

EVERSOURCE ENERGY
Form 10-K
February 26, 2019

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2018

or

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

For the transition period from _____ to _____

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

I.R.S. Employer
Identification No.

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

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

| Registrant | Title of Each Class | Name of Each Exchange on Which Registered |
|------------|---------------------|--|
|------------|---------------------|--|

| | |
|---|-------------------------------|
| Eversource Energy Common Shares, \$5.00 par value | New York Stock Exchange, Inc. |
|---|-------------------------------|

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

| Registrant | Title of Each Class |
|------------|---------------------|
|------------|---------------------|

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

| | |
|------------------------|---|
| NSTAR Electric Company | Preferred Stock, par value \$100.00 per share, issuable in series, of which the following series are outstanding: 4.25% Series of 1956 4.78% Series of 1958 |
|------------------------|---|

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

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

Yes No

Edgar Filing: EVERSOURCE ENERGY - Form 10-K

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.

YesNo

.. 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.

YesNo

x ..

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

YesNo

x ..

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

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

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

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

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

YesNo

Eversource Energy .. x

The Connecticut Light and Power Company .. x

NSTAR Electric Company .. x

Public Service Company of New Hampshire .. x

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

Edgar Filing: EVERSOURCE ENERGY - Form 10-K

(June 30, 2018) was \$18,544,847,538 based on a closing market price of \$58.61 per share for the 316,410,980 common shares outstanding held by non-affiliates on June 30, 2018.

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

| Company - Class of Stock | Outstanding as of January 31, 2019 |
|--|------------------------------------|
| Eversource Energy Common Shares, \$5.00 par value | 316,981,088 |

| | |
|--|------------------|
| The Connecticut Light and Power Company Common Stock, \$10.00 par value | 6,035,205 shares |
|--|------------------|

| | |
|--|------------|
| NSTAR Electric Company Common Stock, \$1.00 par value | 200 shares |
|--|------------|

| | |
|---|------------|
| Public Service Company of New Hampshire Common Stock, \$1.00 par value | 301 shares |
|---|------------|

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

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

GLOSSARY OF TERMS

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

Current or former Eversource Energy companies, segments or investments:

| | |
|--------------------------------|--|
| Eversource, ES or the Company | Eversource Energy and subsidiaries |
| Eversource parent or ES parent | Eversource Energy, a public utility holding company |
| ES parent and other companies | ES parent and other companies are comprised of Eversource parent, Eversource Service, Eversource Water Ventures, Inc. (parent company of Aquarion), and other subsidiaries, which primarily includes our unregulated businesses, HWP Company, The Rocky River Realty Company (a real estate subsidiary), the consolidated operations of CYAPC and YAEC, and Eversource parent's equity ownership interests that are not consolidated |
| CL&P | The Connecticut Light and Power Company |
| NSTAR Electric | NSTAR Electric Company |
| PSNH | Public Service Company of New Hampshire |
| PSNH Funding | PSNH Funding LLC 3, a bankruptcy remote, special purpose, wholly-owned subsidiary of PSNH |
| NSTAR Gas | NSTAR Gas Company |
| Yankee Gas | Yankee Gas Services Company |
| Aquarion | Eversource Aquarion Holdings, Inc. and its subsidiaries (formerly known as Macquarie Utilities Inc) |
| NPT | Northern Pass Transmission LLC |
| Northern Pass | The HVDC and associated alternating-current transmission line project from Canada into New Hampshire |
| Eversource Service | Eversource Energy Service Company |
| Bay State Wind | A project being developed jointly by Eversource and Denmark-based Ørsted (formerly known as DONG Energy) to construct an offshore wind farm off the coast of Massachusetts |
| CYAPC | Connecticut Yankee Atomic Power Company |
| MYAPC | Maine Yankee Atomic Power Company |
| YAEC | Yankee Atomic Electric Company |
| Yankee Companies | CYAPC, YAEC and MYAPC |
| Regulated companies | The Eversource regulated companies are comprised of the electric distribution and transmission businesses of CL&P, NSTAR Electric and PSNH, the natural gas distribution businesses of Yankee Gas and NSTAR Gas, NPT, Aquarion, and the solar power facilities of NSTAR Electric |
| Regulators: | |
| DEEP | Connecticut Department of Energy and Environmental Protection |
| DOE | U.S. Department of Energy |
| DOER | Massachusetts Department of Energy Resources |
| DPU | Massachusetts Department of Public Utilities |
| EPA | U.S. Environmental Protection Agency |
| FERC | Federal Energy Regulatory Commission |
| ISO-NE | ISO New England, Inc., the New England Independent System Operator |
| MA DEP | Massachusetts Department of Environmental Protection |
| NHPUC | New Hampshire Public Utilities Commission |
| PURA | Connecticut Public Utilities Regulatory Authority |
| SEC | U.S. Securities and Exchange Commission |

SJC Supreme Judicial Court of Massachusetts

Other Terms and Abbreviations:

| | |
|-----------|--|
| Access | A project jointly owned by Eversource, Enbridge, Inc. ("Enbridge"), and National Grid plc ("National |
| Northeast | Grid") through Algonquin Gas Transmission, LLC ("AGT") |
| ADIT | Accumulated Deferred Income Taxes |
| AFUDC | Allowance For Funds Used During Construction |
| AOCI | Accumulated Other Comprehensive Income |
| ARO | Asset Retirement Obligation |
| Bcf | Billion cubic feet |
| C&LM | Conservation and Load Management |
| CfD | Contract for Differences |
| CTA | Competitive Transition Assessment |
| CWIP | Construction Work in Progress |
| EDC | Electric distribution company |
| EPS | Earnings Per Share |
| ERISA | Employee Retirement Income Security Act of 1974 |

Edgar Filing: EVERSOURCE ENERGY - Form 10-K

| | |
|---------------------------|--|
| ESOP | Employee Stock Ownership Plan |
| Eversource 2017 Form 10-K | The Eversource Energy and Subsidiaries 2017 combined Annual Report on Form 10-K as filed with the SEC |
| Fitch | Fitch Ratings |
| FMCC | Federally Mandated Congestion Charge |
| FTR | Financial Transmission Rights |
| GAAP | Accounting principles generally accepted in the United States of America |
| GSC | Generation Service Charge |
| GSRP | Greater Springfield Reliability Project |
| GWh | Gigawatt-Hours |
| HQ | Hydro-Québec, a corporation wholly-owned by the Québec government, including its divisions that produce, transmit and distribute electricity in Québec, Canada |
| HVDC | High-voltage direct current |
| Hydro Renewable Energy | Hydro Renewable Energy, Inc., a wholly-owned subsidiary of Hydro-Québec |
| IPP | Independent Power Producers |
| ISO-NE Tariff | ISO-NE FERC Transmission, Markets and Services Tariff |
| kV | Kilovolt |
| kVa | Kilovolt-ampere |
| kW | Kilowatt (equal to one thousand watts) |
| kWh | Kilowatt-Hours (the basic unit of electricity energy equal to one kilowatt of power supplied for one hour) |
| LBR | Lost Base Revenue |
| LNG | Liquefied natural gas |
| LRS | Supplier of last resort service |
| MG | Million gallons |
| MGP | Manufactured Gas Plant |
| MMBtu | One million British thermal units |
| MMcf | Million cubic feet |
| Moody's | Moody's Investors Services, Inc. |
| MW | Megawatt |
| MWh | Megawatt-Hours |
| NEEWS | New England East-West Solution |
| NETOs | New England Transmission Owners (including Eversource, National Grid and Avangrid) |
| OCI | Other Comprehensive Income/(Loss) |
| PAM | Pension and PBOP Rate Adjustment Mechanism |
| PBOP | Postretirement Benefits Other Than Pension |
| PBOP Plan | Postretirement Benefits Other Than Pension Plan |
| PCRBS | Pollution Control Revenue Bonds |
| Pension Plan | Single uniform noncontributory defined benefit retirement plan |
| PPA | Pension Protection Act |
| RRBs | Rate Reduction Bonds |
| RECs | Renewable Energy Certificates |
| Regulatory ROE | The average cost of capital method for calculating the return on equity related to the distribution and generation business segment excluding the wholesale transmission segment |
| RNS | Regional Network Service |
| ROE | Return on Equity |
| RRB | Rate Reduction Bond or Rate Reduction Certificate |
| RSUs | Restricted share units |

| | |
|------|--|
| S&P | Standard & Poor's Financial Services LLC |
| SBC | Systems Benefits Charge |
| SCRC | Stranded Cost Recovery Charge |
| SERP | Supplemental Executive Retirement Plans and non-qualified defined benefit retirement plans |
| SS | Standard service |
| TCAM | Transmission Cost Adjustment Mechanism |
| TSA | Transmission Service Agreement |
| UI | The United Illuminating Company |

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

2018 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

| | Page |
|---|------------|
| PART I | |
| Item 1. <u>Business</u> | <u>2</u> |
| Item 1A. <u>Risk Factors</u> | <u>14</u> |
| Item 1B. <u>Unresolved Staff Comments</u> | <u>18</u> |
| Item 2. <u>Properties</u> | <u>19</u> |
| Item 3. <u>Legal Proceedings</u> | <u>21</u> |
| Item 4. <u>Mine Safety Disclosures</u> | <u>22</u> |
| PART II | |
| Item 5. <u>Market for the Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | <u>24</u> |
| Item 6. <u>Selected Consolidated Financial Data</u> | <u>26</u> |
| Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>27</u> |
| Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>62</u> |
| Item 8. <u>Financial Statements and Supplementary Data</u> | <u>63</u> |
| Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | <u>139</u> |
| Item 9A. <u>Controls and Procedures</u> | <u>139</u> |
| Item 9B. <u>Other Information</u> | <u>139</u> |
| PART III | |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u> | <u>140</u> |
| Item 11. <u>Executive Compensation</u> | <u>143</u> |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | <u>167</u> |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u> | <u>168</u> |
| Item 14. <u>Principal Accountant Fees and Services</u> | <u>169</u> |
| PART IV | |
| Item 15. <u>Exhibits and Financial Statement Schedules</u> | <u>171</u> |
| Item 16. <u>Form 10-K Summary</u> | <u>171</u> |
| <u>Signatures</u> | <u>E-9</u> |

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

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

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

From time to time, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, assumptions of future events, future financial performance or growth and other statements that are not historical facts.

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

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

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

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

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

PART I

Item 1. Business

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

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

• The Connecticut Light and Power Company (CL&P), a regulated electric utility that serves residential, commercial and industrial customers in parts of Connecticut;

• NSTAR Electric Company (NSTAR Electric), a regulated electric utility that serves residential, commercial and industrial customers in parts of eastern and western Massachusetts and owns solar power facilities;

• Public Service Company of New Hampshire (PSNH), a regulated electric utility that serves residential, commercial and industrial customers in parts of New Hampshire;

• NSTAR Gas Company (NSTAR Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Massachusetts;

• Yankee Gas Services Company (Yankee Gas), a regulated natural gas utility that serves residential, commercial and industrial customers in parts of Connecticut; and

Eversource Aquarion Holdings, Inc. (Aquarion), a utility holding company that owns three separate regulated water utility subsidiaries and collectively serves residential, commercial, industrial, and municipal and fire protection customers in parts of Connecticut, Massachusetts and New Hampshire. On December 4, 2017, Eversource acquired Eversource Aquarion Holdings, Inc. and its subsidiaries (formerly known as Macquarie Utilities Inc).

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

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

ELECTRIC DISTRIBUTION SEGMENT

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

ELECTRIC DISTRIBUTION – CONNECTICUT – THE CONNECTICUT LIGHT AND POWER COMPANY

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

Rates

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

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

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

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

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

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

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

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

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

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

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

A Renewable Energy Investment Charge, which is used to promote investment in renewable energy sources.

•Amounts collected by this charge are deposited into the Connecticut Clean Energy Fund and administered by the Connecticut Green Bank.

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

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

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

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

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

Sources and Availability of Electric Power Supply

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

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