural gas for heating, hot water and cooking needs, and commercial and industrial customers who choose to purchase natural gas from Eversource Energy's natural gas distribution companies. A portion of the storage of natural gas supply for NSTAR Gas during the winter heating season is provided by Hopkinton LNG Corp., an indirect, wholly-owned subsidiary of Eversource Energy. NSTAR Gas has access to Hopkinton LNG Corp. facilities in Hopkinton, Massachusetts consisting of a LNG liquefaction and vaporization plant and three above-ground cryogenic storage tanks having an aggregate capacity of 3.0 Bcf of liquefied natural gas. NSTAR Gas also has access to Hopkinton LNG Corp. facilities in Acushnet, Massachusetts that include additional storage capacity of 0.5 Bcf and additional vaporization capacity.

Yankee Gas owns a 1.2 Bcf LNG facility in Waterbury, Connecticut, which is used primarily to assist Yankee Gas in meeting its supplier-of-last-resort obligations and also enables it to provide economic supply and make economic refill of natural gas typically during periods of low demand.

NSTAR Gas and Yankee Gas generate revenues primarily through the sale and/or transportation of natural gas. Predominantly all residential customers in the NSTAR Gas service territory buy natural gas supply and delivery from NSTAR Gas while all customers may choose their natural gas suppliers. Retail natural gas service in Connecticut is partially unbundled: residential customers in Yankee Gas' service territory buy natural gas supply and delivery only from Yankee Gas while commercial and industrial customers may choose their natural gas suppliers. NSTAR Gas offers firm transportation service to all customers who purchase natural gas from sources other than NSTAR Gas while Yankee Gas offers firm transportation service to its commercial and industrial customers who purchase natural gas from sources other than Yankee Gas. In addition, both natural gas distribution companies offer interruptible transportation and interruptible natural gas sales service to those high volume commercial and industrial customers, generally during the colder months, that have the capability to switch from natural gas to an alternative fuel on short notice, for whom NSTAR Gas and Yankee Gas can interrupt service during peak demand periods or at any other time to maintain distribution system integrity.

The following table shows the sources of the 2016 total Eversource Energy natural gas franchise retail revenues based on categories of customers:

(Thousands of Dollars, except percentages)	2016	% of Total
Residential	$446,052	55
Commercial	279,001	35
Industrial	80,093	10
Total Retail Natural Gas Revenues	$805,146	100%

A summary of our firm natural gas sales volumes in million cubic feet and percentage changes for 2016, as compared to 2015, is as follows:

	2016	2015	Percentage Change
Residential	35,734	38,455	(7.1)%
Commercial	41,895	43,006	(2.6)%
Industrial	20,413	21,538	(5.2)%
Total	98,042	102,999	(4.8)%
Total, Net of Special Contracts [1]	93,346	98,458	(5.2)%

[1] Special contracts are unique to the 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.

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 both of our natural gas distribution companies. In 2016, our consolidated firm natural gas sales volumes were lower, as compared to 2015. The 2016 firm natural gas sales volumes were negatively impacted by warmer than normal weather in the first quarter of 2016, as compared to the much colder than normal temperatures in the first quarter of 2015, throughout our natural gas service territories. Heating degree days for 2016 were five percent lower in Connecticut, as compared to 2015.

For NSTAR Gas, the DPU approved a distribution revenue decoupling mechanism effective January 1, 2016. Natural gas distribution revenues are decoupled from their customer sales volumes, where applicable, which breaks the relationship between sales volumes and revenues recognized. As a result, fluctuations in natural gas sales volumes in Massachusetts do not impact earnings.

Rates

NSTAR Gas and Yankee Gas are subject to regulation by the DPU and the PURA, respectively, which, among other things, have jurisdiction over rates, certain dispositions of property and plant, mergers and consolidations, issuances of long-term securities, standards of service and construction and operation of facilities. Both of Eversource Energy's natural gas companies are entitled under their respective state law to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs, in order to attract needed capital and maintain their financial integrity, while also protecting relevant public interests.

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

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

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

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

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

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

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

NSTAR Gas is subject to SQ metrics that measure safety, reliability and customer service and could be required to pay to customers a SQ charge of up to 2.5 percent of annual distribution revenues for failing to meet such metrics. NSTAR Gas will not be required to pay a SQ charge for its 2016 performance as it achieved results at or above target for all of its SQ metrics in 2016.

On October 30, 2015, the DPU issued its order in the NSTAR Gas distribution rate case, which approved an annualized base rate increase of $15.8 million, plus other increases of approximately $11.5 million, mostly relating to recovery of pension and PBOP expenses and the Hopkinton Gas Service Agreement, effective January 1, 2016. In the order, the DPU also approved an authorized regulatory ROE of 9.8 percent, the establishment of a revenue decoupling mechanism, the recovery of certain bad debt expenses, and a 52.1 percent equity component of its capital structure. On November 19, 2015, NSTAR Gas filed a motion for reconsideration of the order with the DPU seeking the correction of mathematical errors and other plant and cost of service items, which motion remains pending.

Yankee Gas' last rate proceeding was in 2011, which approved an allowed ROE of 8.83 percent and allowed for a substantial increase in annual spending for bare steel and cast iron pipeline replacement. In 2015, Yankee Gas entered into a settlement agreement with the PURA staff pursuant to which Yankee Gas provided a $1.5 million rate credit to firm customers beginning in December 2015, and established an earnings sharing mechanism whereby Yankee Gas and its customers will share equally in any earnings exceeding a 9.5 percent ROE in a twelve month period commencing with the period from April 1, 2015 through March 31, 2016. As of December 31, 2016, Yankee Gas had not triggered any of the earnings sharing thresholds.

Massachusetts Natural Gas Replacement and Expansion

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

In October 2014, pursuant to the Act, NSTAR Gas filed the Gas System Enhancement Program ("GSEP") with the DPU. NSTAR Gas' program accelerates the replacement of certain natural gas distribution facilities in the system to within 25 years. The GSEP includes a new tariff effective January 1, 2016 that provides NSTAR Gas an opportunity to collect the costs for the program on an annual basis through a newly designed reconciling factor. On April 30, 2015, the DPU approved the GSEP. We expect capital expenditures of approximately $255 million for the period 2016 through 2019 for the GSEP.

Connecticut Natural Gas Expansion Plan

In 2013, in accordance with Connecticut law and regulations, the PURA approved a comprehensive joint natural gas infrastructure expansion plan (the "Expansion Plan") filed by Yankee Gas and other Connecticut natural gas distribution companies. The Expansion Plan described how Yankee Gas expects to add approximately 82,000 new natural gas heating customers over a 10-year period. Yankee Gas estimates that its portion of the Expansion Plan will cost approximately $700 million over 10 years. In January 2015, the PURA approved a joint settlement agreement proposed by Yankee Gas and other Connecticut natural gas distribution companies and regulatory agencies that clarified the procedures and oversight criteria applicable to the Expansion Plan. On November 30, 2016, Yankee Gas received PURA approval of its initial 2014 System Expansion Reconciliation as well as its 2015 Reconciliation after a combined review of the reconciliations by PURA. The PURA approval allowed for the recovery of the 2014 and 2015 combined deficiency balance of $3.65 million.

Sources and Availability of Natural Gas Supply

NSTAR Gas maintains a flexible resource portfolio consisting of natural gas supply contracts, transportation contracts on interstate pipelines, market area storage and peaking services. NSTAR Gas purchases transportation, storage, and balancing services from Tennessee Gas Pipeline Company and Algonquin Gas Transmission Company, as well as other upstream pipelines that transport gas from major producing regions in the U.S., including the Gulf Coast, Mid-continent region, and Appalachian Shale supplies to the final delivery points in the NSTAR Gas service area. NSTAR Gas purchases all of its natural gas supply under a firm portfolio management contract with a term of one year, which has a maximum quantity of approximately 154,700 MMBtu/day of firm flowing natural gas supplies and 76,700 MMBtu/day of firm natural gas storage supplies.

In addition to the firm transportation and natural gas supplies mentioned above, NSTAR Gas utilizes contracts for underground storage and LNG facilities to meet its winter peaking demands. The LNG facilities, described below, are located within NSTAR Gas' distribution system and are used to liquefy and store pipeline natural gas during the warmer months for vaporization and use during the heating season. During the summer injection season, excess pipeline capacity and supplies are used to deliver and store natural gas in market area underground storage facilities located in the New York and Pennsylvania regions. Stored natural gas is withdrawn during the winter season to supplement flowing pipeline supplies in order to meet firm heating demand. NSTAR Gas has firm underground storage contracts and total storage capacity entitlements of approximately 6.6 Bcf.

A portion of the storage of natural gas supply for NSTAR Gas during the winter heating season is provided by Hopkinton LNG Corp., which owns an LNG liquefaction and vaporization plant and three above-ground cryogenic storage tanks having an aggregate capacity of 3.0 Bcf of liquefied natural gas. NSTAR Gas also has access to Hopkinton LNG Corp. facilities that include additional storage capacity of 0.5 Bcf and additional vaporization capacity.

The PURA requires that Yankee Gas meet the needs of its firm customers under all weather conditions. Specifically, Yankee Gas must structure its supply portfolio to meet firm customer needs under a design day scenario (defined as the coldest day in 30 years) and under a design year scenario (defined as the average of the four coldest years in the last 30 years). Yankee Gas' on-system stored LNG and underground storage supplies help to meet consumption needs during the coldest days of winter. Yankee Gas obtains its interstate capacity from the three interstate pipelines that directly serve Connecticut: the Algonquin, Tennessee and Iroquois Pipelines. Yankee Gas has long-term firm contracts for capacity on TransCanada Pipelines Limited Pipeline, Vector Pipeline, L.P., Tennessee Gas Pipeline, Iroquois Gas Transmission Pipeline, Algonquin Pipeline, Union Gas Limited, Dominion Transmission, Inc., National Fuel Gas Supply Corporation, Transcontinental Gas Pipeline Company, and Texas Eastern Transmission, L.P. pipelines.

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

NATURAL GAS PIPELINE EXPANSION

Access Northeast is a natural gas pipeline and storage project being developed jointly by Eversource, Spectra Energy Partners, LP and National Grid plc, through Algonquin Gas Transmission, LLC. Access Northeast is expected to enhance the Algonquin and Maritimes & Northeast pipeline systems using existing routes and is expected to include two new LNG storage tanks and liquefaction and vaporization facilities in Acushnet, Massachusetts that are currently expected to be connected to the Algonquin natural gas pipeline. For further information, see "Business Development and Capital Expenditures – Access Northeast" in the accompanying Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

OFF-SHORE WIND PROJECT

Bay State Wind is a proposed off-shore wind project being jointly developed by Eversource and Denmark-based DONG Energy. Bay State Wind will be located in a 300-square-mile area approximately 15 to 25 miles south of Martha's Vineyard that has the ultimate potential to generate at least 2,000 MW of wind power energy. Both Eversource and DONG Energy have a 50 percent ownership interest in Bay State Wind. In August 2016, Massachusetts passed clean energy legislation that requires EDCs to jointly solicit RFPs and enter into long-term contracts for off-shore wind, creating contracting opportunities for projects like Bay State Wind. The initial RFP is due to be released by June 30, 2017 and Bay State Wind will be bid into that RFP.

PROJECTED CAPITAL EXPENDITURES

We project to make capital expenditures of approximately $9.6 billion from 2017 through 2020, of which we expect approximately $5.3 billion to be in our electric and natural gas distribution segments and approximately $3.9 billion to be in our electric transmission segment. We also project to invest approximately $0.4 billion in information technology and facilities upgrades and enhancements. These projections do not include any expected investments related to either Access Northeast or Bay State Wind.

FINANCING

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

As of December 31, 2016, a total of $745 million of Eversource's long-term debt is classified as current liabilities, $250 million, $400 million, $70 million and $25 million for CL&P, NSTAR Electric, PSNH and NSTAR Gas, respectively, and will be paid in the next 12 months.

NUCLEAR FUEL STORAGE

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

We consolidate the assets and obligations of CYAPC and YAEC on our consolidated balance sheet because we own more than 50 percent of these companies.

For information on the DOE proceeds received related to the spent nuclear fuel litigation, see Note 11C, "Commitments and Contingencies – Spent Nuclear Fuel Obligations – Yankee Companies," in the accompanying Item 8, Financial Statements and Supplementary Data.

OTHER REGULATORY AND ENVIRONMENTAL MATTERS

General

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

Environmental Regulation

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

Water Quality Requirements

The Clean Water Act requires every "point source" discharger of pollutants into navigable waters to obtain a National Pollutant Discharge Elimination System ("NPDES") permit from the EPA or state environmental agency specifying the allowable quantity and characteristics of its effluent. States may also require additional permits for discharges into state waters. We are in the process of maintaining or renewing all required NPDES or state discharge permits in effect for PSNH's generation facilities.

In 1997, PSNH filed in a timely manner for a renewal of the NPDES permit for the Merrimack Station. As a result, the existing permit was administratively continued. In 2011, the EPA issued a draft renewal NPDES permit for PSNH's Merrimack Station for public review and comment. The proposed permit contains many significant conditions to future operation. The proposed permit would require PSNH to install a closed-cycle cooling system (including cooling towers) at the station. The EPA estimated that the net present value cost to install this system and operate it over a 20-year period would be approximately $112 million. PSNH and other electric utility groups filed thousands of pages of comments contesting EPA's draft permit requirements. PSNH stated that the data and studies supplied to the EPA demonstrate the fact that a closed-cycle cooling system is not warranted. On April 18, 2015 EPA issued a revised section of the draft NPDES permit for Merrimack Station. The revised portion of the draft permit deals solely with the treatment of wastewater from the flue gas desulfurization system. On August 18, 2015 PSNH again submitted comments. The EPA does not have a set deadline to consider comments and to issue a final permit. Merrimack Station is permitted to continue to operate under its present permit pending issuance of the final permit and subsequent resolution of matters appealed by PSNH and other parties. Due to the site specific characteristics of PSNH's other coal- and oil-fired electric generating stations, we believe it is unlikely that they would face similar permitting determinations.

Air Quality Requirements

The Clean Air Act Amendments ("CAAA"), as well as New Hampshire law, impose stringent requirements on emissions of SO_2 and NO_X for the purpose of controlling acid rain and ground level ozone. In addition, the CAAA address the control of toxic air pollutants. Requirements for the installation of continuous emissions monitors and expanded permitting provisions also are included.

In 2011, the EPA finalized the Mercury and Air Toxic Standards ("MATS") that require the reduction of emissions of hazardous air pollutants from new and existing coal- and oil-fired electric generating stations. Previously referred to as the Utility MACT (maximum achievable control technology) rules, it establishes emission limits for mercury, arsenic and other hazardous air pollutants from coal- and oil-fired electric generating stations. MATS is the first implementation of a nationwide emissions standard for hazardous air pollutants across all electric generating units and provides utility companies with up to five years to meet the requirements. PSNH owns and operates approximately 1,000 MW of coal- and oil-fired electric generating stations subject to MATS, including the two units at Merrimack Station, Newington Station and the two coal units at Schiller Station. The Clean Air Project at our Merrimack Station, together with existing equipment, has enabled the facility to meet the MATS requirements. In 2016, additional controls were also installed at the two coal-fired units at Schiller Station.

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

New Hampshire's RPS provision requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2016, the total RPS obligation was 9.0 percent and it will ultimately reach 24.8 percent in 2025. Energy suppliers, like PSNH, must possess sufficient quantities of RECs to satisfy the RPS requirements. PSNH owns renewable sources and uses a portion of internally generated RECs to meet its RPS obligations and sells other internally generated RECs when it is economically beneficial to do so. To the extent that a supplier, like PSNH, does not possess sufficient RECs to satisfy its RPS requirements, it makes up any shortfall by making an alternative compliance payment at a rate per REC established by law. The costs of both the RECs and alternative compliance payments are recovered by PSNH through its default energy service rates charged to customers.

Similarly, Connecticut's RPS statute requires increasing percentages of the electricity sold to retail customers to have direct ties to renewable sources. In 2016, the total RPS obligation was 21.0 percent and will ultimately reach 27 percent in 2020. CL&P is permitted to recover any costs incurred in complying with RPS from its customers through its GSC rate.

Massachusetts' RPS program also requires electricity suppliers to meet renewable energy standards. For 2016, the requirement was 21.03 percent, and will ultimately reach 22.1 percent in 2020. NSTAR Electric and WMECO are permitted to recover any costs incurred in complying with RPS from its customers through rates. WMECO also owns renewable solar generation resources. The RECs generated from WMECO's solar units are sold to other energy suppliers, and the proceeds from these sales are credited back to customers.

Hazardous Materials Regulations

We have recorded a liability for what we believe, based upon currently available information, is our reasonably estimable environmental investigation, remediation, and/or Natural Resource Damages costs for waste disposal sites for which we have probable liability. Under federal and state law, government agencies and private parties can attempt to impose liability on us for recovery of investigation and remediation costs at hazardous waste sites. As of December 31, 2016, the liability recorded for our reasonably estimable and probable environmental remediation costs for known sites needing investigation and/or remediation, exclusive of recoveries from insurance or from third parties, was approximately $65.8 million, representing 61 sites. These costs could be significantly higher if additional remediation becomes necessary or when additional information as to the extent of contamination becomes available.

The most significant liabilities currently relate to future clean-up costs at former MGP facilities. These facilities were owned and operated by our predecessor companies from the mid-1800's to mid-1900's. By-products from the manufacture of gas using coal resulted in fuel oils, hydrocarbons, coal tar, purifier wastes, metals and other waste products that may pose risks to human health and the environment. We currently have partial or full ownership responsibilities at former MGP sites that have a reserve balance of $59.0 million of the total $65.8 million as of December 31, 2016. MGP costs are recoverable through rates charged to our customers.

Electric and Magnetic Fields

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

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

Global Climate Change and Greenhouse Gas Emission Issues

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

We are continually evaluating the regulatory risks and regulatory uncertainty presented by climate change concerns. Such concerns could potentially lead to additional rules and regulations that impact how we operate our business, both in terms of the generating facilities we own and operate as well as general utility operations. These could include federal "cap and trade" laws, carbon taxes, fuel and energy taxes, or regulations requiring additional capital expenditures at our generating facilities. We expect that any costs of these rules and regulations would be recovered from customers.

Connecticut, New Hampshire and Massachusetts are each members of the Regional Greenhouse Gas Initiative (RGGI), a cooperative effort by nine northeastern and mid-Atlantic states, to develop a regional program for stabilizing and reducing CO_2 emissions from coal- and oil-fired electric generating plants. Because CO_2 allowances issued by any participating state are usable across all nine RGGI state programs, the individual state CO_2 trading programs, in the aggregate, form one regional compliance market for CO_2 emissions. The third three-year control period took effect on January 1, 2015 and extends through December 31, 2017. In this control period, each regulated power plant must hold CO_2 allowances equal to 50 percent of its emissions during each of the first two years of the three-year period, and hold CO_2 allowances equal to 100 percent of its remaining emissions for the three-year control period at the end of the period.

PSNH anticipates that its generating units will emit between one million and three million tons of CO_2 per year, depending on the capacity factor and the utilization of the respective generation plant, excluding emissions from the operation of PSNH's Northern Wood Power Project, which emissions are an offset. PSNH satisfied its RGGI requirements by purchasing CO_2 allowances at auction. The cost of complying with RGGI requirements is recoverable from PSNH customers. Current legislation provides that the portion of the RGGI auction proceeds in excess of $1 per allowance will be refunded to customers.

Because none of Eversource Energy's other subsidiaries, CL&P, NSTAR Electric or WMECO, currently owns any generating assets (other than WMECO's solar photovoltaic facilities that do not emit CO_2), none of them is required to acquire CO_2 allowances. However, the CO_2 allowance costs borne by the generating facilities that are utilized by wholesale energy suppliers to satisfy energy supply requirements to CL&P, NSTAR Electric and WMECO are likely to be included in the overall wholesale rates charged, which costs are then recoverable through rates charged to our customers.

FERC Hydroelectric Project Licensing

Federal Power Act licenses may be issued for hydroelectric projects for terms of 30 to 50 years as determined by the FERC. Upon the expiration of an existing license, (i) the FERC may issue a new license to the existing licensee, (ii) the United States may take over the project, or (iii) the FERC may issue a new license to a new licensee, upon payment to the existing licensee of the lesser of the fair value or the net investment in the project, plus severance damages, less certain amounts earned by the licensee in excess of a reasonable rate of return.

PSNH currently owns nine hydroelectric generating stations with a current claimed capability representing winter rates of approximately 71 MW, eight of which are licensed by the FERC under long-term licenses that expire on varying dates from 2017 through 2047. PSNH and its hydroelectric projects are subject to conditions set forth in such licenses, the Federal Power Act and related FERC regulations, including provisions related to the condemnation of a project upon payment of just compensation, amortization of project investment from excess project earnings, possible takeover of a project after expiration of its license upon payment of net investment and severance damages and other matters. PSNH is currently completing the relicensing application for its 6.5 MW Eastman Falls Hydro Station, the license for which expires in 2017.

EMPLOYEES

As of December 31, 2016, Eversource Energy employed a total of 7,762 employees, excluding temporary employees, of which 1,258 were employed by CL&P, 1,627 were employed by NSTAR Electric, 928 were employed by PSNH, and 297 were employed by WMECO. Approximately 50 percent of our employees are members of the International Brotherhood of Electrical Workers, the Utility Workers Union of America or The United Steelworkers, and are covered by 11 collective bargaining agreements.

INTERNET INFORMATION

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

Item 1A.   Risk Factors

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

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

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

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

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

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

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

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

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

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

As a result of legislative and regulatory changes during 2015, the states in which we provide service have implemented new procedures to select for construction new major electric transmission and natural gas pipeline facilities. These procedures require the review of competing projects and permit the selection of only those projects that are expected to provide the greatest benefit to customers. If the projects in which we have invested are not selected for construction, it could have a material adverse effect on our future financial position, results of operations and cash flows.

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

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

Under state and federal law, our electric and natural gas companies are entitled to charge rates that are sufficient to allow them an opportunity to recover their reasonable operating and capital costs, to attract needed capital and maintain their financial integrity, while also protecting relevant public interests. Each of these companies prepares and submits periodic rate filings with their respective regulatory commissions for review and approval.

The FERC has jurisdiction over our transmission costs recovery and the allowed ROE. The ROE has been contested by outside parties as unjust and unreasonable. Certain outside parties have filed four complaints against all electric companies under the jurisdiction of ISO-NE alleging that the ROE is unjust and unreasonable. The first complaint, which was concluded in 2015, resulted in a decrease of the allowed ROE. The second and third complaints are currently under review with the FERC. The fourth complaint period currently has not concluded. The FERC has initiated a review of the regional and local transmission rates due to a lack of adequate transparency. The FERC also found that the formula rates generally lacked sufficient details to determine how costs are derived and recovered in rates.

A federal appeals court decision has upheld the FERC's authority to order major changes to transmission planning and cost allocation in FERC Order No. 1000 and Order No. 1000-A, including transmission planning for public policy needs, and the requirement that utilities remove from their transmission tariffs their rights of first refusal to build transmission. Additionally, the FERC affirmed that it can eliminate our right of first refusal to build transmission in New England even though the FERC previously approved and granted special protections to these rights. Implementation of FERC's goals in New England, including within our service territories, may expose us to competition for construction of transmission projects, additional regulatory considerations, and potential delay with respect to future transmission projects, which may adversely affect our results of operation.

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

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

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

New technology, energy conservation measures and distributed generation could adversely affect our operations and financial results.

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

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

Our ability to properly operate our transmission, distribution and generation systems is critical to the financial performance of our business. Our transmission, distribution and generation businesses face several operational risks, including the breakdown, failure of, or damage to operating equipment, information technology systems, or processes, especially due to age; labor disputes; disruptions in the delivery of electricity and natural gas, including impacts on us or our customers; increased capital expenditure requirements, including those due to environmental regulation; catastrophic events such as fires, explosions, or other similar occurrences; extreme weather conditions beyond equipment and plant design capacity; other unanticipated operations and maintenance expenses and liabilities; and potential claims for property damage or personal injuries beyond the scope of our insurance coverage. Many of our transmission projects are expected to alleviate identified reliability issues and reduce customers' costs. However, if the in-service date for one or more of these projects is delayed due to economic events or factors, or regulatory or other delays, the risk of failures in the electricity transmission system may increase. Any failure of our transmission, distribution and generation systems to operate as planned may result in increased capital costs, reduced earnings or unplanned increases in operation and maintenance costs. Outages at generating stations may be deemed imprudent by the NHPUC resulting in disallowance of replacement power and repair costs. Such costs that are not recoverable from our customers would have an adverse effect on our financial position, results of operations and cash flows.

Severe storms could cause significant damage to any of our facilities requiring extensive expenditures, the recovery for which is subject to approval by regulators.

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

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

We have a significant amount of goodwill on our consolidated balance sheet, which, as of December 31, 2016, totaled $3.5 billion. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. We test our goodwill balances for impairment on an annual basis or whenever events occur or circumstances change that would indicate a potential for impairment. A determination that goodwill is deemed to be impaired would result in a non-cash charge that could materially adversely affect our financial position, results of operations and total capitalization. The annual goodwill impairment test in 2016 resulted in a conclusion that our goodwill was not impaired.

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

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

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

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

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

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

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

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

Costs of compliance with regulations, including environmental regulations and climate change legislation, may increase and have an adverse effect on our business and results of operations.

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

In addition, global climate change issues have received an increased focus from federal and state government agencies. Although we would expect that any costs of these rules and regulations would be recovered from customers, their impact on energy use by customers and the ultimate impact on our business would be dependent upon the specific rules and regulations adopted and cannot be determined at this time. The impact of these additional costs to customers could lead to a further reduction in energy consumption resulting in a decline in electricity and gas sales in our service territories, which would have an adverse impact on our business and financial position, results of operations or cash flows. Any failure by us to comply with environmental laws and regulations, even if due to factors beyond our control, or reinterpretations of existing requirements, could also increase costs. Existing environmental laws and regulations may be revised or new laws and regulations seeking to protect the environment may be adopted or become applicable to us. Revised or additional laws could result in significant additional expense and operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable in distribution company rates. The cost impact of any such laws, rules or regulations would be dependent upon the specific requirements adopted and cannot be determined at this time. For further information, see Item 1, Business - Other Regulatory and Environmental Matters, included in this Annual Report on Form 10-K.

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

We provide a defined benefit pension plan and other postretirement benefits for a substantial number of employees, former employees and retirees. Our future pension obligations, costs and liabilities are highly dependent on a variety of factors beyond our control. These factors include estimated investment returns, interest rates, discount rates, health care cost trends, benefit changes, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs could increase significantly. In addition, various factors, including underperformance of plan investments and changes in law or regulation, could increase the amount of contributions required to fund our pension plan in the future. Additional large funding requirements, when combined with the financing requirements of our construction program, could impact the timing and amount of future financings and negatively affect our financial position, results of operations or cash flows. For further information, see Note 9A, "Employee Benefits - Pensions and Postretirement Benefits Other Than Pensions," to the financial statements.

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

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

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

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

Item 1B. Unresolved Staff Comments

We do not have any unresolved SEC staff comments.

Item 2. Properties

Transmission and Distribution System

As of December 31, 2016, Eversource and our electric operating subsidiaries owned the following:

Eversource	Electric Distribution	Electric Transmission
Number of substations owned	510	70
Transformer capacity (in kVa)	42,516,000	16,346,000
Overhead lines (in circuit miles)	40,321	3,939
Capacity range of overhead transmission lines (in kV)	N/A	69 to 345
Underground lines (distribution in circuit miles and transmission in cable miles)	17,043	402
Capacity range of underground transmission lines (in kV)	N/A	69 to 345

	CL&P		NSTAR Electric		PSNH		WMECO	
	Distribution	Transmission	Distribution	Transmission	Distribution	Transmission	Distribution	Transmission
Number of substations owned	182	19	134	26	151	18	43	7
Transformer capacity (in kVa)	19,874,000	3,633,000	11,658,000	6,716,000	5,372,000	5,905,000	5,612,000	92,000
Overhead lines (in circuit miles)	16,947	1,662	7,985	750	11,977	1,046	3,412	481
Capacity range of overhead transmission lines (in kV)	N/A	69 to 345	N/A	115 to 345	N/A	115 to 345	N/A	69 to 345
Underground lines (distribution in circuit miles and transmission in cable miles)	6,586	136	7,533	255	1,850	1	1,074	10
Capacity range of underground transmission lines (in kV)	N/A	69 to 345	N/A	115 to 345	N/A	115	N/A	115

	Eversource	CL&P	NSTAR Electric	PSNH	WMECO
Underground and overhead line transformers in service	621,123	289,174	126,566	162,433	42,950
Aggregate capacity (in kVa)	35,539,546	15,496,087	11,546,818	6,313,118	2,183,523

Electric Generating Plants

As of December 31, 2016, PSNH owned the following electric generating plants:

Type of Plant	Number of Units	Year Installed	Claimed Capability* (kilowatts)
Steam Plants	5	1952-74	935,343
Hydro	20	1901-83	58,115
Internal Combustion	5	1968-70	101,869
Biomass	1	2006	42,594
Total PSNH Generating Plant	31		1,137,921

* Claimed capability represents winter ratings as of December 31, 2016. The combined nameplate capacity of the generating plants is approximately 1,200 MW.

As of December 31, 2016, WMECO owned the following electric generating plants:

Type of Plant	Number of Sites	Year Installed	Claimed Capability** (kilowatts)
Solar Fixed Tilt, Photovoltaic	3	2010-14	8,000

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

CL&P and NSTAR Electric do not own any electric generating plants.

Natural Gas Distribution System

As of December 31, 2016, Yankee Gas owned 28 active gate stations, 202 district regulator stations, and approximately 3,345 miles of natural gas main pipeline. Yankee Gas also owns a liquefaction and vaporization plant and above ground storage tank with a storage capacity equivalent of 1.2 Bcf of natural gas in Waterbury, Connecticut.

As of December 31, 2016, NSTAR Gas owned 21 active gate stations, 166 district regulator stations, and approximately 3,272 miles of natural gas main pipeline. Hopkinton, another subsidiary of Eversource, owns a satellite vaporization plant and above ground storage tanks in Acushnet, MA. In addition, Hopkinton owns a liquefaction and vaporization plant with above ground storage tanks in Hopkinton, MA. Combined, the two plants' tanks have an aggregate storage capacity equivalent to 3.5 Bcf of natural gas that is provided to NSTAR Gas under contract.

Franchises

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

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

NSTAR Electric and NSTAR Gas Through their charters, which are unlimited in time, NSTAR Electric and NSTAR Gas have the right to engage in the business of delivering and selling electricity and natural gas within their respective service territories, and have powers incidental thereto and are entitled to all the rights and privileges of and subject to the duties imposed upon electric and natural gas companies under Massachusetts laws. The locations in public ways for electric transmission and distribution lines and natural gas distribution pipelines are obtained from municipal and other state authorities who, in granting these locations, act as agents for the state. In some cases the actions of these authorities are subject to appeal to the DPU. The rights to these locations are not limited in time and are subject to the action of these authorities and the legislature. Under Massachusetts law, with the exception of municipal-owned utilities, no other entity may provide electric or natural gas delivery service to retail customers within NSTAR's service territory without the written consent of NSTAR Electric and/or NSTAR Gas. This consent must be filed with the DPU and the municipality so affected.

The Massachusetts restructuring legislation defines service territories as those territories actually served on July 1, 1997 and following municipal boundaries to the extent possible. The restructuring legislation further provides that until terminated by law or otherwise, distribution companies shall have the exclusive obligation to serve all retail customers within their service territories and no other person shall provide distribution service within such service territories without the written consent of such distribution companies. Pursuant to the Massachusetts restructuring legislation, the DPU (then, the Department of Telecommunications and Energy) was required to define service territories for each distribution company, including NSTAR Electric. The DPU subsequently determined that there were advantages to the exclusivity of service territories and issued a report to the Massachusetts Legislature recommending against, in this regard, any changes to the restructuring legislation.

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

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

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

WMECO WMECO is authorized by its charter to conduct its electric business in the territories served by it, and has locations in the public highways for transmission and distribution lines. Such locations are granted pursuant to the laws of Massachusetts by the Department of Public Works of Massachusetts or local municipal authorities and are of unlimited duration, but the rights thereby granted are not vested. Such locations are for specific lines only and for extensions of lines in public highways. Further similar locations must be obtained from the Department of Public Works of Massachusetts or the local municipal authorities. In addition, WMECO has been granted easements for its lines in the Massachusetts Turnpike by the Massachusetts Turnpike Authority and pursuant to state laws, has the power of eminent domain.

The Massachusetts restructuring legislation applicable to NSTAR Electric (described above) is also applicable to WMECO.

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

Item 3. Legal Proceedings

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

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

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

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

On September 17, 2014, in accordance with the MYAPC refund plan, MYAPC returned a portion of the DOE Phase I Damages proceeds to the member companies, including CL&P, NSTAR Electric, PSNH, and WMECO, in the amount of $3.2 million, $1.1 million, $1.4 million and $0.8 million, respectively.

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

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

DOE Phase III Damages - In August 2013, the Yankee Companies each filed subsequent lawsuits against the DOE seeking recovery of actual damages incurred in the years 2009 through 2012 ("DOE Phase III"). The DOE Phase III trial concluded on July 1, 2015, followed by a post-trial briefing that concluded on October 4, 2015. On March 25, 2016, the court issued its decision and awarded CYAPC, YAEC and MYAPC damages of $32.6 million, $19.6 million and $24.6 million, respectively. In total, the Yankee Companies were awarded $76.8 million of the $77.9 million in damages sought in the DOE Phase III. The decision became final on July 18, 2016, and the Yankee Companies received the awards from the DOE on October 14, 2016. The Yankee Companies received FERC approval of their proposed distribution of certain amounts of the awarded damages proceeds to member companies, including CL&P, NSTAR Electric, PSNH, and WMECO, which CYAPC and MYAPC made in December 2016. MYAPC also refunded $56.5 million from its spent nuclear fuel trust, a portion of which was also refunded to the Eversource utility subsidiaries. In total, Eversource received $26.1 million, of which CL&P, NSTAR Electric, PSNH and WMECO received $13.6 million, $5.0 million, $3.9 million, and $3.6 million, respectively. These amounts will be refunded to the customers of the respective Eversource utility subsidiaries.

2. Other Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the executive officers of Eversource Energy as of February 22, 2017. All of the Company's officers serve terms of one year and until their successors are elected and qualified:

Name	Age	Title
James J. Judge	61	President and Chief Executive Officer
Philip J. Lembo	61	Executive Vice President, Chief Financial Officer and Treasurer
Gregory B. Butler	59	Executive Vice President and General Counsel
Christine M. Carmody	54	Executive Vice President-Human Resources and Information Technology
Joseph R. Nolan, Jr.	53	Executive Vice President-Customer and Corporate Relations
Leon J. Olivier	69	Executive Vice President-Enterprise Energy Strategy and Business Development
Werner J. Schweiger	57	Executive Vice President and Chief Operating Officer
Jay S. Buth	47	Vice President, Controller and Chief Accounting Officer

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

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

Gregory B. Butler. Mr. Butler has served as Executive Vice President and General Counsel of Eversource Energy, CL&P, NSTAR Electric, PSNH, WMECO, NSTAR Gas, Yankee Gas and Eversource Service since August 8, 2016; as a Director of NSTAR Electric and NSTAR Gas since April 10, 2012, of Eversource Service since November 27, 2012, and of CL&P, PSNH, WMECO and Yankee Gas since April 22, 2009. Mr. Butler previously served as Senior Vice President and General Counsel of Eversource Energy from May 1, 2014 until August 8, 2016, of NSTAR Electric and NSTAR Gas from April 10, 2012 until August 8, 2016, and of CL&P, PSNH, WMECO, Yankee Gas and Eversource Service from March 9, 2006 until August 8, 2016. He was Senior Vice President, General Counsel and Secretary of Eversource Energy from April 10, 2012 until May 1, 2014; and Senior Vice President and General Counsel of Eversource Energy from December 1, 2005 until April 10, 2012. Mr. Butler has served as a Director of Eversource Energy Foundation, Inc. since December 1, 2002. He has been a Trustee of the NSTAR Foundation since

April 10, 2012.

Christine M. Carmody. Ms. Carmody has served as Executive Vice President-Human Resources and Information Technology of Eversource Energy and Eversource Service since August 8, 2016, and as a Director of Eversource Service since November 27, 2012. Ms. Carmody previously served as Senior Vice President-Human Resources of Eversource Energy from May 4, 2016 until August 8, 2016, of Eversource Service from April 10, 2012 until August 8, 2016, of CL&P, PSNH, WMECO and Yankee Gas from November 27, 2012 until September 29, 2014, and of NSTAR Electric and NSTAR Gas from August 1, 2008 until September 29, 2014. She was a Director of CL&P, PSNH, WMECO and Yankee Gas from April 10, 2012 until September 29, 2014, and of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014. Ms. Carmody was Vice President-Organizational Effectiveness of NSTAR, NSTAR Electric and NSTAR Gas from June 2006 until August 2008. Ms. Carmody has served as a Director of Eversource Energy Foundation, Inc. since April 10, 2012. She has served as a Trustee of the NSTAR Foundation since August 1, 2008.

Joseph R. Nolan, Jr. Mr. Nolan has served as Executive Vice President-Customer and Corporate Relations of Eversource Energy and Eversource Service since August 8, 2016, and as a Director of Eversource Service since November 27, 2012. Mr. Nolan previously served as Senior Vice President-Corporate Relations of Eversource Energy from May 4, 2016 until August 8, 2016, of Eversource Service from April 10, 2012 until August 8, 2016, of NSTAR Electric and NSTAR Gas from April 10, 2012 until September 29, 2014, and of CL&P, PSNH, WMECO and Yankee Gas from November 27, 2012 until September 29, 2014. Mr. Nolan was a Director of CL&P, PSNH, WMECO and Yankee Gas from April 10, 2012 until September 29, 2014, and of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014. He was Senior Vice President-Customer & Corporate Relations of NSTAR, NSTAR Electric and NSTAR Gas from 2006 until April 10, 2012. Mr. Nolan has served as a Director of Eversource Energy Foundation, Inc. since April 10, 2012, and as Executive Director of Eversource Energy Foundation, Inc. since October 15, 2013. He has served as a Trustee of the NSTAR Foundation since October 1, 2000.

Leon J. Olivier. Mr. Olivier has served as Executive Vice President-Enterprise Energy Strategy and Business Development of Eversource Energy since September 2, 2014 and of Eversource Service since August 11, 2014, and as a Director of Eversource Service since January 17, 2005. Mr. Olivier previously served as Executive Vice President and Chief Operating Officer of Eversource Energy from May 13, 2008 until September 2, 2014, and of Eversource Service from May 13, 2008 until August 11, 2008. He was Chief Executive Officer of NSTAR Electric and NSTAR Gas from April 10, 2012 until August 11, 2014, of CL&P, PSNH, WMECO and Yankee Gas from January 15, 2007 until August 11, 2014, and of CL&P from September 10, 2001 until September 29, 2014. He was a Director of NSTAR Electric and NSTAR Gas from November 27, 2012 until September 29, 2014, of PSNH, WMECO and Yankee Gas from January 17, 2005 until September 29, 2014, and of CL&P from September 10, 2001 until September 29, 2014. Mr. Olivier was Executive Vice President-Operations of Eversource Energy from February 13, 2007 until May 12, 2008, and of Eversource Service from January 15, 2007 until May 12, 2008. He has served as a Director of Eversource Energy Foundation, Inc. since April 1, 2006. Mr. Olivier has served as a Trustee of the NSTAR Foundation since April 10, 2012.

Werner J. Schweiger. Mr. Schweiger has served as Executive Vice President and Chief Operating Officer of Eversource Energy since September 2, 2014, and of Eversource Service since August 11, 2014; as Chief Executive Officer of CL&P, NSTAR Electric, PSNH, WMECO, NSTAR Gas and Yankee Gas since August 11, 2014; as a Director of Eversource Service, NSTAR Gas and Yankee Gas since September 29, 2014, and of CL&P, NSTAR Electric, PSNH and WMECO since May 28, 2013. He was President of CL&P from June 2, 2015 until June 27, 2016; President of NSTAR Gas and Yankee Gas from September 29, 2014 until November 10, 2014; and President-Electric Distribution of Eversource Service from January 16, 2013 until August 11, 2014. Mr. Schweiger was President of NSTAR Electric from April 10, 2012 until January 16, 2013; and a Director of NSTAR Electric from November 27, 2012 until January 16, 2013. He was Senior Vice President-Operations of NSTAR Electric and NSTAR Gas from February 27, 2002 until April 10, 2012. Mr. Schweiger has served as a Director of Eversource Energy Foundation, Inc. since September 29, 2014. He has served as a Trustee of the NSTAR Foundation since September 29, 2014.

Jay S. Buth. Mr. Buth has served as Vice President, Controller and Chief Accounting Officer of Eversource Energy, CL&P, NSTAR Electric, PSNH, WMECO, NSTAR Gas, Yankee Gas and Eversource Service since April 10, 2012. Mr. Buth previously served as Vice President-Accounting and Controller of Eversource Energy, CL&P, PSNH, WMECO, Yankee Gas and Eversource Service from June 9, 2009 until April 10, 2012. Mr. Buth was Vice President and Controller for New Jersey Resources Corporation, an energy services holding company that provides natural gas and wholesale energy services, including transportation, distribution and asset management, from June 2006 through January 2009.

PART II

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

(a) Market Information and (c) Dividends

Eversource. Our common shares are listed on the New York Stock Exchange. The ticker symbol is "ES." The high and low sales prices of our common shares and the dividends declared, for the past two years, by quarter, are shown below.

Year	Quarter	High	Low	Dividends Declared
2016	First	$58.81	$50.01	$ 0.4450
	Second	59.95	53.90	0.4450
	Third	60.44	53.08	0.4450
	Fourth	55.74	50.56	0.4450
2015	First	$56.83	$48.54	$ 0.4175
	Second	51.42	45.20	0.4175
	Third	52.15	44.64	0.4175
	Fourth	52.85	48.18	0.4175

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

There is no established public trading market for the common stock of CL&P, NSTAR Electric, PSNH and WMECO. All of the common stock of CL&P, NSTAR Electric, PSNH and WMECO is held solely by Eversource.

Common stock dividends approved and paid to Eversource during the year were as follows:

	For the Years Ended December 31,	
(Millions of Dollars)	2016	2015
CL&P	$199.6	$196.0
NSTAR Electric	278.3	198.0
PSNH	77.6	106.0
WMECO	38.0	37.2

(b) Holders

As of January 31, 2017, there were 39,191 registered common shareholders of our company on record. As of the same date, there were a total of 316,885,808 shares issued.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

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

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(e) Performance Graph

The performance graph below illustrates a five-year comparison of cumulative total returns based on an initial investment of $100 in 2011 in Eversource Energy common stock, as compared with the S&P 500 Stock Index and the EEI Index for the period 2012 through 2016, assuming all dividends are reinvested.

December 31,	2011	2012	2013	2014	2015	2016
Eversource Energy	$100	$112	$126	$164	$162	$181
EEI Index	$100	$102	$115	$149	$143	$168
S&P 500	$100	$116	$154	$175	$177	$198

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans and Programs (at month end)
October 1 - October 31, 2016	434,477	$ 52.98	—	—
November 1 - November 30, 2016	10,465	53.55	—	—
December 1 - December 31, 2016	102,302	55.36	—	—
Total	547,244	$ 53.44	—	—

Item 6. Selected Consolidated Financial Data

Eversource Selected Consolidated Financial Data (Unaudited)

(Thousands of Dollars, except percentages and common share information)	2016	2015	2014	2013	2012 (a)
Balance Sheet Data:					
Property, Plant and Equipment, Net	$21,350,510	$19,892,441	$18,647,041	$17,576,186	$16,605,010
Total Assets	32,053,173	30,580,309	29,740,387	27,760,315	28,269,780
Total Capitalization [(b)] [(c)]	20,470,539	19,542,240	18,946,395	18,042,052	17,323,068
Obligations Under Capital Leases [(b)]	8,924	8,222	9,434	10,744	11,071
Income Statement Data:					
Operating Revenues	$7,639,129	$7,954,827	$7,741,856	$7,301,204	$6,273,787
Net Income	$949,821	$886,004	$827,065	$793,689	$533,077
Net Income Attributable to Noncontrolling Interests	7,519	7,519	7,519	7,682	7,132
Net Income Attributable to Common Shareholders	$942,302	$878,485	$819,546	$786,007	$525,945
Common Share Data:					
Net Income Attributable to Common Shareholders:					
Basic Earnings Per Common Share	$2.97	$2.77	$2.59	$2.49	$1.90
Diluted Earnings Per Common Share	$2.96	$2.76	$2.58	$2.49	$1.89
Weighted Average Common Shares Outstanding:					
Basic	317,650,180	317,336,881	316,136,748	315,311,387	277,209,819
Diluted	318,454,239	318,432,687	317,417,414	316,211,160	277,993,631
Dividends Declared Per Common Share	$1.78	$1.67	$1.57	$1.47	$1.32
Market Price - Closing (high) [(d)]	$59.26	$54.52	$56.15	$45.33	$40.57
Market Price - Closing (low) [(d)]	$48.94	$44.63	$41.52	$38.67	$33.53
Market Price - Closing (end of year) [(d)]	$55.23	$51.07	$53.52	$42.39	$39.08
Book Value Per Common Share (end of year)	$33.80	$32.64	$31.47	$30.49	$29.41
Tangible Book Value Per Common Share (end of year) [(e)]	$22.70	$21.54	$20.37	$19.32	$18.21
Rate of Return Earned on Average Common Equity (%) [(f)]	9.0	8.7	8.4	8.3	7.9
Market-to-Book Ratio (end of year) [(g)]	1.6	1.6	1.7	1.4	1.3
Capitalization:					
Total Equity	52 %	53 %	53 %	53 %	53 %
Preferred Stock Not Subject to Mandatory Redemption	1	1	1	1	1
Long-Term Debt [(b)] [(c)]	47	46	46	46	46
	100 %	100 %	100 %	100 %	100 %

CL&P Selected Financial Data (Unaudited)

(Thousands of Dollars)	2016	2015	2014	2013	2012
Operating Revenues	$2,805,955	$2,802,675	$2,692,582	$2,442,341	$2,407,449

Net Income	334,254	299,360	287,754	279,412	209,725
Cash Dividends on Common Stock	199,599	196,000	171,200	151,999	100,486
Property, Plant and Equipment, Net	7,632,392	7,156,809	6,809,664	6,451,259	6,152,959
Total Assets	10,035,044	9,592,957	9,344,400	8,965,906	9,127,602
Total Capitalization[(b)]	6,352,597	6,020,599	5,879,210	5,545,307	5,502,832
Preferred Stock Not Subject to Mandatory Redemption	116,200	116,200	116,200	116,200	116,200
Obligations Under Capital Leases [(b)]	6,767	7,624	8,439	9,309	9,960

[(a)] The 2012 results include the operations of NSTAR beginning April 10, 2012.
[(b)] Includes portions due within one year.
[(c)] Excludes RRBs.
[(d)] Market price information reflects closing prices as reflected by the New York Stock Exchange.
[(e)] Common Shareholders' Equity adjusted for goodwill and intangibles divided by total common shares outstanding.
[(f)] Net Income Attributable to Common Shareholders divided by average Common Shareholders' Equity.
[(g)] The closing market price divided by the book value per share.

See the Combined Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for a description of any accounting changes materially affecting the comparability of the information reflected in the tables above.

Eversource Selected Consolidated Sales Statistics

	2016	2015	2014	2013	2012 (a)
Revenues: (Thousands)					
Residential	$3,448,043	$3,608,155	$3,288,313	$3,073,181	$2,731,951
Commercial	2,465,664	2,476,686	2,471,440	2,387,535	1,604,661
Industrial	328,103	326,564	348,698	339,917	753,974
Wholesale	426,171	411,749	447,899	486,515	357,223
Other and Eliminations	93,235	110,013	97,090	56,547	130,137
Total Electric	6,761,216	6,933,167	6,653,440	6,343,695	5,577,946
Natural Gas	854,528	993,662	1,002,880	855,601	572,857
Total - Regulated Companies	7,615,744	7,926,829	7,656,320	7,199,296	6,150,803
Other and Eliminations	23,385	27,998	85,536	101,908	122,984
Total	$7,639,129	$7,954,827	$7,741,856	$7,301,204	$6,273,787
Regulated Companies - Sales Volumes:					
Electric (GWh)					
Residential	21,002	21,441	21,317	21,896	19,719
Commercial	27,206	27,598	27,449	27,787	24,537
Industrial	5,434	5,577	5,676	5,648	5,462
Wholesale	3,750	3,215	3,018	855	2,154
Total Electric	57,392	57,831	57,460	56,186	51,872
Natural Gas (million cubic feet)	98,042	102,999	104,191	98,258	69,894
Regulated Companies - Customers: (Average)					
Residential	2,768,657	2,747,679	2,734,047	2,718,727	2,711,407
Commercial	377,229	374,552	373,511	371,897	370,389
Industrial	7,777	7,868	8,016	8,109	8,279
Total Electric	3,153,663	3,130,099	3,115,574	3,098,733	3,090,075
Natural Gas	513,683	506,175	499,186	493,563	483,770
Total - Regulated Companies	3,667,346	3,636,274	3,614,760	3,592,296	3,573,845

(a) The 2012 results include the operations of NSTAR beginning April 10, 2012.

CL&P Selected Sales Statistics

	2016	2015	2014	2013	2012
Revenues: (Thousands)					
Residential	$1,603,351	$1,641,165	$1,474,181	$1,294,160	$1,263,845
Commercial	858,965	841,093	879,343	780,585	732,620
Industrial	139,556	129,544	149,220	129,557	126,165
Wholesale	156,411	128,169	146,787	219,367	214,807
Other	47,672	62,704	43,051	18,672	70,012
Total	$2,805,955	$2,802,675	$2,692,582	$2,442,341	$2,407,449
Sales Volumes: (GWh)					
Residential	9,907	10,094	10,026	10,314	9,978
Commercial	9,461	9,635	9,643	9,770	9,705
Industrial	2,249	2,342	2,377	2,320	2,426
Wholesale	787	712	736	851	1,155
Total	22,404	22,783	22,782	23,255	23,264
Customers: (Average)					
Residential	1,125,415	1,117,778	1,111,467	1,105,417	1,103,397
Commercial	109,796	109,339	109,093	108,735	108,589
Industrial	3,127	3,163	3,213	3,247	3,301

Total	1,238,338	1,230,280	1,223,773	1,217,399	1,215,287

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

EVERSOURCE ENERGY AND SUBSIDIARIES

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

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

The only common equity securities that are publicly traded are common shares of Eversource. The earnings and EPS of each business discussed below do not represent a direct legal interest in the assets and liabilities of such business but rather represent a direct interest in our assets and liabilities, as a whole. EPS by business is a financial measure not recognized under GAAP that is 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. The discussion below also includes non-GAAP financial measures referencing our 2015 and 2014 earnings and EPS excluding certain integration costs incurred by Eversource parent and our Regulated companies. We use these non-GAAP financial measures to evaluate and to provide details of earnings by business and to more fully compare and explain our 2016, 2015 and 2014 results without including the impact of these items. Due to the nature and significance of these items on Net Income Attributable to Common Shareholders, we believe that the non-GAAP presentation is more representative of our financial performance and provides additional and useful information to readers of this report in analyzing historical and future performance by business. These non-GAAP financial measures 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.

Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP measures of consolidated diluted EPS and Net Income Attributable to Common Shareholders are included under "Financial Condition and Business Analysis – Overview – Consolidated" and "Financial Condition and Business Analysis – Overview – Regulated Companies" in this Management's Discussion and Analysis of Financial Condition and Results of Operations, herein.

Financial Condition and Business Analysis

Executive Summary

Results and Future Outlook:

- We earned $942.3 million, or $2.96 per share, in 2016, compared with $878.5 million, or $2.76 per share, in 2015.

- Our electric distribution segment, which includes generation results, earned $462.8 million, or $1.46 per share, in 2016, compared with $507.1 million, or $1.59 per share, in 2015. Our electric transmission segment earned $370.8 million, or $1.16 per share, in 2016, compared with $304.5 million, or $0.96 per share, in 2015. Our natural gas distribution segment earned $77.7 million, or $0.24 per share, in 2016, compared with $72.4 million, or $0.23 per share, in 2015.

- Eversource parent and other companies earned $31.0 million, or $0.10 per share, in 2016, compared with a net loss of $5.5 million, or $0.02 per share, in 2015.

- We currently project 2017 earnings of between $3.05 per diluted share and $3.20 per diluted share.

Liquidity:

- Cash flows provided by operating activities totaled $2.2 billion in 2016, compared with $1.4 billion in 2015. Investments in property, plant and equipment totaled $2.0 billion in 2016 and $1.7 billion in 2015. Cash and cash equivalents totaled $30.3 million as of December 31, 2016, compared with $23.9 million as of December 31, 2015.

- In 2016, we issued $800 million of new long-term debt consisting of $500 million by Eversource parent, $250 million by NSTAR Electric, and $50 million by WMECO. In 2016, NSTAR Electric repaid at maturity, $200 million of existing long-term debt.

- In 2016, we paid cash dividends on common shares of $564.5 million, compared with $529.8 million in 2015. On February 2, 2017, our Board of Trustees approved a common share dividend of $0.475 per share, payable on March 31, 2017 to shareholders of record as of March 2, 2017. The 2017 dividend represents an increase of 6.7 percent over the dividend paid in December 2016, and is the equivalent to dividends on common shares of $602.1 million on an annual basis.

- We project to make capital expenditures of approximately $9.6 billion from 2017 through 2020, of which we expect approximately $5.3 billion to be in our electric and natural gas distribution segments and approximately $3.9 billion to be in our electric transmission segment. We also project to invest approximately $0.4 billion in information technology and facilities upgrades and enhancements. These projections do not include any expected investments related to either Access Northeast or Bay State Wind.

Strategic, Legislative, Regulatory, Policy and Other Items:

- On October 14, 2016, the NHPUC granted NPT public utility status, conditional on final project permitting. On January 31, 2017, the New Hampshire Supreme Court upheld a lower court's ruling that NPT has the right to install underground transmission lines under existing public highway easements in New Hampshire with approval of the New Hampshire Department of Transportation.

- Bay State Wind is a proposed off-shore wind project being jointly developed by Eversource and Denmark-based DONG Energy. Bay State Wind will be located in a 300-square-mile area approximately 15 to 25 miles south of Martha's Vineyard that has the ultimate potential to generate at least 2,000 MW of wind power energy.

- On August 8, 2016, Massachusetts legislation was enacted that requires EDCs to jointly solicit RFPs and enter into long-term contracts for offshore wind and clean energy, such as hydropower, land-based wind or solar, provided that reasonable proposals have been received. The RFP for clean energy, such as hydropower, is due to be released by April 1, 2017. The initial RFP for no less than 400 MW of off-shore wind is due to be released by June 30, 2017. Northern Pass and Bay State Wind, respectively, will be bid into these RFPs.

- Eversource, Spectra and National Grid are currently evaluating a series of options surrounding the Access Northeast project as a result of recent state regulatory and judicial decisions in New England regarding EDCs entering into long-term natural gas capacity contracts. These options include state infrastructure legislation changes and LDC contracts in order to help bring needed additional natural gas pipeline and storage capacity to New England. As a result, the final design, cost, and in-service date of Access Northeast will continue to be refined.

Overview

Consolidated: Below is a summary of our earnings by business, which also reconciles the non-GAAP financial measures of EPS by business to the most directly comparable GAAP measures of diluted EPS, for the years ended December 31, 2016, 2015 and 2014. Also included in the summary for the years ended December 31, 2015 and 2014, is a reconciliation of the non-GAAP financial measure of consolidated non-GAAP earnings to the most directly comparable GAAP measure of consolidated Net Income Attributable to Common Shareholders.

	For the Years Ended December 31,					
	2016		2015		2014	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net Income Attributable to Common Shareholders (GAAP)	$942.3	$2.96	$878.5	$2.76	$819.5	$2.58
Regulated Companies	$911.3	$2.86	$884.8	$2.78	$830.1	$2.61
Eversource Parent and Other Companies	31.0	0.10	9.5	0.03	11.5	0.04
Non-GAAP Earnings	N/A	N/A	894.3	2.81	841.6	2.65
Integration Costs (after-tax) (1)	—	—	(15.8)	(0.05)	(22.1)	(0.07)
Net Income Attributable to Common Shareholders (GAAP)	$942.3	$2.96	$878.5	$2.76	$819.5	$2.58

(1) The 2015 and 2014 integration costs were associated with our branding efforts and severance costs.

Regulated Companies: Our Regulated companies consist of the electric distribution, electric transmission, and natural gas distribution segments. Generation activities of PSNH and WMECO are included in our electric distribution segment. A summary of our segment earnings and EPS is as follows:

	For the Years Ended December 31,					
	2016		2015		2014	
(Millions of Dollars, Except Per Share Amounts)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Electric Distribution	$462.8	$1.46	$507.9	$1.59	$462.4	$1.45
Electric Transmission	370.8	1.16	304.5	0.96	295.4	0.93
Natural Gas Distribution	77.7	0.24	72.4	0.23	72.3	0.23
Non-GAAP Earnings	N/A	N/A	884.8	2.78	830.1	2.61
Integration Costs (after-tax) [1]	—	—	(0.8)	—	—	—
Net Income - Regulated Companies	$911.3	$2.86	$884.0	$2.78	$830.1	$2.61

(1) The 2015 Regulated companies' integration costs include severance in connection with cost saving initiatives.

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Our electric distribution segment earnings decreased $44.3 million in 2016, as compared to 2015. The decrease was due primarily to the absence in 2016 of the resolution of NSTAR Electric's basic service bad debt adder mechanism recorded in 2015 ($14.5 million), the absence in 2016 of the favorable impact associated with the NSTAR Electric Comprehensive Settlement Agreement recorded in 2015 ($13.0 million), and higher depreciation expense. In addition, earnings decreased due to higher operations and maintenance expense (primarily related to the absence of a $6.3 million regulatory benefit related to certain uncollectible hardship accounts receivable that was recorded in 2015 at NSTAR Electric, as well as higher storm restoration costs, higher vegetation management costs and the write-off of software design costs), higher property tax expense, and lower non-decoupled retail electric sales volumes due primarily to increased customer energy conservation efforts. These unfavorable earnings impacts were partially offset by increased CL&P distribution revenues primarily as a result of higher rate base and the absence of a required ROE reduction, as stipulated in the PURA 2014 rate case decision, and higher generation earnings.

Our electric transmission segment earnings increased $66.3 million in 2016, as compared to 2015, due primarily to a higher transmission rate base as a result of increased investments in our transmission infrastructure, the FERC-allowed recovery of certain merger-related costs in 2016 ($16.5 million), and the absence in 2016 of reserve charges in 2015 associated with the FERC ROE complaint proceedings ($12.4 million).

Our natural gas distribution segment earnings increased $5.3 million in 2016, as compared to 2015, due primarily to the impact of the NSTAR Gas base distribution rate increase effective January 1, 2016, the higher return earned on the NSTAR Gas System Enhancement Program ("GSEP") capital tracker mechanism effective in 2016, and lower operations and maintenance expense. These favorable earnings impacts were partially offset by lower non-decoupled firm natural gas sales volumes driven by the warmer than normal weather in the first quarter of 2016, as compared to the much colder than normal weather in the first quarter of 2015, higher property tax expense, and higher interest expense.

Eversource Parent and Other Companies: Eversource parent and other companies had earnings of $31.0 million in 2016, compared with a net loss of $5.5 million in 2015. The earnings increase was due primarily to lower income tax expense as a result of recognizing tax benefits from executive deferred compensation payments, which resulted from the adoption of a new accounting standard, and the absence in 2016 of integration costs, partially offset by higher interest expense.

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

Fluctuations in retail electric sales volumes at NSTAR Electric and PSNH impact earnings ("Traditional" in the table below). For CL&P and WMECO, fluctuations in retail electric 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. CL&P and WMECO reconcile their annual base distribution rate recovery amounts to their respective pre-established levels of baseline distribution delivery service revenues of $1.059 billion and $132.4 million, respectively. Any difference between the allowed level of distribution revenue and the actual amount incurred during a 12-month period is adjusted through rates in the following period.

Fluctuations in natural gas sales volumes in Massachusetts do not impact earnings due to the DPU-approved natural gas distribution revenue decoupling mechanism approved in the last rate case decision ("Decoupled" in the table below). Natural gas distribution revenues are decoupled from their customer sales volumes, where applicable, which breaks the relationship between sales volumes and revenues recognized.

A summary of our retail electric GWh sales volumes and our firm natural gas sales volumes in million cubic feet (Mcf) and percentage changes is as follows:

	Electric For the Year Ended December 31, 2016 Compared to 2015			Firm Natural Gas For the Year Ended December 31, 2016 Compared to 2015		
	Sales Volumes (GWh)		Percentage Decrease	Sales Volumes (Mcf)		Percentage Increase/(Decrease)
	2016	2015		2016	2015	
Traditional:						
Residential	9,654	9,882	(2.3)%	15,118	15,712	(3.8)%
Commercial	16,267	16,486	(1.3)%	19,846	20,478	(3.1)%
Industrial	2,558	2,614	(2.1)%	10,350	11,410	(9.3)%
Total - Traditional	28,479	28,982	(1.7)%	45,314	47,600	(4.8)%
Decoupled:						
Residential	11,347	11,559	(1.8)%	20,616	22,743	(9.4)%
Commercial	10,940	11,112	(1.5)%	21,583	22,082	(2.3)%
Industrial	2,876	2,963	(2.9)%	5,833	6,033	(3.3)%
Total - Decoupled	25,163	25,634	(1.8)%	48,032	50,858	(5.6)%
Special Contracts (1)	N/A	N/A	N/A	4,696	4,541	3.4%
Total - Decoupled and Special Contracts	25,163	25,634	(1.8)%	52,728	55,399	(4.8)%
Total Sales Volumes	53,642	54,616	(1.8)%	98,042	102,999	(4.8)%

(1) Special contracts are unique to the 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.

For 2016, retail electric sales volumes at our electric utilities with a traditional rate structure (NSTAR Electric and PSNH) were lower, as compared to 2015, due primarily to lower customer usage driven by the impact of increased customer energy conservation efforts, including those resulting from company-sponsored energy efficiency programs.

On January 28, 2016, Eversource received approval of a three-year energy efficiency plan in Massachusetts, which includes recovery of LBR at NSTAR Electric until it is operating under a decoupled rate structure. NSTAR Electric earns LBR related to reductions in sales volume as a result of successful energy efficiency programs. LBR is recovered from retail customers through current rates. NSTAR Electric recognized LBR of $60.7 million and $60.6 million in 2016 and 2015, respectively.

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 both of our natural gas distribution companies. In 2016, our traditional firm natural gas sales volumes were lower, as compared to 2015. The 2016 traditional firm natural gas sales volumes were negatively impacted by warmer than normal weather in the first quarter of 2016, as compared to the much colder than normal temperatures in the first quarter of 2015, throughout our natural gas service territories. Heating degree days for 2016 were five percent lower in Connecticut, as compared to 2015.

Liquidity

Consolidated: Cash and cash equivalents totaled $30.3 million as of December 31, 2016, compared with $23.9 million as of December 31, 2015.

Long-Term Debt Issuances and Repayments: In March 2016, Eversource parent issued $250 million of 2.50 percent Series I Senior Notes, due to mature in 2021, and $250 million of 3.35 percent Series J Senior Notes, due to mature in 2026. The proceeds, net of issuance costs, were used to repay short-term borrowings under the Eversource parent commercial paper program.

In May 2016, NSTAR Electric repaid at maturity $200 million variable rate debentures using short-term borrowings. Also in May 2016, NSTAR Electric issued $250 million of 2.70 percent debentures, due to mature in 2026. The proceeds, net of issuance costs, were used to repay short-term borrowings under the NSTAR Electric commercial paper program and fund capital expenditures and working capital.

In June 2016, WMECO issued $50 million of 2.75 percent Series H Senior Notes, due to mature in 2026. The proceeds, net of issuance costs, were used to repay short-term borrowings.

Debt Issuance Authorizations: On November 3, 2016, FERC authorized NPT to issue up to an aggregate of $800 million in short-term and long-term debt through December 31, 2018. On January 4, 2017, PURA approved CL&P's request for authorization to issue up to $1.325 billion in long-term debt through December 31, 2020.

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. As of December 31, 2016 and 2015, Eversource parent had approximately $1.0 billion and approximately $1.1 billion, respectively, in short-term borrowings outstanding under the Eversource parent commercial paper program, leaving $428.0 million and $351.5 million of available borrowing capacity as of December 31, 2016 and 2015, respectively. The weighted-average interest rate on these borrowings as of December 31, 2016 and 2015 was 0.88 percent and 0.72 percent, respectively. As of December 31, 2016, there were intercompany loans from Eversource parent of $80.1 million to CL&P, $160.9 million to PSNH, and $51.0 million to WMECO. As of December 31, 2015, there were intercompany loans from Eversource parent of $277.4 million to CL&P, $231.3 million to PSNH and $143.4 million to WMECO. Eversource parent, CL&P, PSNH, WMECO, NSTAR Gas and Yankee Gas are parties to a five-year $1.45 billion revolving credit facility. Effective September 26, 2016, the revolving credit facility's termination date was extended for one additional year to September 4, 2021. The revolving credit facility serves to backstop Eversource parent's $1.45 billion commercial paper program. There were no borrowings outstanding on the revolving credit facility as of December 31, 2016 or 2015.

NSTAR Electric has a $450 million commercial paper program allowing NSTAR Electric to issue commercial paper as a form of short-term debt. As of December 31, 2016 and 2015, NSTAR Electric had $126.5 million and $62.5 million, respectively, in short-term borrowings outstanding under its commercial paper program, leaving $323.5 million and $387.5 million of available borrowing capacity as of December 31, 2016 and 2015, respectively. The weighted-average interest rate on these borrowings as of December 31, 2016 and 2015 was 0.71 percent and 0.40 percent, respectively. NSTAR Electric is a party to a five-year $450 million revolving credit facility. Effective September 26, 2016, the revolving credit facility's termination date was extended for one additional year to September 4, 2021. The revolving credit facility serves to backstop NSTAR Electric's $450 million commercial paper program. There were no borrowings outstanding on the revolving credit facility as of December 31, 2016 or 2015.

Cash Flows: Cash flows provided by operating activities totaled $2.2 billion in 2016, compared with $1.4 billion in 2015. The increase in operating cash flows was due primarily to the absence in 2016 of $302 million in payments made in 2015 by CL&P and WMECO to fully satisfy the obligation with the DOE for costs associated with the disposal of spent nuclear fuel and high-level radioactive waste at previously owned generation facilities. In addition, there was an increase of $226.0 million in regulatory recoveries, primarily at NSTAR Electric, due to $98.1 million of collections from customers in excess of purchased power costs, the favorable impact associated with the December 2015 legislation that extended tax bonus depreciation, which resulted in a $145.8 million decrease in income tax payments in 2016, as compared to 2015, and an increase of $55.2 million of the Yankee Companies' DOE Damages and other proceeds received in 2016, as compared to 2015. Partially offsetting these favorable impacts was the timing of collections and payments related to our working capital items.

In 2016, we paid cash dividends of $564.5 million, or $1.78 per common share, compared with $529.8 million, or $1.67 per common share in 2015. Our quarterly common share dividend payment was $0.445 per share, in 2016, as compared to $0.4175 per common share in 2015. On February 2, 2017, our Board of Trustees approved a common share dividend of $0.475 per share, payable on March 31, 2017 to shareholders of record as of March 2, 2017. The 2017 dividend represents an increase of 6.7 percent over the dividend paid in December 2016, and is the equivalent to dividends on common shares of $602.1 million on an annual basis.

In 2016, CL&P, NSTAR Electric, PSNH, and WMECO paid $199.6 million, $278.3 million, $77.6 million, and $38.0 million, respectively, in common stock dividends 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 portions of pension expense. In 2016, investments for Eversource, CL&P, NSTAR Electric, PSNH, and WMECO were $2.0

billion, $612.0 million, $524.3 million, $305.4 million, and $140.6 million, respectively.

Each of Eversource, CL&P, NSTAR Electric, PSNH and WMECO use its available capital resources to fund its respective construction expenditures, meet debt requirements, pay operating costs, including storm-related costs, pay dividends and fund other corporate obligations, such as pension contributions. Eversource's Regulated companies recover their electric and natural gas distribution construction expenditures as the related project costs are depreciated over the life of the assets. This impacts the timing of the revenue stream designed to fully recover the total investment plus a return on the equity and debt used to finance the investments. The current growth in Eversource's construction expenditures utilizes a significant amount of cash for projects that have a long-term return on investment and recovery period, totaling approximately $2 billion in cash capital spend in 2016. In addition, new growth in Eversource's key business initiatives in 2016 required cash contributions of approximately $190 million, which are recognized as long-term assets. These factors have resulted in current liabilities exceeding current assets by approximately $1.2 billion, $135.3 million, $409.2 million and $27.2 million at Eversource, CL&P, NSTAR Electric and WMECO, respectively, as of December 31, 2016.

As of December 31, 2016, a total of $745 million of Eversource's long-term debt is classified as current liabilities, $250 million, $400 million, $70 million and $25 million for CL&P, NSTAR Electric, PSNH and NSTAR Gas, respectively, and will be paid in the next 12 months. The remaining $28.9 million of Eversource's long-term debt classified as current liabilities relates to fair value adjustments from the merger that will be amortized in the next 12 months and have no cash flow impact. Eversource, with its strong credit ratings, has several options available in the financial markets to repay or refinance these maturities with the issuance of new long-term debt. Eversource, CL&P, NSTAR Electric, PSNH and WMECO will reduce their short-term borrowings with operating cash flows or with the issuance of new long-term debt, determined by considering capital requirements and maintenance of Eversource's credit rating and profile. We expect the future operating cash flows of Eversource, CL&P, NSTAR Electric, PSNH and WMECO, along with the access to financial markets, will be sufficient to meet any future operating requirements and capital investment forecasted opportunities.

Credit Ratings: On May 26, 2016, Moody's upgraded WMECO's corporate credit rating and senior unsecured debt credit rating by one level and changed the outlook from positive to stable. On July 6, 2016, Fitch upgraded the corporate credit ratings by one level and changed the outlooks from positive to stable for CL&P, PSNH and WMECO. Also on July 6, 2016, Fitch changed the outlook on Eversource parent from stable to positive. On July 12, 2016, S&P changed its outlook on Eversource and its subsidiaries from stable to positive. On July 19, 2016, Moody's upgraded PSNH's corporate credit rating by one level and changed the outlook from positive to stable.

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

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

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

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

Business Development and Capital Expenditures

Our consolidated capital expenditures, including amounts incurred but not paid, cost of removal, AFUDC, and the capitalized portions of pension expense (all of which are non-cash factors), totaled $2.2 billion in 2016, $1.9 billion in 2015, and $1.7 billion in 2014. These amounts included $137.7 million in 2016, $102.0 million in 2015, and $58.3 million in 2014 related to information technology and facilities upgrades and enhancements, primarily at Eversource Service and The Rocky River Realty Company.

Access Northeast: Access Northeast is a natural gas pipeline and storage project being developed jointly by Eversource, Spectra Energy Partners, LP ("Spectra") and National Grid plc ("National Grid"), through Algonquin Gas Transmission, LLC ("AGT"). This project is expected to enhance the Algonquin and Maritimes & Northeast pipeline systems using existing routes and is expected to include two new LNG storage tanks and liquefaction and vaporization facilities in Acushnet, Massachusetts that are currently expected to be connected to the Algonquin natural gas pipeline. Access Northeast is expected to be capable of delivering approximately 900 million cubic feet of additional natural gas per day to New England on peak demand days. Eversource and Spectra each own a 40 percent interest in the project, with the remaining 20 percent interest owned by National Grid. The project is subject to FERC and other federal and state regulatory approvals. Its initial proposed configuration was expected to cost $3 billion to construct, with Eversource Energy's investment share at $1.2 billion. As of December 31, 2016, we have invested $30.9 million in this project.

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 Massachusetts and New Hampshire, it was ruled that state statutes precluded the state regulatory agencies from approving those contracts. For further information on the state and regulatory agency actions taken in the New England states over the course of 2016, see "Regulatory Developments and Rate Matters – General – New England Natural Gas Pipeline Capacity" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Eversource, Spectra and National Grid are currently evaluating a series of options surrounding Access Northeast, including state infrastructure legislation changes and LDC contracts, in order to help bring needed additional natural gas pipeline and storage capacity to New England. As a result, the final design, cost, and in-service date of Access Northeast will continue to be refined.

Bay State Wind: Bay State Wind is a proposed off-shore wind project being jointly developed by Eversource and Denmark-based DONG Energy. Bay State Wind will be located in a 300-square-mile area approximately 15 to 25 miles south of Martha's Vineyard that has the ultimate potential to generate at least 2,000 MW of wind power energy. Both Eversource and DONG Energy have a 50 percent ownership interest in Bay State Wind. In August 2016, Massachusetts passed clean energy legislation that requires EDCs to jointly solicit RFPs and enter into long-term contracts for off-shore wind, creating RFP opportunities for projects like Bay State Wind. The initial RFP for no less than 400 MW of off-shore wind is due to be released by June 30, 2017 and Bay State Wind will be bid into that RFP. For more information regarding the clean energy legislation, see "Legislative and Policy Matters – Massachusetts" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Electric Transmission Business:

Our consolidated electric transmission business capital expenditures increased by $90.3 million in 2016, as compared to 2015. A summary of electric transmission capital expenditures by company is as follows:

	For the Years Ended December 31,		
(Millions of Dollars)	2016	2015	2014
CL&P	$338.3	$252.9	$259.2
NSTAR Electric	299.7	238.2	223.8
PSNH	119.0	161.2	120.8
WMECO	99.0	116.0	68.5
NPT	40.9	38.3	28.3
Total Electric Transmission Segment	$896.9	$806.6	$700.6

GHCC: The Greater Hartford Central Connecticut ("GHCC") solutions, which have been approved by ISO-NE, consist of 27 projects with an expected investment of approximately $350 million that are expected to be placed in service through 2018. Ten projects have been placed in service, and nine projects are in active construction. As of December 31, 2016, CL&P had capitalized $117.2 million in costs associated with GHCC.

Northern Pass: Northern Pass is Eversource's planned HVDC transmission line 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 will interconnect at the Québec-New Hampshire border with a planned HQ HVDC transmission line. On July 21, 2015, the DOE issued the draft Environmental Impact Statement ("EIS") for Northern Pass representing a key milestone in the permitting process. The DOE completed the comment period on the draft EIS on April 4, 2016, and is expected to issue the final EIS in the third quarter of 2017.

On August 18, 2015, NPT announced the Forward NH Plan, including a commitment to contribute $200 million to projects associated with economic development, tourism, community betterment and clean energy innovations to benefit the state of New Hampshire. On June 28, 2016, PSNH filed a power purchase agreement ("PPA") with the NHPUC. The PPA with HQ, combined with the Forward NH Plan, is expected to deliver substantial energy cost savings and other benefits to New Hampshire. The Forward NH Plan and the PPA are both commitments that are contingent upon the Northern Pass transmission line going into commercial operation.

On October 14, 2016, the NHPUC approved a settlement agreement between NPT and the NHPUC staff and granted NPT public utility status, conditional on final project permitting.

The Society for the Protection of New Hampshire Forests ("SPNHF") filed a lawsuit against NPT in November 2015 alleging that NPT does not have the right to install underground transmission lines next to property the SPNHF owns along public highways. On January 31, 2017, the New Hampshire Supreme Court upheld a lower court's ruling that NPT has the right to install underground transmission lines along and beneath public highways in New Hampshire with approval of the New Hampshire Department of Transportation.

The New Hampshire Site Evaluation Committee ("NH SEC") is currently in the process of formal siting and is expected to issue an order on Northern Pass no later than September 30, 2017. The DOE is expected to act on a Presidential Permit for Northern Pass after the final NH SEC order is released and is expected to issue an approval before the end of 2017. Northern Pass is expected to be completed by the end of 2019.

In August 2016, Massachusetts passed clean energy legislation that requires EDCs to jointly solicit RFPs and enter into long-term contracts for a large quantity of clean energy, such as hydropower. The solicitation is due to be released by April 1, 2017, and Northern Pass will be bid into that RFP. For more information regarding the clean energy legislation, see "Legislative and Policy Matters – Massachusetts" in this Management's Discussion and Analysis of Financial Condition 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 covering southern New Hampshire and northern Massachusetts in the Merrimack Valley and continuing into the greater Boston metropolitan area, of which 28 are in Eversource's service territory. The NH SEC issued its written order approving the New Hampshire upgrades on October 4, 2016. We are currently pursuing the necessary regulatory and siting application approvals in Massachusetts. Construction has also begun on several smaller projects not requiring siting approval. All upgrades are expected to be completed by the end of 2019. We estimate our portion of the investment in the Solution will be approximately $560 million, of which approximately $134 million has been capitalized through December 31, 2016.

Seacoast Reliability Project: On April 12, 2016, PSNH filed a siting application with the NH SEC 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 NH SEC accepted our application as complete and we expect the NH SEC decision by mid-2017. This project is expected to be completed by the end of 2018. We estimate our investment in this project will be approximately $77 million, of which approximately $13 million has been capitalized through December 31, 2016.

Distribution Business:

A summary of distribution capital expenditures by company is as follows:

(Millions of Dollars)	CL&P	NSTAR Electric	PSNH	WMECO	Total Electric	Natural Gas	Total Electric and Natural Gas Distribution Segments
	For the Years Ended December 31,						
2016							
Basic Business	$ 179.8	$ 125.8	$ 70.0	$ 20.2	$ 395.8	$ 70.7	$ 466.5
Aging Infrastructure	144.7	82.3	84.7	23.4	335.1	155.9	491.0
Load Growth	48.6	85.8	17.3	3.4	155.1	44.2	199.3
Total Distribution	373.1	293.9	172.0	47.0	886.0	270.8	1,156.8
Generation	—	—	17.5	—	17.5	—	17.5
Total	$ 373.1	$ 293.9	$ 189.5	$ 47.0	$ 903.5	$ 270.8	$ 1,174.3
2015							
Basic Business	$ 141.1	$ 108.7	$ 59.2	$ 18.2	$ 327.2	$ 46.8	$ 374.0
Aging Infrastructure	151.0	103.1	57.3	18.5	329.9	122.3	452.2
Load Growth	42.2	51.9	25.5	6.6	126.2	43.5	169.7
Total Distribution	334.3	263.7	142.0	43.3	783.3	212.6	995.9
Generation	—	—	33.3	—	33.3	—	33.3
Total	$ 334.3	$ 263.7	$ 175.3	$ 43.3	$ 816.6	$ 212.6	$ 1,029.2
2014							
Basic Business	$ 120.2	$ 99.0	$ 62.1	$ 19.0	$ 300.3	$ 53.3	$ 353.6
Aging Infrastructure	118.0	104.2	45.3	16.1	283.6	91.5	375.1
Load Growth	66.3	43.1	27.1	6.1	142.6	48.9	191.5
Total Distribution	304.5	246.3	134.5	41.2	726.5	193.7	920.2
Generation	—	—	13.1	7.6	20.7	—	20.7
Total	$ 304.5	$ 246.3	$ 147.6	$ 48.8	$ 747.2	$ 193.7	$ 940.9

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 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 reflects growth in existing service territories including new developments, installation of services, and expansion.

The natural gas distribution business' capital spending program increased by $58.2 million in 2016, as compared to 2015, as a result of an increase in the replacement of aging pipeline, upgrades to our LNG facilities, and the favorable weather conditions in 2016 allowing for more capital spending on replacement and customer expansion.

Projected Capital Expenditures: A summary of the projected capital expenditures for the Regulated companies' electric transmission and for the total electric distribution (including PSNH generation), solar development and natural gas distribution businesses for 2017 through 2020, including information technology and facilities upgrades and enhancements on behalf of the Regulated companies, is as follows:

	Years				
(Millions of Dollars)	2017	2018	2019	2020	2017-2020 Total
CL&P Transmission	$400	$299	$179	$127	$ 1,005
NSTAR Electric Transmission	313	297	174	94	878
PSNH Transmission	135	89	21	52	297
WMECO Transmission	105	50	33	10	198
NPT	31	679	798	—	1,508
Total Electric Transmission	$984	$1,414	$1,205	$283	$ 3,886
Electric Distribution	$1,020	$884	$882	$902	$ 3,688
Solar Development	200	—	—	—	200
Natural Gas Distribution	364	382	394	326	1,466
Total Distribution	$1,584	$1,266	$1,276	$1,228	$ 5,354
Information Technology and All Other	$144	$91	$85	$80	$ 400
Total	$2,712	$2,771	$2,566	$1,591	$ 9,640

The projections do not include investments related to Access Northeast or Bay State Wind. Actual capital expenditures could vary from the projected amounts for the companies and years above.

FERC Regulatory Issues

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. Each complaint challenges the NETOs' previous base ROE of 11.14 percent or current base ROE of 10.57 percent and seeks to reduce it both for the four separate 15-month complaint periods and prospectively.

The FERC ordered a 10.57 percent base ROE for the first complaint period and prospectively from October 16, 2014, and that a utility's total or maximum ROE for any incentive project shall not exceed the top of the new zone of reasonableness, which was set at 11.74 percent. We have refunded all amounts associated with the first complaint period. The NETOs and Complainants have appealed the decision in the first complaint to the D.C. Circuit Court of Appeals. A court decision is expected in 2017.

In 2015, the Company recognized an after-tax charge to earnings (excluding interest) of $12.4 million, of which $7.9 million was recorded at CL&P, $1.4 million at NSTAR Electric, $0.6 million at PSNH, and $2.5 million at WMECO. The net aggregate after-tax charge to earnings (excluding interest) in 2014 totaled $22.4 million, of which $12.4 million was recorded at CL&P, $4.9 million at NSTAR Electric, $1.7 million at PSNH, and $3.4 million at WMECO.

On March 22, 2016, the FERC ALJ issued an initial decision on the second and third complaints. For the second complaint period, the FERC ALJ recommended a zone of reasonableness of 7.12 percent to 10.42 percent and a base ROE of 9.59 percent. For the third complaint period, the FERC ALJ recommended a zone of reasonableness of 7.04 percent to 12.19 percent and a base ROE of 10.90 percent. The FERC ALJ also found that the maximum ROE for transmission incentive projects should be the top of the zone of reasonableness. The parties filed briefs on April 21, 2016 and May 11, 2016, in which they requested changes to the FERC ALJ's recommendations. The final FERC order will determine both the base ROE and the maximum ROE for transmission incentive projects for the two complaint periods.

We have not recorded any reserves to reflect the ROEs recommended in the FERC ALJ initial decision. We do not believe any ROE outcome is more likely than the ROEs used to record our current reserves (a base ROE of 10.57 percent and a maximum ROE for transmission incentive projects of 11.74 percent). We are unable to predict the outcome of the final FERC order on the second and third complaints, and therefore, we believe that our current ROEs and reserves are appropriate at this time.

The impact of a 10 basis point change to a base ROE of 10.57 percent would affect Eversource's after-tax earnings by approximately $3 million for each of the historic 15-month second and third complaint periods. If we adjusted our reserves based on the recommendations in the FERC ALJ initial decision (for both the base ROE and maximum ROE for transmission incentive projects), then it would result in an after-tax loss of approximately $34 million for the second complaint and an after-tax gain of approximately $8 million for the third complaint.

For the fourth complaint, filed April 29, 2016 and covering a 15-month period through July 30, 2017, certain municipal utilities claimed the current base ROE of 10.57 percent and the incentive cap of 11.74 percent are unjust and unreasonable. The NETOs answered on June 3, 2016 and requested that FERC dismiss the complaint. On September 20, 2016, the FERC issued an order establishing hearing and settlement judge procedures. The case has been set for trial proceedings concurrently with settlement proceedings. Trial is scheduled for August 2017, and a FERC ALJ initial decision could be received late in 2017. A final FERC order will determine both the base ROE and the maximum ROE for transmission incentive projects for the fourth complaint period and prospectively from the date the final FERC order is issued.

We cannot at this time predict the ultimate outcome of this proceeding or the estimated impacts on the financial position, results of operations or cash flows of Eversource, CL&P, NSTAR Electric, PSNH and WMECO.

Transmission Merger Cost Recovery Filing: On February 26, 2016, Eversource filed an application seeking recovery of certain transmission related costs it incurred in consummating and transitioning the 2012 merger between Northeast Utilities and NSTAR. On November 22, 2016, Eversource and other parties filed a settlement agreement with the FERC, which included the recovery through transmission rates of $27.5 million of costs over one year, beginning June 1, 2016. The FERC approved the settlement agreement on January 31, 2017. The $27.5 million was recognized in our results of operations for the year ended December 31, 2016.

FERC Order No. 1000: On August 15, 2014, the D.C. Circuit Court of Appeals upheld the FERC's authority to order major changes to transmission planning and cost allocation in FERC Order No. 1000 and Order No. 1000-A, including transmission planning for public policy needs, and the requirement that utilities remove from their transmission tariffs their rights of first refusal to build transmission, to allow for competition. ISO-NE and the NETOs, including CL&P, NSTAR Electric, PSNH and WMECO made compliance filings to address this policy, which included exemption from competition for certain transmission solutions previously evaluated by ISO-NE, and the NETOs' rights to retain use and control of existing right of ways. This compliance was accepted by the FERC on December 14, 2015. At the same time, the NETOs filed an appeal to the D.C. Circuit Court of Appeals, challenging FERC's removal of the right of first refusal. State regulators have also filed an appeal, challenging the FERC's determination that ISO-NE should select public policy transmission projects after a competitive process. Oral arguments were heard by the Court on January 13, 2017, and the Court is expected to resolve the appeals in 2017.

NSTAR Electric and WMECO Merger FERC Filings: On January 13, 2017, Eversource made two filings with FERC related to the proposed merger of WMECO into NSTAR Electric with an anticipated effective date of January 1, 2018. One filing requests FERC approval of the merger, and the other filing requests FERC approval of NSTAR Electric's assumption of WMECO's short-term debt obligations. It is expected that FERC will act on these filings by mid-2017.

Regulatory Developments and Rate Matters

General:

New England Natural Gas Pipeline Capacity: In late 2015 and early 2016, NSTAR Electric, WMECO and National Grid filed with the Massachusetts DPU seeking approval of contracts with AGT for natural gas pipeline capacity and storage. The DPU had determined in 2015 that it had authority to approve such contracts if they were found to be in the public interest. On August 17, 2016, the Massachusetts Supreme Judicial Court vacated the DPU's 2015 order, holding that the state's electric utility restructuring statutes precluded the DPU from approving contracts by EDCs for natural gas capacity. The contracts were subsequently withdrawn from consideration by the DPU. In February 2016, PSNH filed with the NHPUC a natural gas capacity contract with AGT seeking regulatory approval. In October 2016, the NHPUC ruled that it did not have statutory authority to approve such contracts, despite a 2015 finding by NHPUC staff that the NHPUC had such authority. Subsequently, both PSNH and AGT filed appeals of the NHPUC decision with the New Hampshire Supreme Court and on February 15, 2017, the New Hampshire Supreme Court agreed to hear the appeals.

In Connecticut, in October 2016, the DEEP canceled the natural gas capacity RFP without prejudice following the Massachusetts Supreme Judicial Court decision. In Rhode Island, on January 13, 2017, National Grid filed with state utility regulators, a Notice to Withdraw without prejudice its previously filed natural gas capacity contract with AGT due to the uncertainty of EDC contracting in Massachusetts and New Hampshire. In Maine, the PUC issued an order in September 2016 to move forward with the AGT contract, contingent upon the participation by EDCs in other New

England states.

We continue to evaluate options on how to fulfill our need to bring additional natural gas transmission and storage capacity to New England. See "Business Development and Capital Expenditures – Access Northeast" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

Electric and Natural Gas Base Distribution Rates:

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

In Connecticut, state law requires regulated electric and natural gas utilities to file a distribution rate case, or for PURA to initiate a rate review, within 4 years of the last rate case. CL&P distribution rates were established in a 2014 PURA-approved rate case. Management expects to file a CL&P rate case application with PURA in the second quarter of 2017. Yankee Gas distribution rates were established in a 2011 PURA-approved rate case. The requirement for Yankee Gas to file a base distribution rate case in 2015 was eliminated due to a rate review conducted by PURA and a resulting settlement in 2015 between Yankee Gas and PURA.

In Massachusetts, electric distribution companies are required to file at least one distribution rate case every five years, and natural gas local distribution companies to file at least one distribution rate case every 10 years, and those companies are limited to one settlement agreement in any 10-year period. NSTAR Electric and WMECO were subject to a base distribution rate freeze through December 31, 2015. NSTAR Gas distribution rates were established in a 2015 DPU approved rate case.

In New Hampshire, PSNH distribution rates were established in a settlement approved by the NHPUC in 2010. Prior to the expiration of that settlement, the NHPUC approved the continuation of those rates, and increased funding via rates, of PSNH's reliability enhancement program. In accordance with the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement, PSNH agreed to not seek a general distribution rate increase effective before July 1, 2017.

Electric and Natural Gas Retail Rates:

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

The electric and natural gas distribution companies also recover certain other costs on a fully reconciling basis through regulatory commission-approved cost tracking mechanisms and, therefore, such costs have no impact on earnings. Costs recovered through cost tracking mechanisms include energy efficiency program costs, electric transmission charges, electric federally mandated congestion charges, system resiliency costs, certain uncollectible hardship bad debt expenses, and restructuring and stranded costs resulting from deregulation. The reconciliation filings compare the total actual costs allowed to revenue requirements related to these services and the difference between the costs incurred (or the rate recovery allowed) and the actual costs allowed is deferred and included, to be either recovered or refunded, in future customer rates.

Massachusetts:

Distribution Rates: On January 17, 2017, NSTAR Electric and WMECO jointly filed an application (the "Joint Applicants") with the DPU for approval of a combined $96 million increase in base distribution rates, effective January 1, 2018. As part of this filing, the Joint Applicants are presenting a grid-wise performance plan, including the implementation of a performance-based rate-making mechanism in conjunction with a grid modernization base commitment of $400 million in incremental capital investment over a period of five years, commencing January 1, 2018. In addition, the Joint Applicants are proposing to streamline and align rate classifications between NSTAR Electric and WMECO, and requesting a revenue decoupling rate mechanism for NSTAR Electric. WMECO has a revenue decoupling mechanism in place. A final decision from the DPU is expected in late 2017, with new rates anticipated to be effective January 1, 2018.

NSTAR Electric, WMECO and NSTAR Gas Energy Efficiency Plan: The Massachusetts EDCs and natural gas distribution companies have increased their energy efficiency savings achievements significantly since the enactment of the Green Communities Act in 2008, with electric savings almost tripling between 2008 and 2014. On January 28, 2016, the DPU issued an order approving NSTAR Electric's, WMECO's, and NSTAR Gas' three-year electric and natural gas energy efficiency plan, which was jointly developed with other Massachusetts EDCs and natural gas distribution companies. As part of this plan, which covers the years 2016 through 2018, NSTAR Electric, WMECO, and NSTAR Gas will maintain aggressive savings goals. The plan includes the ability to earn performance incentives related to these aggressive savings goals totaling approximately $20 million annually over the three-year period for NSTAR Electric, WMECO and NSTAR Gas, as well as recovery of LBR estimated to be approximately $55 million annually for NSTAR Electric until it is operating under a decoupled rate structure.

Solar Development: On December 29, 2016, the DPU approved the NSTAR Electric and WMECO application to develop 35 MW and 27 MW, respectively, of solar generation facilities, in addition to WMECO's existing 8 MW of solar generation facilities. We expect development of the facilities to be completed by the end of 2017. We estimate our investment in these new facilities will be between approximately $180 million to $200 million. These solar generation facilities will be included in rates anticipated to be effective January 1, 2018.

July 2016 Storm Filing: On July 6, 2016, NSTAR Electric filed with the DPU a final accounting of incremental, storm-related preparation and response costs totaling approximately $109 million for eight storms that occurred between 2012 through 2015. In the filing, NSTAR Electric requested that the DPU investigate the storm-related costs and render a determination as to the final storm-related costs eligible for recovery. Recovery of these costs will be reflected in the rates anticipated to be effective January 1, 2018, in accordance with the currently filed Massachusetts distribution rate case.

October 2016 DPU Storm Order: On October 7, 2016, the DPU issued a final decision on WMECO's storm cost filing that sought to recover $27 million of storm restoration costs associated with the October 2011 snowstorm and Storm Sandy in 2012. The DPU approved essentially all of the costs, with the disallowed amounts and other items included in a filed motion for reconsideration.

New Hampshire:

Generation Divestiture: On June 10, 2015, Eversource and PSNH entered into the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (the "Agreement") with the New Hampshire Office of Energy and Planning, certain members of the NHPUC staff, the Office of Consumer Advocate, two State Senators, and several other parties. Under the terms of the Agreement, PSNH agreed to divest its generation assets, subject to NHPUC approval. The Agreement provided for a resolution of issues pertaining to PSNH's generation assets in pending regulatory proceedings before the NHPUC. The Agreement provided for the Clean Air Project prudence proceeding to be resolved and all remaining Clean Air Project costs to be included in rates effective January 1, 2016. As part of the Agreement, PSNH agreed to forego recovery of $25 million of the equity return related to the Clean Air Project. In addition, PSNH will not seek a general distribution rate increase effective before July 1, 2017 and will contribute $5 million to create a clean energy fund, which will not be recoverable from its customers. In 2015, PSNH recorded the $5 million contribution as a long-term liability and an increase to Operations and Maintenance expense on the statements of income.

On July 1, 2016, the NHPUC approved the Agreement in an order that, among other things, instructs PSNH to begin the process to divest its generation assets. The NHPUC selected an auction adviser to assist with the divestiture, and a final plan and auction process was approved by the NHPUC in November 2016. In December 2016, certain intervenors asked the NHPUC to reconsider certain aspects of its divestiture plan; the NHPUC rejected that request on December 23, 2016. On January 10, 2017, these intervenors appealed the NHPUC's decision to the New Hampshire Supreme Court, alleging procedural deficiencies, and complaining that the auction schedule and process were unreasonable. PSNH and the New Hampshire Attorney General's office acting on behalf of the NHPUC requested the court to reject this appeal. On February 10, 2017, the New Hampshire Supreme Court issued an order declining to accept the appeal. We continue to believe the assets will be sold by the end of 2017.

As of December 31, 2016, PSNH's energy service rate base subject to divestiture, was approximately $625 million. This rate base will be reduced by the amount of the sales proceeds from the generation assets that are divested and sold. Upon completion of the divestiture process, full recovery of PSNH's generation assets is probable through a combination of cash flows during the remaining operating period, sales proceeds upon divestiture, and recovery of stranded costs via bonds that will be secured by a non-bypassable charge or through recoveries in future rates billed to PSNH's customers.

Legislative and Policy Matters

Federal: On December 18, 2015, the "Protecting Americans from Tax Hikes" Act became law, which extended the accelerated deduction of depreciation to businesses from 2015 through 2019. This extended stimulus provided us with cash flow benefits of approximately $275 million (including approximately $105 million for CL&P) due to a refund of taxes paid in 2015 and lower tax payments in 2016 of approximately $300 million.

Massachusetts

On August 8, 2016, in conjunction with efforts to shape comprehensive energy legislation, "An Act to Promote Energy Diversity" (the "Act") became law in Massachusetts, which requires EDCs to jointly solicit RFPs and enter into 15- to 20-year contracts for at least 1,600 MW of offshore wind and up to an additional 9.45 terawatt hours of clean energy per year, such as hydropower, land-based wind or solar, provided that reasonable proposals have been received. The RFP for up to 9.45 terawatt hours of clean energy per year, such as hydropower, is due to be released by April 1, 2017. The initial RFP for no less than 400 MW of off-shore wind is due to be released by June 30, 2017. On December 27, 2016, the DOER also determined, pursuant to the Act, that it will establish targets for electric companies to deploy and/or procure viable and cost-effective energy storage solutions that will be adopted by July 1,

2017. For more information regarding projects that Eversource will bid into the RFP processes, see "Business Development and Capital Expenditures – Bay State Wind and Electric Transmission Business – Northern Pass" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

On April 11, 2016, "An Act Relative to Solar Energy" became law, which raises the solar net metering cap levels by three percent for both private and public projects. Among many items, the law allowed utilities to file proposals with the DPU by June 30, 2016 to build up to 35 MW of solar generation. NSTAR Electric and WMECO filed an application with the DPU seeking approval to develop 35 MW and 27 MW, respectively, of solar generation facilities to be built in 2017. On December 29, 2016, the DPU approved the application. Together, NSTAR Electric and WMECO expect to invest up to $200 million in those facilities in 2017. See "Regulatory Developments and Rate Matters – Massachusetts – Solar Generation" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

New Hampshire

On May 2, 2016, "An Act Relative to Net Metering" became law, which raises the cap on net energy metering tariffs available to eligible customer generators from 50 MW to 100 MW and requires the NHPUC to initiate a proceeding to develop alternative net energy metering tariffs. We do not believe that this law will have a material financial impact on the Company.

Critical Accounting Policies

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

Regulatory Accounting: Our Regulated companies are subject to rate-regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the timing of the recognition of certain revenues and expenses. The Regulated companies' financial statements reflect the effects of the rate-making process.

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

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

Unbilled Revenues: The determination of retail energy sales to residential, commercial and industrial customers is based on the reading of meters, which occurs regularly throughout the month. Billed revenues are based on these meter readings, and the majority of our recorded annual revenues is based on actual billings. Because customers are billed throughout the month based on pre-determined cycles rather than on a calendar month basis, an estimate of electricity or natural gas delivered to customers for which the customers have not yet been billed is calculated as of the balance sheet date.

Unbilled revenues represent an estimate of electricity or natural gas delivered to customers but not yet billed. Unbilled revenues are included in Operating Revenues on the statement of income and are assets on the balance sheet that are reclassified to Accounts Receivable in the following month as customers are billed. Such estimates are subject to adjustment when actual meter readings become available or when there is a change in our estimates.

The Regulated companies estimate unbilled sales volumes monthly by first allocating billed sales volumes to the current calendar month based on the daily load (for electric distribution companies) or the daily send-out (for natural gas distribution companies) for each billing cycle. The billed sales volumes are then subtracted from total month load or send-out, net of delivery losses, to estimate unbilled sales volumes. Unbilled revenues are estimated by first allocating unbilled sales volumes to the respective customer classes, then applying an estimated rate by customer class to those sales volumes. The estimate of unbilled revenues can significantly impact the amount of revenues recorded at

NSTAR Electric, PSNH and Yankee Gas because they do not have a revenue decoupling mechanism. CL&P, WMECO and NSTAR Gas record a regulatory deferral to reflect the actual allowed amount of revenue associated with their respective decoupled distribution rate design.

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

Expected Long-Term Rate of Return on Plan Assets: In developing this assumption, we consider historical and expected returns, as well as input from our consultants. Our expected long-term rate of return on assets is based on assumptions regarding target asset allocations and corresponding expected rates of return for each asset class. We routinely review the actual asset allocations and periodically rebalance the investments to the targeted asset allocations when appropriate. For the year ended December 31, 2016, our aggregate expected long-term rate-of-return assumption of 8.25 percent was used to determine our pension and PBOP expense. For the forecasted 2017 pension and PBOP expense, our expected long-term rate of return of 8.25 percent will be used reflecting our target asset allocations.

Discount Rate: Payment obligations related to the Pension and PBOP Plans are discounted at interest rates applicable to the expected timing of each plan's cash flows. The discount rate that was utilized in determining the 2016 pension and PBOP obligations was based on a yield-curve approach. This approach utilizes a population of bonds with an average rating of AA based on bond ratings by Moody's, S&P and Fitch, and uses bonds with above median yields within that population. As of December 31, 2016, the discount rates used to determine the funded status were 4.33 percent for the Pension Plan and 4.21 percent for the PBOP Plan. As of December 31, 2015, the discount rates used were 4.6 percent for the Pension Plan and 4.62 percent for the PBOP Plan. The decrease in the discount rate used to calculate the funded status resulted in an increase on the Pension and PBOP Plans' liability of approximately $177 million and $75 million, respectively, as of December 31, 2016.

Effective January 1, 2016, we elected to transition the discount rate to the spot rate methodology from the yield-curve approach for the service and interest cost components of Pension and PBOP expense because it provides a more precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve. Historically, these components were estimated using the same weighted-average discount rate as for the funded status. The discount rates used to estimate the 2016 service costs were 4.89 percent and 4.09 percent for the Pension and PBOP Plans, respectively. The discount rates used to estimate the 2016 interest costs were 3.80 percent and 2.88 percent for the Pension and PBOP Plans, respectively. The total pre-tax benefit of this change on Pension and PBOP expense, prior to the capitalized portion and amounts deferred and recovered through rate reconciliation mechanisms, for the year ended December 31, 2016 resulted in decreases to Pension and PBOP costs of $46 million and $10 million, respectively. Pension and PBOP expense charged to earnings is net of the amounts capitalized.

Mortality Assumptions: Assumptions as to mortality of the participants in our Pension and PBOP Plans are a key estimate in measuring the expected payments a participant may receive over their lifetime and the corresponding plan liability we need to record. In 2016, a revised scale for the mortality table was released having the effect of decreasing the estimate of benefits to be provided to plan participants. The impact of the adoption of the new mortality scale resulted in a decrease of approximately $32 million and $11 million for the Pension and PBOP Plans' liability, respectively, as of December 31, 2016.

Compensation/Progression Rate: This assumption reflects the expected long-term salary growth rate, including consideration of the levels of increases built into collective bargaining agreements, and impacts the estimated benefits that Pension Plan participants receive in the future. As of both December 31, 2016 and 2015, the compensation/progression rate used to determine the funded status was 3.5 percent.

Health Care Cost: In August 2016, we amended the PBOP Plan to standardize benefit design and make benefit changes. As a result, the plan is no longer subject to health care cost trends.

Actuarial Determination of Expense: Pension and PBOP expense is determined by our actuaries and consists of service cost and prior service cost, interest cost based on the discounting of the obligations, and amortization of actuarial gains and losses, offset by the expected return on plan assets. Actuarial gains and losses represent differences between assumptions and actual information or updated assumptions. Pre-tax net periodic benefit expense for the Pension Plan (excluding the SERP Plans) was $62.4 million, $124.2 million and $118.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. The pre-tax net periodic PBOP cost is income of $17.9 million for the year ended December 31, 2016 and expense of $2.4 million and $8.1 million for the years ended December 31, 2015 and 2014, respectively.

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

Forecasted Expenses and Expected Contributions: We estimate that the expense for the Pension Plan (excluding the SERP Plans) will be approximately $54 million and income for the PBOP Plan will be approximately $38 million, respectively, in 2017. The periodic benefit cost for the PBOP Plan has been favorably impacted by the plan amendment which reduced the PBOP liability. Pension and PBOP expense for subsequent years will depend on future investment performance, changes in future discount rates and other assumptions, and various other factors related to the populations participating in the plans.

Our policy is to fund the Pension Plan annually in an amount at least equal to the amount that will satisfy all federal funding requirements. We contributed $146.2 million to the Pension Plan in 2016. We currently estimate contributing approximately $175 million to the Pension Plan in 2017.

For the PBOP Plan, it is our policy to fund the PBOP Plan annually through tax deductible contributions to external trusts. We contributed $12.5 million to the PBOP Plan in 2016. We currently estimate contributing $7.6 million to the PBOP Plan in 2017.

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

(Millions of Dollars)	Increase in Pension Plan Cost		Increase in PBOP Plan Cost	
Assumption Change	As of December 31,			
Eversource	2016	2015	2016	2015
Lower expected long-term rate of return	$19.5	$20.6	$3.9	$4.2
Lower discount rate	20.7	26.3	3.9	6.2
Higher compensation rate	10.2	12.4	N/A	N/A

Goodwill: We have recorded approximately $3.5 billion of goodwill associated with previous mergers and acquisitions. We have identified our reporting units for purposes of allocating and testing goodwill as Electric Distribution, Electric Transmission and Natural Gas Distribution. These reporting units are consistent with our operating segments underlying our reportable segments. Electric Distribution and Electric Transmission reporting units include carrying values for the respective components of CL&P, NSTAR Electric, PSNH and WMECO. The Natural Gas Distribution reporting unit includes the carrying values of NSTAR Gas and Yankee Gas. As of December 31, 2016, goodwill was allocated to the reporting units as follows: $2.5 billion to Electric Distribution, $0.6 billion to Electric Transmission, and $0.4 billion to Natural Gas Distribution.

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

We performed an impairment test of goodwill as of October 1, 2016 for the Electric Distribution, Electric Transmission and Natural Gas Distribution reporting units. This evaluation required the consideration of several factors that impact the fair value of the reporting units, including conditions and assumptions that affect the future cash flows of the reporting units. Key considerations include discount rates, utility sector market performance and merger transaction multiples, and internal estimates of future cash flows and net income.

The 2016 goodwill impairment test resulted in a conclusion that goodwill is not impaired and no reporting unit is at risk of a goodwill impairment.

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

We also account for uncertainty in income taxes, which applies to all income tax positions previously filed in a tax return and income tax positions expected to be taken in a future tax return that have been reflected on our balance sheets. The determination of whether a tax position meets the recognition threshold under applicable accounting guidance is based on facts and circumstances available to us. Once a tax position meets the recognition threshold, the tax benefit is measured using a cumulative probability assessment. Assigning probabilities in measuring a recognized tax position and evaluating new information or events in subsequent periods requires significant judgment and could change previous conclusions used to measure the tax position estimate. New information or events may include tax examinations or appeals (including information gained from those examinations), developments in case law, settlements of tax positions, changes in tax law and regulations, rulings by taxing authorities and statute of limitation expirations. Such information or events may have a significant impact on our financial position, results of operations and cash flows.

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

Our estimates also incorporate currently enacted state and federal environmental laws and regulations and data released by the EPA and other organizations. The estimates associated with each possible action plan are judgmental in nature partly because there are usually several different remediation options from which to choose. Our estimates are subject to revision in future periods based on actual costs or new information from other sources, including the level of contamination at the site, the extent of our responsibility or the extent of remediation required, recently enacted laws and regulations or a change in cost estimates due to certain economic factors.

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

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

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

Other Matters

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

Contractual Obligations and Commercial Commitments: Information regarding our contractual obligations and commercial commitments as of December 31, 2016 is summarized annually through 2021 and thereafter as follows:

Eversource

(Millions of Dollars)	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt maturities [a]	$745.0	$960.0	$800.0	$295.0	$871.3	$5,665.3	$9,336.6
Estimated interest payments on existing debt [b]	390.2	336.7	307.8	269.4	254.2	2,684.8	4,243.1
Capital leases [c]	2.3	2.3	2.2	2.2	1.7	1.1	11.8
Operating leases [d]	14.1	10.6	8.7	7.0	6.0	10.4	56.8
Funding of pension obligations [d] [e]	175.0	—	—	—	—	—	175.0
Funding of PBOP obligations [d] [e]	7.6	—	—	—	—	—	7.6
Estimated future annual long-term contractual costs [f]	667.8	557.1	498.4	483.2	433.9	2,331.8	4,972.2
Total [g]	$2,002.0	$1,866.7	$1,617.1	$1,056.8	$1,567.1	$10,693.4	$18,803.1

CL&P

(Millions of Dollars)	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt maturities [a]	$250.0	$300.0	$250.0	$—	$—	$1,990.3	$2,790.3
Estimated interest payments on existing debt [b]	136.0	117.8	102.4	95.5	95.5	1,307.2	1,854.4
Capital leases [c]	1.9	2.0	2.0	2.0	1.4	—	9.3
Operating leases [d]	2.0	1.3	1.0	0.7	0.6	1.4	7.0
Estimated future annual long-term contractual costs [f]	222.2	169.3	167.4	189.0	170.0	909.7	1,827.6
Total [g]	$612.1	$590.4	$522.8	$287.2	$267.5	$4,208.6	$6,488.6