Central Maine Power Company and Subsidiaries

Consolidated Financial Statements

As of and for the Years Ended December 31, 2024 and 2023

Central Maine Power Company
and Subsidiaries

Index

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Shareholder and Board of Directors
Central Maine Power Company:

Opinion

We have audited the consolidated financial statements of Central Maine Power Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, cash flows and changes in equity for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Boston, Massachusetts
March 25, 2025

Central Maine Power Company and Subsidiaries
Consolidated Statements of Income

Years Ended December 31,		2024		2023
(Thousands)				
Operating Revenues	$	**1,274,872**	$	**1,127,381**
Operating Expenses				
Electricity purchased		128,535		103,393
Operations and maintenance		686,727		578,500
Depreciation and amortization		138,014		131,383
Taxes other than income taxes, net		75,465		79,134
Total Operating Expenses		**1,028,741**		**892,410**
Operating Income		**246,131**		**234,971**
Other income		37,811		25,447
Other income (deductions), net		11		(1,279)
Interest expense, net of capitalization		(70,443)		(66,121)
Income Before Income Tax		**213,510**		**193,018**
Income tax expense		32,096		21,126
Net Income		**181,414**		**171,892**
Less: net income attributable to noncontrolling interest		3,404		3,288
Net Income Attributable to CMP	$	**178,010**	$	**168,604**

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

Central Maine Power Company and Subsidiaries
Consolidated Statements of Comprehensive Income

Years Ended December 31,		2024		2023
(Thousands)				
Net Income	$	**181,414**	$	**171,892**
Other Comprehensive Income, Net of Tax				
Amortization of pension cost for nonqualified plans and current year actuarial gain, net of income tax		36		29
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax		130		130
Other Comprehensive Income, Net of Tax		**166**		**159**
Comprehensive Income		**181,580**		**172,051**
Less:				
Comprehensive income attributable to noncontrolling interest		3,404		3,288
Comprehensive Income Attributable to CMP	$	**178,176**	$	**168,763**

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

Central Maine Power Company and Subsidiaries
Consolidated Balance Sheets

As of December 31,		2024		2023
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	21,690	$	52,570
Accounts receivable and unbilled revenues, net		324,433		336,664
Accounts receivable from affiliates		25,491		2,399
Notes receivable from affiliates		247		252
Materials and supplies		72,080		68,495
Prepayments and other current assets		27,537		30,715
Income tax receivable		—		3,376
Regulatory assets		278,267		153,887
Total Current Assets		**749,745**		**648,358**
Utility plant, at original cost		5,817,310		5,466,800
Less accumulated depreciation		(1,701,598)		(1,588,777)
Net Utility Plant in Service		**4,115,712**		**3,878,023**
Construction work in progress		350,737		317,707
Total Utility Plant		**4,466,449**		**4,195,730**
Operating lease right-of-use assets		15,958		14,374
Other property and investments		1,087		1,020
Regulatory and Other Assets				
Regulatory assets		639,761		577,482
Goodwill		324,938		324,938
Other		154,572		157,372
Total Regulatory and Other Assets		**1,119,271**		**1,059,792**
Total Assets	**$**	**6,352,510**	**$**	**5,919,274**

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

Central Maine Power Company and Subsidiaries
Consolidated Balance Sheets

As of December 31,	2024	2023
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 79,373	$ —
Notes payable to affiliates	92,400	54,400
Accounts payable and accrued liabilities	391,166	448,582
Accounts payable to affiliates	39,620	41,385
Interest accrued	20,100	18,747
Taxes accrued	18,137	3,399
Operating lease liabilities	1,104	1,117
Other current liabilities	118,762	125,844
Regulatory liabilities	10,054	80,048
Total Current Liabilities	**770,716**	**773,522**
Regulatory and Other Liabilities		
Regulatory liabilities	280,179	307,999
Other Non-current liabilities		
Deferred income taxes	850,657	773,650
Pension and other postretirement	72,881	77,595
Operating lease liabilities	16,741	14,764
Other	143,191	143,435
Total Regulatory and Other Liabilities	**1,363,649**	**1,317,443**
Non-current debt	1,504,985	1,410,241
Total Liabilities	**3,639,350**	**3,501,206**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock ($5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at December 31, 2024 and 2023)	156,057	156,057
Additional paid-in capital	1,326,538	1,202,132
Retained earnings	1,198,609	1,020,633
Accumulated other comprehensive loss	(2,891)	(3,057)
Total CMP Common Stock Equity	**2,678,313**	**2,375,765**
Noncontrolling interest	34,276	41,732
Total Equity	**2,712,589**	**2,417,497**
Total Liabilities and Equity	**$ 6,352,510**	**$ 5,919,274**

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

Central Maine Power Company and Subsidiaries
Consolidated Statements of Cash Flows

Years Ended December 31,	2024	2023
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 181,414**	**$ 171,892**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	138,014	131,383
Regulatory assets/liabilities amortization	58,519	56,415
Regulatory assets/liabilities carrying cost	(17,239)	(1,261)
Amortization of debt issuance costs	692	608
Deferred taxes	26,490	25,119
Pension cost	(4,312)	(2,651)
Stock-based compensation	877	99
Gain on disposal of assets	(407)	(458)
Other non-cash items	(6,576)	(5,170)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(10,861)	(41,609)
Inventories	(3,585)	(28,363)
Accounts payable, to affiliates, and accrued liabilities	(115,429)	107,753
Taxes accrued	18,114	10,024
Other assets/liabilities	55,758	42,141
Regulatory assets/liabilities	(335,994)	(312,259)
Net Cash (Used in) Provided by Operating Activities	**(14,525)**	**153,663**
Cash Flow from Investing Activities:		
Utility plant additions	(410,922)	(366,634)
Contributions in aid of construction	68,118	50,134
Notes receivable from affiliates	5	(12)
Proceeds from sale of utility plant	416	4,319
Net Cash Used in Investing Activities	**(342,383)**	**(312,193)**
Cash Flow from Financing Activities:		
Non-current note issuance	174,019	124,285
Payments for finance leases	(97)	(14)
Notes payable to affiliates	38,000	8,400
Capital contribution	125,000	175,000
Distributions to noncontrolling interest	(10,860)	—
Dividends paid	(34)	(125,034)
Net Cash Provided by Financing Activities	**326,028**	**182,637**
Net (Decrease) Increase in Cash and Cash Equivalents	**(30,880)**	**24,107**
Cash and Cash Equivalents, Beginning of Year	**52,570**	**28,463**
Cash and Cash Equivalents, End of Year	**$ 21,690**	**$ 52,570**

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

Central Maine Power Company and Subsidiaries
Consolidated Statements of Changes in Equity

(Thousands, except per share amounts)	CMP Stockholder: Number of shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Noncontrolling Interest	Total Common Stock Equity
Balances, December 31, 2022	**31,211,471**	**$ 156,057**	**$ 1,027,439**	**$ 977,063**	**$ (3,216)**	**$ 2,157,343**	**$ 38,444**	**$ 2,195,787**
Net income	—	—	—	168,604	—	168,604	3,288	171,892
Other comprehensive income, net of tax	—	—	—	—	159	159	—	159
Comprehensive income								172,051
Stock-based compensation	—	—	(307)	—	—	(307)	—	(307)
Capital contribution from parent	—	—	175,000	—	—	175,000	—	175,000
Preferred stock dividends	—	—	—	(34)	—	(34)	—	(34)
Common stock dividends	—	—	—	(125,000)	—	(125,000)	—	(125,000)
Balances, December 31, 2023	**31,211,471**	**156,057**	**1,202,132**	**1,020,633**	**(3,057)**	**2,375,765**	**41,732**	**2,417,497**
Net income	—	—	—	178,010	—	178,010	3,404	181,414
Other comprehensive income, net of tax	—	—	—	—	166	166	—	166
Comprehensive income								181,580
Stock-based compensation	—	—	(594)	—	—	(594)	—	(594)
Capital contribution from parent	—	—	125,000	—	—	125,000	—	125,000
Preferred stock dividends	—	—	—	(34)	—	(34)	—	(34)
Distributions to noncontrolling interest	—	—	—	—	—	—	(10,860)	(10,860)
Balances, December 31, 2024	**31,211,471**	**$ 156,057**	**$ 1,326,538**	**$1,198,609**	**$ (2,891)**	**$ 2,678,313**	**$ 34,276**	**$ 2,712,589**

(*) Par value of share amounts is $5

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

Note 1. Summary of Significant Accounting Policies, New Accounting Pronouncements and Use of Estimates

Background and nature of operations: Central Maine Power Company and subsidiaries (CMP, the company, we, our, us) conduct regulated electricity transmission and distribution operations in Maine serving approximately 672,700 customers as of December 31, 2024, in a service territory of approximately 11,000 square miles with a population of approximately one million people. The service territory is located in the southern and central areas of Maine and contains most of Maine's industrial and commercial centers, including the city of Portland and the Lewiston-Auburn, Augusta-Waterville, Saco-Biddeford and Bath-Brunswick areas. We operate under the authority of the Maine Public Utilities Commission (MPUC) and are also subject to regulation by the Federal Energy Regulatory Commission (FERC).

CMP consists of the following subsidiaries: Maine Electric Power Company, Inc. (MEPCO) is a 78.3% owned subsidiary of CMP with the remaining 21.7% owned by Versant Power (Versant). Versant is wholly-owned by ENMAX Corp. Chester SVC Partnership (the Partnership or Chester) is a general partnership between NORVARCO, a wholly-owned subsidiary of CMP, which owns 50% interest in the Partnership and Bangor Var Co., Inc., a wholly-owned subsidiary of Versant, which owns the remaining 50% interest organized on October 9, 1990, under the Maine Uniform Partnership Act.

CMP is the principal operating utility of CMP Group, Inc. (CMP Group), a wholly-owned subsidiary of Avangrid Networks, Inc. (Networks), which is a wholly-owned subsidiary of Avangrid, Inc. (AGR), which is a wholly-owned subsidiary of Iberdrola, S.A. (Iberdrola), a corporation organized under the laws of the Kingdom of Spain.

Agreement and Plan of Merger: On May 17, 2024, AGR entered into an Agreement and Plan of Merger (the Merger Agreement) with Iberdrola and Arizona Merger Sub, Inc (Merger Sub). As a result of the consummation of the Merger on December 23, 2024 (closing date), Merger Sub merged with and into Avangrid (the Merger), with Avangrid continuing as the surviving corporation and a wholly-owned subsidiary of Iberdrola. On the closing date, each share of common stock issued and outstanding immediately prior to the closing date (other than common stock owned by the Merger, Merger Sub or any other direct or indirect wholly owned Subsidiary of the Merger, and in each case not held on behalf of the third parties (collectively, the Excluded Shares)) was converted into a right to receive $35.75 per share of common stock in cash, without interest.

On the closing date, (i) all shares of common stock ceased to be outstanding, were cancelled and ceased to exist and (ii) each Excluded Share ceased to be outstanding and was cancelled without payment of any consideration and ceased to exist. As a result of the consummation of the Merger on December 23, 2024, Iberdrola became the direct owner of 100 shares of common stock of Avangrid which represents the only outstanding capital of the Company. On the closing date, the New York Stock Exchange (NYSE) filed with the Securities and Exchange Commission (the SEC) a notification of removal from listing on Form 25 in order to delist the common stock from the NYSE and deregister the common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Following the effectiveness of the Form 25, on January 2, 2025, Avangrid filed with the SEC a Form 15 requesting the termination of registration of the common stock under Section 12(g) of the Exchange Act and the suspension of reporting obligations under Section 13 and 15(d) of the Exchange Act with respect to the common stock.

Basis of presentation: The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) and are presented on a consolidated basis, and therefore include the accounts of CMP and its consolidated subsidiaries, MEPCO and NORVARCO, and Chester. All intercompany transactions and accounts have been eliminated in consolidation in all periods presented.

Significant Accounting Policies: We consider the following policies to be the most significant in understanding the judgments that are involved in preparing our consolidated financial statements:

***Principles of consolidation*:** We consolidate the entities in which we have a controlling financial interest, after the elimination of intercompany transactions. We account for investments in common stock where we have the ability to exercise significant influence, but not control, using the equity method of accounting.

***Revenue recognition*:** We recognize revenues when we transfer control of promised goods or services to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Refer to Note 4 for further details.

Regulatory accounting: We account for our regulated operations in accordance with the authoritative guidance applicable to entities with regulated operations that meet the following criteria: (i) rates are established or approved by an independent, third-party regulator; (ii) rates are designed to recover the entity’s specific costs of providing the regulated services or products and; (iii) there is a reasonable expectation that rates are set at levels that will recover the entity’s costs and can be collected from customers. Regulatory assets primarily represent incurred costs that have been deferred because of their probable future recovery from customers through regulated rates. Regulatory liabilities represent: (i) the excess recovery of costs or accrued credits that have been deferred because it is probable such amounts will be returned to customers through future regulated rates; or (ii) billings in advance of expenditures for approved regulatory programs.

We amortize regulatory assets and liabilities and recognize the related expense or revenue in our consolidated statements of income consistent with the recovery or refund included in customer rates. We believe it is probable that our currently recorded regulatory assets and liabilities will be recovered or settled in future rates.

Noncontrolling interest: The noncontrolling interest represents the portion of our net income (loss), comprehensive income (loss) and net assets that is not allocable to us and is calculated based on our ownership percentage.

***Goodwill*:** Goodwill represents future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the fair value of any noncontrolling interest and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed.

Goodwill is not amortized, but is subject to an assessment for impairment performed in the fourth quarter or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit to which goodwill is assigned below its carrying amount. A reporting unit is an operating segment or one level below an operating segment and is the level at which we test goodwill for impairment.

In assessing goodwill for impairment, we have the option to first perform a qualitative assessment to determine whether a quantitative assessment is necessary. If we determine, based on qualitative factors, that the fair value of the reporting unit is more likely than not greater than the carrying amount, no further testing is required. If we bypass the qualitative assessment, or perform the qualitative assessment but determine it is more likely than not that its fair value is less than its carrying amount, we perform a quantitative test to compare the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, we record an impairment loss as a reduction to goodwill and a charge to operating expenses, but the loss recognized would not exceed the total amount of goodwill allocated to the reporting unit.

Utility plant: We account for utility plant at historical cost. In cases where we are required to dismantle installations or to recondition the site on which they are located, we record the estimated cost of removal or reconditioning as an asset retirement obligation (ARO) and add an equal amount to the carrying amount of the asset.

Development and construction of our various facilities are carried out in stages. We expense project costs during early stage development activities. Once we achieve certain development milestones and it is probable that we can obtain future economic benefits from a project, we capitalize salaries and wages for persons directly involved in the project, and engineering, permits, licenses, wind measurement and insurance costs. We periodically review development projects in construction for any indications of impairment.

We transfer assets from “Construction work in progress” to “Utility plant” when they are available for service.

We determine depreciation expense for utility plant in service using the straight-line method, based on the average service lives of groups of depreciable property, which include estimated cost of removal. Consistent with FERC accounting requirements, we charge the original cost of utility plant retired or otherwise disposed of to accumulated depreciation. Our composite rates for depreciation were 2.3% of average depreciable property for both 2024 and 2023. We amortize our capitalized software cost, which is included in other plant, using the straight line method, based on useful lives of 5-15 years. Capitalized software costs were approximately $199.5 million as of December 31, 2024, and $197.3 million as of December 31, 2023. Depreciation expense was $126.5 million in 2024 and $122.1 million in 2023. Amortization of capitalized software was $11.5 million in 2024 and $9.3 million in 2023, respectively.

We charge repairs and minor replacements to operating expenses, and capitalize renewals and betterments, including certain indirect costs.

Allowance for funds used during construction (AFUDC) is a non-cash item that represents the allowed cost of capital, including a return on equity (ROE), used to finance construction projects. We record the portion of AFUDC attributable to borrowed funds as a reduction of interest expense and record the remainder as other income.

Our balances of major classes of utility plant and associated useful lives are shown below as of December 31:

Utility Plant	Estimated useful life range (years)	2024	2023
(Thousands)			
Electric			
Transmission	4-70	$ 3,007,765	$ 2,864,360
Distribution	5-75	2,131,727	1,971,837
Vehicles	4-10	84,505	79,545
Other	4-50	593,313	551,058
Total Utility Plant in Service		**5,817,310**	**5,466,800**
Total accumulated depreciation		(1,701,598)	(1,588,777)
Total Net Utility Plant in Service		**4,115,712**	**3,878,023**
Construction work in progress		350,737	317,707
Total Utility Plant		**$ 4,466,449**	**$ 4,195,730**

Leases: We determine if an arrangement is a lease at inception. We classify a lease as a finance lease if it meets any one of specified criteria that in essence transfers ownership of the underlying asset to us by the end of the lease term. If a lease does not meet any of those criteria, we classify it as an operating lease. On our consolidated balance sheets, we include, for operating leases: "Operating lease right-of-use (ROU) assets" and "Operating lease liabilities (current and non-current)"; and for finance leases: finance lease ROU assets in "Other assets" and liabilities in "Other current liabilities" and "Other liabilities."

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize lease ROU assets and liabilities at commencement of an arrangement based on the present value of lease payments over the lease term. We use the incremental borrowing rate based on information available at the lease commencement date to determine the present value of future payments, except when the rate implicit in the lease is determinable. A lease ROU asset also includes any lease payments made at or before commencement date, minus any lease incentives received, and includes initial direct costs incurred. We do not record leases with an initial term of 12 months or less on the balance sheet for all classes of underlying assets, and we recognize lease expense for those leases on a straight-line basis over the lease term. We include variable lease payments that depend on an index or a rate in the ROU asset and lease liability measurement based on the index or rate at the commencement date, or upon a modification. We do not include variable lease payments that do not depend on an index or a rate in the ROU asset and lease liability measurement. A lease term includes an option to extend or terminate the lease when it is reasonably certain that we will exercise that option. We recognize lease (rent) expense for operating lease payments on a straight-line basis over the lease term, or we recognize the amount eligible for recovery under our rate plan, such as actual amounts paid. We amortize finance lease ROU assets on a straight-line basis over the lease term and recognize interest expense based on the outstanding lease liability.

We have lease agreements with lease and non-lease components, and account for lease components and associated non-lease components together as a single lease component, for all classes of underlying assets.

Impairment of long-lived assets: We evaluate utility plant and other long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment evaluation is based on an undiscounted cash flow analysis at the lowest level to which cash flows of the long-lived assets or asset groups are largely independent of the cash flows of other assets and liabilities. We are required to recognize an impairment loss if the carrying amount of the asset exceeds the undiscounted future net cash flows associated with that asset.

The impairment loss to be recognized is the amount by which the carrying amount of the long-lived asset exceeds the asset's fair value. Depending on the asset, fair value may be determined by use of a discounted cash flow model, with assumptions consistent with a market participant's view of the exit price of the asset.

Fair value measurement: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in either the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset according to its highest and best use, or by selling it to another market participant that would use the asset according to its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the transparency of input to the valuation of an asset or liability as of the measurement date.

The three input levels of the fair value hierarchy are as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability either directly or indirectly, for substantially the full term of the contract.
- Level 3 - one or more inputs to the valuation methodology are unobservable or cannot be corroborated with market data.

Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Certain investments are not categorized within the fair value hierarchy. These investments are measured based on the fair value of the underlying investments but may not be readily redeemable at that fair value.

Derivatives and hedge accounting: Derivatives are recognized on our consolidated balance sheets at their fair value. To be a derivative under the accounting standards for derivatives and hedging, an agreement would need to have a notional and an underlying, require little or no initial net investment and could be net settled. We recognize changes in the fair value of a derivative contract in earnings unless specific hedge accounting criteria are met.

Derivatives that qualify and are designated for hedge accounting are classified as cash flow hedges. We report the gain or loss on the derivative instrument as a component of Other Comprehensive Income (OCI) and later reclassify amounts into earnings when the underlying transaction occurs, which we present in the same income statement line item as the earnings effect of the hedged item. If the amounts in OCI are probable of recovery in the ratemaking process, then the OCI is reclassified as a regulatory asset or liability. For all designated and qualifying hedges, we maintain formal documentation of the hedge and effectiveness testing in accordance with the accounting standards for derivatives and hedging. If we determine that the derivative is no longer highly effective as a hedge, we will discontinue hedge accounting prospectively. For cash flow hedges of forecasted transactions, we estimate the future cash flows of the forecasted transactions and evaluate the probability of the occurrence and timing of such transactions. If we determine it is probable that the forecasted transaction will not occur, we immediately recognize in earnings hedge gains and losses previously recorded in OCI.

Changes in conditions or the occurrence of unforeseen events could require discontinuance of the hedge accounting or could affect the timing of the reclassification of gains or losses on cash flow hedges from OCI into earnings.

Cash and cash equivalents: Cash and cash equivalents include cash, bank accounts, and other highly liquid short-term investments. We consider all highly liquid investments with a maturity date of three months or less when acquired to be cash equivalents and include those investments in "Cash and cash equivalents." We classify book overdrafts representing outstanding checks in excess of funds on deposit as "Accounts payable and accrued liabilities" on our consolidated balance sheets. We report changes in book overdrafts in the operating activities section of the consolidated statements of cash flows.

Concentration of risk: We maintain our cash and cash equivalents in accounts with major financial institutions in the form of demand deposits and money market accounts. Deposits in these financial institutions may exceed the amount of federal deposit insurance provided on such deposits.

Consolidated statements of cash flows: Supplemental disclosure of cash flow information is as follows:

		2024		2023
(Thousands)				
Cash paid (refunded) during the year ended December 31:				
Interest, net of amounts capitalized	$	60,243	$	47,418
Income taxes refunded, net	$	(11,742)	$	(13,920)

Of the income taxes (refunded) paid, ($15.5) million was refunded by AGR under the tax sharing agreement, partially offset by $3.8 million paid to the IRS. Interest capitalized was $7.8 million in 2024 and $5.9 million in 2023. Accrued liabilities for utility plant additions were $111.6 million and $53.2 million as of December 31, 2024 and 2023, respectively.

***Trade receivables and unbilled revenues, net of allowance for credit losses*:** We record trade receivables at amounts billed to customers and we record unbilled revenues based on an estimate of energy delivered or services provided to customers. The estimates for unbilled revenues are determined based on various assumptions, including current month energy load requirements, billing rates by customer class and delivery loss factors. Changes in those assumptions could significantly affect the estimated amounts of unbilled revenues.

The allowance for credit losses is our best estimate of the amount of probable credit losses in our existing trade receivables, determined based on experience. Each month we review our allowance for credit losses and past due accounts by age. When we believe that a receivable will not be recovered, we charge off the account balance against the allowance. Changes in assumptions about input factors and customer receivables, which are inherently uncertain and susceptible to change from period to period, could significantly affect the allowance for credit losses estimates.

Trade receivables at December 31 include unbilled revenues of $52.0 million for 2024 and $45.3 million for 2023, and are shown net of an allowance for credit losses at December 31 of $15.1 million for 2024 and $14.7 million for 2023. Trade receivables do not bear interest, although late fees may be assessed. Credit loss expense was $7.6 million in 2024 and $5.1 million in 2023.

Trade receivables include amounts due under deferred payment arrangements (DPAs). When a residential customer becomes delinquent in making payments, the MPUC requires us to allow the customer to enter into a DPA to settle the account balance. A DPA allows the account balance to be paid in installments over an extended period without interest, which generally exceeds one year, by negotiating mutually acceptable payment terms. Generally, we must continue to serve a customer who cannot pay an account balance in full if the customer: (i) pays a reasonable portion of the balance; (ii) agrees to pay the balance in installments; and (iii) agrees to pay future bills within 30 days until the DPA is paid in full. Failure to make payments on a DPA results in the full amount of a receivable under a DPA being due. These accounts are part of the regular operating cycle and we classify them as short term.

We establish our allowance for credit losses, including for unbilled revenue (also referred to as contract assets), by using both historical average loss percentages to project future losses, and by establishing a specific allowance for known credit issues or for specific items not considered in the historical average calculation. We consider whether we need to adjust historical loss rates to reflect the effects of current conditions and forecasted changes considering various economic indicators (e.g., Gross Domestic Product, Personal Income, Consumer Price Index, Unemployment Rate) over the contractual life of the trade receivables. We write off amounts when we have exhausted reasonable collection efforts. The allowance for credit losses for DPAs at December 31 was $5.8 million for 2024 and $7.0 million for 2023. DPA receivable balances at December 31 were $18.2 million for 2024 and $24.0 million for 2023.

Debentures, bonds and bank borrowings: We record bonds, debentures and bank borrowings as a liability equal to the proceeds of the borrowings. We treat the difference between the proceeds and the face amount of the issued liability as discount or premium and accrete the amounts as interest expense or income over the life of the instrument. We defer incremental costs associated with the issuance of the debt instruments and amortize them over the same period as debt discount or premium. We present bonds, debentures and bank borrowings net of unamortized discount, premium and debt issuance costs on our consolidated balance sheets.

Inventory: Inventory comprises materials and supplies that we use for construction of new facilities and repairs of existing facilities. These inventories are carried and withdrawn at the lower of cost and net realizable value and reported on the consolidated balance sheets within “Materials and supplies.”

Government grants**:** We record government grants as a reduction to the related utility plant to be recovered through rate base, in accordance with the prescribed FERC accounting.

In accounting for government grants related to operating and maintenance costs, we recognize amounts receivable as an offset to expenses in the consolidated statements of income in the period in which we incur the expenses.

The changes in government grants recorded as a reduction to the related utility plant as of December 31, 2024 and 2023 consisted of:

(Thousands)	Government grants	Total
As of December 31, 2022	**$ 30,452**	**$ 30,452**
Disposals	—	—
Recognized in income	(3,789)	(3,789)
As of December 31, 2023	**26,663**	**26,663**
Disposals	—	—
Recognized in income	(4,004)	(4,004)
As of December 31, 2024	**$ 22,659**	**$ 22,659**

We are required to comply with certain terms and conditions applicable to each grant and, if a disqualifying event should occur as specified in the grant's terms and conditions, we are required to repay the grant funds to the government. We believe we are in compliance with each grant's terms and conditions as of December 31, 2024 and 2023.

Asset retirement obligations: We record the fair value of the liability for an asset retirement obligation (ARO) and a conditional ARO in the period in which it is incurred, capitalizing the cost by increasing the carrying amount of the related long-lived asset. The ARO is associated with our long-lived assets and primarily consists of obligations related to removal of asbestos in buildings. We adjust the liability periodically to reflect revisions to either the timing or amount of the original estimated undiscounted cash flows over time. We accrete the liability to its present value each period and depreciate the capitalized cost over the useful life of the related asset. Upon settlement we will either settle the obligation at its recorded amount or incur a gain or a loss. We defer any timing differences between rate recovery and depreciation expense and accretion as either a regulatory asset or a regulatory liability.

The term conditional ARO refers to an entity’s legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event that may or may not be within the entity's control. If an entity has sufficient information to reasonably estimate the fair value of the liability for a conditional ARO, it must recognize that liability at the time the liability is incurred.

The carrying amount of ARO, including our conditional ARO, totaled $1.0 million at both December 31, 2024 and 2023 and is recorded in Other Non-current Liabilities on our consolidated balance sheets. There were no changes in ARO balances, including conditional ARO, for the years ended December 31, 2024 and 2023.

We have AROs for which we have not recognized a liability because the fair value cannot be reasonably estimated due to indeterminate settlement dates, including the removal of property upon termination of an easement, right-of-way or franchise.

Accrued removal obligations: We meet the requirements concerning accounting for regulated operations and recognize a regulatory liability for the difference between removal costs collected in rates and actual costs incurred. We classify those amounts as accrued removal obligations.

Environmental remediation liability: In recording our liabilities for environmental remediation costs the amount of liability for a site is the best estimate, when determinable; otherwise it is based on the minimum liability or the lower end of the range when there is a range of estimated losses. We record our environmental liabilities on an undiscounted basis.

Post-employment and other employee benefits: We sponsor defined benefit pension plans that cover the majority of our employees. We also provide health care and life insurance benefits through various postretirement plans for eligible retirees.

We evaluate our actuarial assumptions on an annual basis and consider changes based on market conditions and other factors. All of our qualified defined benefit plans are funded in amounts calculated by independent actuaries, based on actuarial assumptions proposed by management.

We account for defined benefit pension or other postretirement plans, recognizing an asset or liability for the overfunded or underfunded plan status. For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. We generally reflect all unrecognized prior service costs and credits and unrecognized actuarial gains and losses as regulatory assets rather than in OCI, as management believes it is probable that such items will be recoverable through the ratemaking process. Certain nonqualified plan expenses are not recoverable through the ratemaking process and we present the unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive loss. If a plan meets settlement or curtailment accounting criteria, we recognize a regulatory asset or liability if these costs are probable of recovery from ratepayers. We use a December 31st measurement date for our benefits plans.

We amortize prior service costs for both the pension and other postretirement benefits plans on a straight-line basis over the average remaining service period of participants expected to receive benefits. We amortize unrecognized actuarial gains and losses related to the pension and other postretirement benefits plans in excess of 10% of the greater of periodic benefit obligation or market-related value of assets over average remaining service. Our policy is to calculate the expected return on plan assets using the market related value of assets. We determine that value by recognizing the difference between actual returns and expected returns over a five-year period.

Income taxes: In August 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law in the United States. The IRA created a new corporate alternative minimum tax ("CAMT") of 15% on adjusted financial statement income and an excise tax of 1% on the value of certain stock repurchases. The CAMT and other various applicable provisions of the IRA are effective for the Company for periods beginning after December 31, 2022. The impact of CAMT will depend on our facts in each year, as well as on anticipated guidance from the U.S. Department of Treasury.

AGR, the parent company of Networks, files a consolidated federal income tax return and various state income tax returns, some of which are unitary as required or permitted, including all of the activities of its subsidiaries. Each subsidiary company is treated as a member of the consolidated group and determines its current and deferred taxes based on the separate return with benefits for loss method. As a member, CMP settles its current tax liability or benefit each year directly with AGR pursuant to a tax allocation agreement between AGR and its members.

The aggregate amount of the related party income tax payable balance due to AGR at December 31, 2024 was $13.8 million. The aggregate amount of the related party income tax receivable balance due from AGR at December 31, 2023 was $3.4 million.

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities reflect the expected future tax consequences, based on enacted tax laws, of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts. In accordance with U.S. GAAP for regulated industries, we have established regulatory assets and liabilities for the net revenue requirements to be recovered from or refunded to customers for the related future tax expense or benefit associated with certain of these temporary differences. We defer investment tax credits when earned and amortize them over the estimated lives of the related assets. We also recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs. We had no intra-entity transfers of assets other than inventory during the years ended December 31, 2024 and 2023.

Deferred tax assets and liabilities are measured at the expected tax rate for the period in which the asset or liability will be realized or settled, based on legislation enacted as of the balance sheet date. We charge or credit changes in deferred income tax assets and liabilities that are associated with components of OCI directly to OCI. Significant judgment is required in determining income tax provisions and evaluating tax positions. Our tax positions are evaluated under a more-likely-than-not recognition threshold before they are recognized for financial reporting purposes. We record valuation allowances to reduce deferred tax assets when it is more likely than not that we will not realize all or a portion of a tax benefit. We consider the effect of the alternative minimum tax system in determining the need for a valuation allowance for deferred taxes. Deferred tax assets and liabilities are netted and classified as non-current on our consolidated balance sheets.

We record the excess of state franchise tax computed as the higher of a tax based on income or a tax based on capital in "Taxes other than income taxes" and "Taxes accrued" in our consolidated financial statements.

Positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, are recognized in the financial statements when it is more likely than not the tax position can be sustained based solely on the technical merits of the position. The amount of a tax return position that is not recognized in the financial statements is disclosed as an unrecognized tax benefit. Changes in assumptions on tax benefits may also impact interest expense or interest income and may result in the recognition of tax penalties. Interest and penalties related to unrecognized tax benefits are recorded within “Interest expense, net of capitalization” and “Other income” and “Other deductions” in our consolidated statements of income.

Uncertain tax positions have been classified as non-current unless expected to be paid within one year. Our policy is to recognize interest and penalties on uncertain tax positions as a component of interest expense in the consolidated statements of income.

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management’s best assessment of estimated current and future taxes to be paid. Significant judgments and estimates are required in determining the consolidated income tax components of the financial statements.

Stock-based compensation: Stock-based compensation represents costs related to AGR stock-based awards granted to employees. We account for stock-based payment transactions based on the estimated fair value of awards reflecting forfeitures when they occur. The recognition period for these costs begins at either the applicable service inception date or grant date and continues throughout the requisite service period, or until the employee becomes retirement eligible, if earlier.

Adoption of New Accounting Pronouncements

Although we are not a public business entity, we adopt new accounting standards based on public business entity guidance aside from the effective dates in certain situations where we may follow the effective dates for private entities.

There have been no new accounting pronouncements adopted as of and for the year ended December 31, 2024 that are expected to have a material impact on CMP's consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Adopted

The following are new accounting pronouncements not yet adopted that we have evaluated or are evaluating to determine their effect on our consolidated financial statements.

(a) Improvements to Income Tax Disclosures

In December 2023, the FASB issued guidance to enhance income tax disclosures. The standard is required to be adopted by private entities for the annual periods beginning after December 15, 2025. Early adoption is permitted. The two primary enhancements relate to disaggregation of the annual effective tax rate reconciliation and income taxes paid disclosures. For the rate reconciliation, it requires additional disaggregation of information in a tabular format using both percentages and amounts broken out into specific categories (e.g., state and local income tax net of federal income tax effect, foreign tax effects, effect of changes in tax laws, tax credits, changes in valuation allowances, nontaxable or nondeductible items, and changes in unrecognized tax benefits). For income taxes paid, it requires disaggregation by jurisdiction (e.g., federal, state and foreign). We do not expect the new guidance to have a material impact on our results of operations, financial position and cash flows.

***Use of estimates and assumptions*:** The preparation of our consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) allowance for credit losses and unbilled revenues; (2) asset impairments, including goodwill; (3) depreciable lives of assets; (4) income tax valuation allowances; (5) uncertain tax positions; (6) reserves for professional, workers' compensation, and comprehensive general insurance liability risks; (7) contingency and litigation reserves; (8) fair value measurements; (9) environmental remediation liabilities; (10) AROs; (11) pension and other postretirement employee benefits (OPEB); and (12) noncontrolling interest balances. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside specialists to assist in our evaluations, as considered necessary. Actual results could differ from those estimates.

Union collective bargaining agreements: Approximately 61% of our employees are covered by a collective bargaining agreement. All collective bargaining agreements will expire within the coming year.

Note 2. Industry Regulation

Our revenues are regulated, being based on tariffs established in accordance with administrative procedures set by the various regulatory bodies. Distribution rates are established by the Maine

Public Utilities Commission (MPUC) and transmission rates are established by the Federal Energy Regulatory Commission (FERC). The tariffs are applied based on the cost of providing service.

Electricity Distribution

The Maine distribution rate stipulation and the FERC Transmission Return on Equity (ROE) case are some of the most important specific regulatory processes that currently affect CMP.

The revenues of CMP are regulated, being based on tariffs established in accordance with administrative procedures set by the various regulatory bodies. The tariffs applied to regulated activities in the U.S. are approved by the regulatory commissions and are based on the cost of providing service. The revenues of each regulated utility are set to be sufficient to cover all its operating costs, including finance costs, and the costs of equity, the last of which reflect our capital ratio and a reasonable ROE. Generally, tariff reviews cover various years and provide for a reasonable ROE and full reconciliation of exceptional costs as identified in CMP's rate plan.

Energy costs that are set on the New England wholesale markets are passed on to consumers by Competitive Energy Providers, licensed by the MPUC. Under Maine Law, transmission and distribution utilities are prohibited from providing retail energy supply. Default retail supply is provided by Standard Offer Providers periodically selected by the MPUC through a competitive procurement process.

Transmission - FERC ROE and Other FERC Matters

CMP’s transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets.

On September 30, 2011, the Massachusetts Attorney General, Massachusetts Department of Public Utilities, Connecticut Public Utilities Regulatory Authority, New Hampshire Public Utilities Commission, Rhode Island Division of Public Utilities and Carriers, Vermont Department of Public Service, numerous New England consumer advocate agencies and transmission tariff customers collectively filed a joint complaint with the FERC, pursuant to sections 206 and 306 of the Federal Power Act, against several New England Transmission Owners (NETOs) claiming that the approved base ROE of 11.14% used by NETOs in calculating formula rates for transmission service under the ISO-New England Open Access Transmission Tariff (OATT) was not just and reasonable and seeking a reduction of the base ROE with refunds to customers for the 15-month refund periods beginning October 1, 2011 (Complaint I), December 27, 2012 (Complaint II), July 31, 2014 (Complaint III) and April 29, 2016 (Complaint IV).

On October 16, 2014, the FERC issued its final decision in Complaint I, setting the base ROE at 10.57% and a maximum total ROE of 11.74% (base plus incentive ROEs) for the October 2011 - December 2012 period as well as prospectively from October 16, 2014. On March 3, 2015, the FERC upheld its decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total transmission return. The complaints were consolidated and the administrative law judge issued an initial decision on March 22, 2016. The initial decision determined that, (1) for the fifteen month refund period in Complaint II, the base ROE should be 9.59% and that the ROE Cap (base ROE plus incentive ROEs) should be 10.42% and (2) for the fifteen month refund period in Complaint III and prospectively, the base ROE should be 10.90% and that the ROE Cap should be 12.19%. The initial decision in

Complaints II and III is the administrative law judge's recommendation to the FERC Commissioners.

CMP reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. The CMP total reserve associated with Complaints II and III is $32.8 million as of December 31, 2024, which has not changed since December 31, 2023, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $12.8 million, which is based upon currently available information for these proceedings.

Following various intermediate hearings, orders and appellate decisions, on October 16, 2018, the FERC issued an order directing briefs and proposing a new methodology to calculate the NETOs ROE that is contained in NETOs' transmission formula rate on file at the FERC (the October 2018 Order). Pursuant to the October 2018 Order, the NETOs filed initial briefs on the proposed methodology in all four Complaints on January 11, 2019, and replied to the initial briefs on March 8, 2019.

On November 21, 2019, the FERC issued rulings on two complaints challenging the base return on equity for Midcontinent Independent System Operator, or MISO transmission owners. These rulings established a new zone of reasonableness based on equal weighting of the DCF and capital-asset pricing model for establishing the base return on equity. This resulted in a base return on equity of 9.88% as the midpoint of the zone of reasonableness. Various parties have requested rehearing on this decision, which was granted. On May 21, 2020, the FERC issued a ruling, which, among other things, adjusted the methodology to determine the MISO transmission owners' ROE, resulting in an increase in ROE from 9.88% to 10.02% by utilizing the risk premium model, or RPM, in addition to the DCF model and capital-asset pricing model under both prongs of Section 206 of the FPA, and calculated the zone of reasonableness into equal thirds rather than employing the quartile approach. Parties to these orders affecting the MISO transmission owners' base ROE petitioned for their review at the D.C. Circuit Court of Appeals in January 2021. The NETO's submitted an amici curia brief in support of the MISO transmission owners on March 17, 2021. On August 9, 2022, the D.C. Circuit Court vacated FERC's orders and remanded the matter back to FERC. The D.C. Circuit Court held that FERC failed to offer a reasoned explanation for its decision to reintroduce the RPM after initially, and forcefully, rejecting it and that because the FERC adopted that significant portion of its model in an arbitrary and capricious fashion, the new ROE produced by that model cannot stand. On October 17, 2024, FERC issued its order on remand in the MISO ROE complaint proceedings. In this order, FERC reduced the MISO transmission owners' base ROE to 9.98% by eliminating the risk premium model from the ROE calculation, consistent with the DC Circuit's remand, and affirmed the refunds ordered in Opinion 569 (which were not addressed on appeal by the DC Circuit). On November 13, 2024, the NETOs submitted a supplemental brief into the NETO ROE case. The supplemental brief primarily addresses distinctions between the MISO transmission owners' and the NETOs' ROE cases. We cannot predict the potential impact that the MISO transmission owners' ROE proceeding may have in establishing a precedent for the NETO's pending four Complaints.

On April 15, 2021, the FERC issued a supplemental Notice of Proposed Rulemaking (Supplemental NOPR) that proposes to eliminate the 50 basis-point ROE incentive for utilities who join Regional Transmission Organizations after three years of membership. The NETOs submitted initial comments in opposition to the Supplemental NOPR on June 25, 2021 and reply comments on July 26, 2021. If the elimination of the 50 basis-point ROE incentive adder becomes final, we estimate we would have an approximately $1 million reduction in earnings per year. We cannot predict the outcome of this proceeding.

CMP Distribution Rate Stipulation and New Renewable Source Generation

On August 11, 2022, CMP filed a three year rate plan, with adjustments to the distribution revenue requirement in each year. On June 6, 2023, the MPUC approved a Stipulation resolving all issues in the case providing for a 9.35% ROE, 50% equity ratio, and 50% earnings sharing for annual earnings in excess of 100 basis points of CMP’s allowed ROE. The Stipulation also provides for a two year forward looking rate plan with increases to occur in four equal levelized amounts every six months beginning on July 1, 2023. An increase occurred on January 1, 2024 and July 1, 2024. The last increase will occur on January 1, 2025. The amount of each increase is $16.75 million. These revenue increases include amounts for operations and maintenance but are primarily driven by increases in capital investment forecast by CMP to occur during the period covered by the Stipulation. The Stipulation also implements a service quality indicator incentive mechanism. The incentive is provided by a negative revenue adjustment mechanism that would impose a maximum of $8.8 million per year for a failure to meet specified service quality indicator targets.

Pursuant to Maine law, the MPUC is authorized to conduct periodic requests for proposals seeking long-term supplies of energy, capacity or Renewable Energy Certificates (RECs) from qualifying resources. The MPUC is further authorized to order Maine transmission and distribution utilities to enter into contracts with sellers selected from the MPUC’s competitive solicitation process. Pursuant to a MPUC Order dated October 8, 2009, CMP entered into a 20-year agreement with Evergreen Wind Power III, LLC, on March 31, 2010, to purchase capacity and energy from Evergreen’s 60 Megawatt (MW) Rollins wind farm. Pursuant to a MPUC Order dated August 27, 2013, CMP entered into a 20-year fixed rate agreement with Athens Energy, LLC (formerly Maine Wood Pellets), a 7.1 MW wood-fired biomass cogeneration facility. Pursuant to a MPUC Order dated September 22, 2016, CMP entered into a 20-year fixed rate agreement with Georges River Energy, a 7.5 MW wood-fired biomass cogeneration facility. Pursuant to a MPUC Order dated August 3, 2017, CMP entered into a 20-year fixed rate agreement with Pittsfield Solar, 9.9 MW photovoltaic facility. Pursuant to a MPUC Order dated December 18, 2017, CMP entered into a 20-year agreement with Dirigo Solar, LLC on September 10, 2018, to purchase capacity and energy from seven Dirigo solar facilities throughout CMP's service territory. Five of the seven facilities have achieved commercial operation totaling 33.37 MW. The two that have not achieved commercial operation total 9.98 MW. Pursuant to a MPUC Order dated November 6, 2019, CMP entered into a 20-year agreement with New England Aqua Ventus (formerly Maine Aqua Ventus I GP LLC) to purchase capacity and energy from an off-shore wind farm under development near Monhegan Island, Maine. This project has not achieved commercial operation. Pursuant to Maine law, the MPUC conducted two competitive solicitation processes to procure, in the aggregate, an amount of energy or RECs from Class 1A resources that is equal to 14% of retail electricity sales in the State during calendar year 2018, or 1.715 million MWh. Of that 14% total, the MPUC must acquire at least 7%, but not more than 10%. Through contracts approved in December 2020 (Tranche 1), CMP was ordered to execute 13 contracts, of which eight have been terminated. Of the five contracts remaining, two have achieved commercial operation totaling 43.5 MW. The three that have not achieved commercial operation total 50.5 MW. In October 2021, CMP executed contracts with six additional facilities (Tranche 2), of which three have since terminated. Of the three contracts remaining, one has achieved commercial operation with 132 MW. The two that have not achieved commercial operation total 95 MW. Each of the Tranche 1 and Tranche 2 contracts are for 20-year terms. In accordance with MPUC orders, CMP either sells the purchased energy, or in one case the RECs, from these facilities in the ISO New England markets, through periodic auctions of the purchased output to wholesale buyers in the New England regional market, or through a sale to a third party for the RECs. Under Maine law, CMP is assured recovery of any differences between power purchase costs and achieved market revenues through a reconcilable component of its retail distribution rates. Although the MPUC has conducted multiple requests for proposals under Maine law, and has tentatively accepted long-term proposals from other sellers, these selections have not yet resulted in additional currently effective contracts with CMP.

Minimum Equity Requirements for Regulated Subsidiaries

CMP is subject to a minimum equity ratio requirement that is tied to the capital structure assumed in establishing revenue requirements. Pursuant to these requirements CMP must maintain a minimum equity ratio equal to the ratio in its currently effective rate plan or decision measured using a trailing 13-month average. On a monthly basis CMP must maintain a minimum equity ratio of no less than 300 basis points below the equity ratio used to set rates. The minimum equity ratio requirement has the effect of limiting the amount of dividends that may be paid and may, under certain circumstances, require that the parent contribute equity capital. CMP is prohibited by regulation from lending to unregulated affiliates. CMP has also agreed to minimum equity ratio requirements in certain short-term borrowing agreements. These requirements are lower than the regulatory requirements. We are in compliance with these requirements.

Note 3. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately $271.1 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

Details of other regulatory assets and other regulatory liabilities are shown in the tables below. They result from various regulatory orders that allow for the deferral and/or reconciliation of specific costs. Regulatory assets and regulatory liabilities are classified as current when recovery or refund in the coming year is allowed or required through a specific order or when the rates related to a specific regulatory asset or regulatory liability are subject to automatic annual adjustment.

Regulatory assets at December 31, 2024 and 2023 consisted of:

As of December 31,		2024		2023
(Thousands)				
Asset retirement obligation	$	965	$	965
Deferred meter replacement costs		17,067		19,059
Energy efficiency programs		3,306		281
Environmental remediation costs		—		361
Federal tax depreciation normalization adjustment		12,215		12,651
Non-bypassable charges (stranded costs)		86,324		88,476
Pension and other post retirement benefits		98,313		100,545
Pension and other post retirement benefits cost deferrals		11,018		11,606
Revenue decoupling mechanism		4,467		—
Storm costs		363,014		260,721
Transmission revenue reconciliation mechanism		68,911		250
Unamortized losses on reacquired debt		26		90
Unfunded future income taxes		244,849		227,570
Other		7,553		8,794
Total regulatory assets		**918,028**		**731,369**
Less: current portion		278,267		153,887
Total non-current regulatory assets	**$**	**639,761**	**$**	**577,482**

Asset retirement obligations represent the differences in timing of the recognition of costs associated with our AROs and the collection of such amounts through rates. This amount is being amortized at the related depreciation and accretion amounts of the underlying liability.

Deferred meter replacement costs represent the deferral of the net book value of retired meters which were replaced by advanced metering infrastructure meters. This amount is being amortized at the related existing depreciation amounts.

Energy efficiency programs represent the difference between revenue billed to customers through an energy efficiency charge and the costs of our energy efficiency programs as approved by the state authorities.

Environmental remediation costs include spending that has occurred and is eligible for future recovery in customer rates. The amortization period will be established in future proceedings and will depend upon the timing of spending for the remediation costs.

Federal tax depreciation normalization adjustment represents the deferral of the normalization of change impacts in book lives and the pass back of theoretical reserves associated with Power Tax deferred income tax.

Non-bypassable charges (stranded costs) represents costs that resulted from government-mandated long term Purchased Power Agreement (PPA) contracts between CMP and power producers at prices above current market rates which must be resold to the market at the current going rate. These costs and assets became stranded as CMP was prohibited from owning power and was therefore forced to sell the power back at the market rate, significantly lower than the PPA price. The monthly stranded cost over/under expense compared to revenue is recorded to be recovered in future years.

Pension and other postretirement benefits represent the actuarial losses on the pension and other postretirement plans that will be reflected in customer rates when they are amortized and recognized in future pension expenses. Because no funds have yet been expended for this regulatory asset, it does not accrue carrying costs and is not included within the rate base.

Pension and other postretirement benefits cost deferrals represent the distribution related portion of lump-sum pension settlement expense to be amortized in future rates.

Revenue decoupling mechanism represents the mechanism established to disassociate the utility's profits from its delivery/commodity sales.

Storm costs are allowed in rates based on an estimate of the routine costs of service restoration. CMP is also allowed to defer unusually high levels of service restoration costs resulting from major storms when they meet certain criteria for severity and duration. CMP's total deferral, including carrying costs, was $363.0 million at December 31, 2024 and $260.7 million at December 31, 2023.

Transmission revenue reconciliation mechanism reflects any differences in actual costs in the rate year from those used to set rates. The ATU (Annual Transmission True Up) portion is recovered over the subsequent January to December period. When the ATU is known we record it as a regulatory asset (regulatory liability), with an offset to revenues, and amortize it over the twelve-month period as the related revenues are collected (refunded).

Unamortized losses on reacquired debt represent deferred losses on debt reacquisitions that will be recovered over the remaining original amortization period of the reacquired debt.

Unfunded future income taxes represent unrecovered federal and state income taxes primarily resulting from regulatory flow through accounting treatment. The income tax benefits or charges for certain plant related timing differences, such as removal costs, are immediately flowed through to, or collected from, customers. This amount is being amortized as the amounts related to temporary differences that give rise to the deferrals are recovered in rates.

Other includes various items subject to reconciliation such as CRM&B (Billing System Costs), OPA Assessment for Non-Wire Alternatives, 100 BP Recovery, Rate Case Expenses, Electric Lifeline Program (ELP), Revenue Levelization and Arrears Forgiveness.

Regulatory liabilities at December 31, 2024 and 2023 consisted of:

As of December 31,	**2024**	**2023**
(Thousands)		
Accrued removal obligations	$ 17,184	$ 25,965
Environmental remediation costs	962	1,350
Rate refund - FERC ROE proceeding	32,757	30,114
Revenue decoupling mechanism	—	7,474
Tax Act - remeasurement	231,180	263,608
Transmission revenue reconciliation mechanism	5,990	56,575
Other	2,160	2,961
Total regulatory liabilities	**290,233**	**388,047**
Less: current portion	10,054	80,048
Total non-current regulatory liabilities	**$ 280,179**	**$ 307,999**

Accrued removal obligations represent the differences between asset removal costs incurred and amounts collected in rates for those costs. The amortization period is dependent upon the asset removal costs of underlying assets and the life of the utility plant.

Environmental remediation costs include spending that has occurred and is eligible for future recovery in customer rates. The amortization period will be established in future proceedings and will depend upon the timing of spending for the remediation costs.

Rate refund - FERC ROE proceedings: see Note 2.

Revenue Decoupling Mechanism represents the mechanism established to disassociate the utility's profits from its delivery/commodity sales.

Tax Act – remeasurement represents the impact from re-measurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates.

Transmission revenue reconciliation mechanism reflects any differences in actual costs in the rate year from those used to set rates. The ATU is recovered over the subsequent January to December period. When the ATU is known we record it as a regulatory asset (regulatory liability), with an offset to revenues, and amortize it over the twelve-month period as the related revenues are collected (refunded).

Other includes various items subject to reconciliation such as ELP, Vegetation Management and Tax Basis Repairs.

Note 4. Revenue

We recognize revenue when we have satisfied our obligations under the terms of a contract with a customer, which generally occurs when the control of promised goods or services transfers to the customer. We measure revenue as the amount of consideration we expect to receive in exchange for providing those goods or services. Contracts with customers may include multiple performance obligations. For such contracts, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. Certain revenues are not within the scope of ASC 606, such as revenues from leasing, derivatives, other revenues that are not from contracts with customers and other contractual rights or obligations, and we account for such revenues in accordance with the applicable accounting standards. We exclude from revenue amounts collected on behalf of third parties, including any such taxes collected from customers and remitted to governmental authorities. We do not have any material significant payment terms because we receive payment at or shortly after the point of sale.

The following describes the principal activities from which we generate revenue.

CMP derives its revenue primarily from tariff-based sales of electricity service to customers in the Maine area with no defined contractual term. For such revenues, we recognize revenues in an amount derived from the commodities delivered to customers. Other major sources of revenue are electricity transmission and wholesale sales of electricity.

Tariff-based sales are subject to the corresponding state regulatory authorities, which determine prices and other terms of service through the ratemaking process. Maine state law prohibits the utility from providing the electricity commodity to customers. For customers that receive their commodity from another supplier, the utility acts as an agent and delivers the electricity provided by that supplier. Revenue in those cases is only for providing the service of delivery of the commodity.

Transmission revenue results from others' use of the utility's transmission system to transmit electricity and is subject to FERC regulation, which establishes the prices and other terms of service. Long-term wholesale sales of electricity are based on individual bilateral contracts.

The performance obligation in all arrangements is satisfied over time because the customer simultaneously receives and consumes the benefits as CMP delivers or sells the electricity or provides the transmission service.

CMP records revenue from Alternative Revenue Programs (ARPs), which is not ASC 606 revenue. Such programs represent contracts between the utilities and their regulators. CMP ARPs include revenue decoupling mechanisms, other ratemaking mechanisms, annual revenue requirement reconciliations, and other demand side management programs.

CMP also has various other sources of revenue including billing, collection, other administrative charges, sundry billings, rent of utility property, and miscellaneous revenue. It classifies such revenues as other ASC 606 revenues to the extent they are not related to revenue generating activities from leasing, ARPs, or other activities.

Revenues disaggregated by major source for the years ended December 31, 2024 and 2023 are as follows:

Years Ended December 31,	**2024**	**2023**
(Thousands)		
Regulated operations – electricity	$ 1,165,913	$ 1,050,617
Other (a)	36,871	25,221
Revenue from contracts with customers	**1,202,784**	**1,075,838**
Leasing revenue	1,583	1,551
Alternative revenue programs	51,375	26,822
Other revenue	19,130	23,170
Total operating revenues	**$ 1,274,872**	**$ 1,127,381**

(a) Primarily includes certain intra-month trading activities, billing, collection, and administrative charges, sundry billings, and other miscellaneous revenue.

Note 5. Goodwill

We do not amortize goodwill, but perform our annual impairment assessment testing at least annually as described in Note 1, in the fourth quarter, as of October 1. Our qualitative assessment involves evaluating key events and circumstances that could affect the fair value of our company, as well as other factors. Events and circumstances evaluated include macroeconomic conditions, industry, regulatory and market considerations, cost factors and their effect on earnings and cash flows, overall financial performance as compared with projected results and actual results of relevant prior periods, other relevant entity-specific events, and events affecting CMP.

Our quantitative impairment testing includes various assumptions, primarily the discount rate, and forecasted cash flows. We use a discount rate that is developed using market participant assumptions, which consider the risk and nature of our cash flows and the rates of return market participants would require in order to invest their capital in CMP. We test the reasonableness of the conclusions of our quantitative impairment testing using a range of discount rates and a range of assumptions for long-term cash flows.

We had no impairment of goodwill in 2024 and 2023 as a result of our qualitative impairment testing. There were no events or circumstances subsequent to our annual impairment assessment for 2024 or 2023 that required us to update the assessment.

The carrying amount of goodwill was $324.9 million at both December 31, 2024 and 2023, with no accumulated impairment losses and no changes during 2024 and 2023.

Note 6. Income Taxes

Current and deferred taxes charged to expense (benefit) for the years ended December 31, 2024 and 2023 consisted of:

Years Ended December 31,	2024	2023
(Thousands)		
Current		
Federal	$ 7,211	$ (4,502)
State	(1,605)	509
Current taxes charged to expense (benefit)	**5,606**	**(3,993)**
Deferred		
Federal	(301)	16,197
State	26,791	8,922
Deferred taxes charged to expense	**26,490**	**25,119**
Total Income Tax Expense	**$ 32,096**	**$ 21,126**

The differences between tax expense per the consolidated statements of income and tax expense at the 21% statutory federal tax rate for the years ended December 31, 2024 and 2023 consisted of:

Years Ended December 31,	2024	2023
(Thousands)		
Tax expense at federal statutory rate	$ 44,837	$ 40,534
Property related flow through	(9,379)	(19,313)
State tax expense, net of federal benefit	19,967	7,450
Excess ADIT amortization	(10,255)	(7,973)
Excess ADIT remeasurement	(13,107)	—
Other, net	33	428
Total Income Tax Expense	**$ 32,096**	**$ 21,126**

Income tax expense for the year ended December 31, 2024 was $12.7 million lower than it would have been at the statutory federal income tax rate of 21% due predominately to excess Accumulated Deferred Income Tax (ADIT) amortization, property related flow through, partially offset by state taxes. This resulted in an effective tax rate of 15.0%. In 2024, the IRS issued private letter rulings (“PLRs”) 20242002, 20242003, and 20242004 to a non-affiliate. Within these rulings the IRS held that the normalization rules do not permit a utility’s net operating loss carryforward (“NOL”) Deferred Tax Asset (related to certain depreciation differences) to be reduced by intercompany tax allocation payments. In response, CMP analyzed its federal NOLs as of 12/31/2017 and reduced its excess ADIT deferred tax liability by $13.1 million to comply with the IRS rulings.

Income tax expense for the year ended December 31, 2023 was $19.4 million lower than it would have been at the statutory federal income tax rate of 21% due predominately to excess ADIT amortization and property related flow through, partially offset by state taxes. This resulted in an effective tax rate of 10.9%.

Deferred tax assets and liabilities as of December 31, 2024 and 2023 consisted of:

December 31,	**2024**	**2023**
(Thousands)		
Non-current Deferred Income Tax Liabilities (Assets)		
Property related	$ 796,452	$ 756,028
Unfunded future income taxes	63,407	51,831
Pension and other postretirement benefits	14,544	14,151
Regulatory liability due to "Tax Cuts and Jobs Act"	(64,844)	(73,955)
Federal and state tax credits	(15,605)	—
Federal and state NOL's	(75,670)	(42,880)
Storm costs	101,842	73,145
Other	30,531	(4,670)
Total Non-current Deferred Income Tax Liabilities	**$ 850,657**	**$ 773,650**
Deferred tax assets	$ 156,119	$ 121,505
Deferred tax liabilities	1,006,776	895,155
Net Accumulated Deferred Income Tax Liabilities	**$ 850,657**	**$ 773,650**

CMP had gross federal net operating losses of $259.3 million and gross Maine state net operating losses of $381.1 million as of December 31, 2024. CMP had gross federal net operating losses of $147.6 million and gross Maine state net operating losses of $293.3 million as of December 31, 2023.

CMP had $15.6 million of CAMT credit carryforward as of December 31, 2024, which will be available in future periods to offset regular federal income tax that exceeds CAMT. CMP had no CAMT credit carryforward outstanding at December 31, 2023.

Uncertain tax positions have been classified as non-current unless expected to be paid within one year. In 2024 and 2023, we netted our liability for uncertain tax positions against all same jurisdiction deferred tax assets, net operating losses and tax credit carryforwards. Our policy is to recognize interest and penalties on uncertain tax positions as a component of interest expense in the consolidated statements of income.

The reconciliation of unrecognized income tax benefits for the years ended December 31, 2024 and 2023 consisted of:

Years Ended December 31,	**2024**	**2023**
(Thousands)		
Beginning Balance	$ 8,989	$ 12,241
Reduction for tax positions related to prior years	(2,883)	(3,252)
Ending Balance	**$ 6,106**	**$ 8,989**

Unrecognized income tax benefits represent income tax positions taken on income tax returns but not yet recognized in the consolidated financial statements. The accounting guidance for uncertainty in income taxes provides that the financial effects of a tax position shall initially be recognized in the financial statements when it is more likely than not based on the technical merits that the position will be sustained upon examination, assuming the position will be audited and the taxing authority has full knowledge of all relevant information.

There were no additional accruals for interest and penalties on tax reserves as of December 31, 2024 or 2023.

Note 7. Non-current Debt

Long-term debt as of December 31, 2024 and 2023 consisted of:

As of December 31,		**2024**		**2023**	
(Thousands, except interest rates)	**Maturity Dates**	**Balances**	**Interest Rates**	**Balances**	**Interest Rates**
First mortgage bonds (a)	2025-2052	$ 1,450,000	1.87%-6.04%	$ 1,275,000	1.87%-6.04%
Senior unsecured notes	2025-2037	140,000	5.375%-6.40%	140,000	5.375%-6.40%
Unamortized debt issuance costs and discount		(5,642)		(4,759)	
Total Debt		**1,584,358**		**1,410,241**	
Less: debt due within one year, included in current liabilities		79,373		—	
Total Non-current Debt		**$ 1,504,985**		**$ 1,410,241**	

(a) The first mortgage bonds are secured by a first mortgage lien on substantially all of Net Utility Plant In Service.

On November 20, 2024, CMP issued $87 million aggregate principal amount of Green First Mortgage Bonds maturing in 2036 at an interest rate of 5.31% and $88 million aggregate principal amount of Green First Mortgage Bonds maturing in 2039 at an interest rate of 5.41%.

On December 13, 2023, CMP issued $55 million aggregate principal amount of Green First Mortgage Bonds maturing in 2029 at an interest rate of 5.65% and $70 million aggregate principal amount of Green First Mortgage Bonds maturing in 2038 at an interest rate of 6.04%.

Long-term debt, including sinking fund obligations, due during the next five years consist of:

2025	**2026**	**2027**	**2028**	**2029**	**Total**
(Thousands)					
$ 79,373	$ 80,000	$ —	$ 60,000	$ 55,000	$ 274,373

We have no debt covenant requirements related to the maintenance of financial ratios in our long-term debt agreements at December 31, 2024 and 2023.

Note 8. Bank Loans and Other Borrowings

CMP had $92.4 million of notes payable at December 31, 2024 and $54.4 million at December 31, 2023. CMP funds short-term liquidity needs through an agreement among Avangrid's regulated utility subsidiaries (the "Virtual Money Pool Agreement"), a bi-lateral intercompany credit agreement with Avangrid (the "Bi-Lateral Intercompany Facility") and a bank provided credit facility to which CMP is a party (the "AGR Credit Facility"), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. CMP has a lending/borrowing limit of $100 million under this agreement. CMP had $92.4 million outstanding under this agreement at December 31, 2024 and no debt outstanding under this agreement at December 31, 2023.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. CMP had no debt outstanding under this agreement at December 31, 2024 and $54.4 million outstanding under this agreement at December 31, 2023.

On November 23, 2021, Avangrid and its investment-grade rated utility subsidiaries (New York State Electric & Gas Corporation (“NYSEG”), Rochester Gas and Electric Corporation (“RG&E”), CMP, The United Illuminating Company (“UI”), Connecticut Natural Gas Corporation (“CNG”), The Southern Connecticut Gas Company ("SCG") and The Berkshire Gas Company (“BGC”)) executed a new credit facility with an aggregate limit of $3,575 million and a termination date of November 23, 2026. Under the terms of the AGR Credit Facility, each borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit contained in the agreement. NYSEG has a maximum sublimit of $700 million, RG&E has $300 million, CMP has $200 million, UI has $250 million, CNG and SCG have maximum sublimits of $150 million and BGC has a maximum sublimit of $50 million. Effective on November 23, 2021, the AGR Credit Facility was amended to increase Avangrid’s maximum sublimit to $2,500 million and to establish minimum sublimits of $500 million for NYSEG, $200 million for RG&E, $100 million for CMP, $150 million for UI, $50 million for CNG and SCG and $25 million for BGC. On July 17, 2023, the Avangrid Credit Facility was amended and restated to, among other things, provide for the replacement of LIBOR-based rates with SOFR-based rates. Under the AGR Credit Facility, each of the borrowers are charged a facility fee that is dependent on their credit rating. The facility fees range from 10 to 22.5 basis points. CMP had not borrowed under this agreement as of both December 31, 2024 and 2023.

In the AGR Credit Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of indebtedness to total capitalization, the facility excludes from net worth the balance of accumulated other comprehensive loss as it appears on the balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued un-remedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was 0.38 to 1.00 at December 31, 2024. We are not in default as of December 31, 2024.

Note 9. Redeemable Preferred Stock

We have redeemable preferred stock that contains a feature that could lead to potential redemption-triggering events that are not solely within our control.

At December 31, 2024 and 2023, our redeemable preferred stock was:

Series	Par Value per Share	Redemption Price per Share	Shares Authorized and Outstanding(a)	Amount (Thousands) 2024	2023
CMP, 6% Non-callable	$ 100	$ —	5,713	$ 571	$ 571
Total				**$ 571**	**$ 571**

[a] At December 31, 2024 and 2023, CMP had $2,300,000 shares of $100 par value preferred stock authorized but unissued.

CMP Group owns 3,792 shares of the 5,713 shares outstanding.

Note 10. Leases

We have operating leases for office buildings, facilities, vehicles and certain equipment. Our finance leases are primarily related to electric distribution, transmission and other. Certain of our lease agreements include rental payments adjusted periodically for inflation or are based on other periodic input measures. Our leases do not contain any material residual value guarantees or material restrictive covenants. Our leases have remaining lease terms of 1 year to 34 years, some of which may include options to extend the leases for up to 10 years, and some of which may include options to terminate the leases within one year. We consider extension or termination options in the lease term if it is reasonably certain we will exercise the option.

The components of lease cost and other information related to leases were as follows:

For the Years Ended December 31,	2024	2023
(Thousands)		
Lease cost		
Finance lease cost		
Amortization of right-of-use assets	$ 240	$ 293
Interest on lease liabilities	—	1
Total finance lease cost	240	294
Operating lease cost	1,299	1,577
Short-term lease cost	46	76
Variable lease cost	40	39
Total lease cost	**$ 1,625**	**$ 1,986**

Balance sheet and other information for the years ended December 31, 2024 and 2023 was as follows:

As of December 31,	2024	2023
(Thousands, except lease term and discount rate)		
Operating Leases		
Operating lease right-of-use assets	$ 15,958	$ 14,374
Operating lease liabilities, current	1,104	1,117
Operating lease liabilities, long-term	16,741	14,764
Total operating lease liabilities	$ 17,845	$ 15,881
Finance Leases		
Other assets	$ 3,232	$ 3,471
Other current liabilities	5	13
Other non-current liabilities	(85)	3
Total finance lease liabilities	$ (80)	$ 16
Weighted-average Remaining Lease Term (years)		
Finance leases	0.33	1.33
Operating leases	14.31	16.41
Weighted-average Discount Rate		
Finance leases	3.47 %	3.47 %
Operating leases	4.09 %	3.97 %

For the years ended December 31, 2024 and 2023, supplemental cash flow information related to leases was as follows:

For the Years Ended December 31,	2024	2023
(Thousands)		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,665	$ 1,493
Operating cash flows from finance leases	$ —	$ 1
Financing cash flows from finance leases	$ 97	$ 14
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	$ —	$ —
Operating leases	$ 3,150	$ 505

As of December 31, 2024, maturities of lease liabilities were as follows:

(Thousands)	Finance Leases	Operating Leases
Year ending December 31,		
2025	$ (80)	$ 2,274
2026	—	2,263
2027	—	1,696
2028	—	1,699
2029	—	1,693
Thereafter	—	14,774
Total lease payments	**(80)**	**24,399**
Less: imputed interest	—	(6,554)
Total	**$ (80)**	**$ 17,845**

Most of our leases do not provide an implicit rate in the lease; thus we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

Note 11. Commitments and Contingent Liabilities

Power purchase contracts including non-utility generator

We recognized expense of approximately $29.7 million for non-utility generator power in 2024 and $28.2 million in 2023 recorded for non-utility generator power in the consolidated statements of income.

Note 12. Environmental Liability

From time to time environmental laws, regulations and compliance programs may require changes in our operations and facilities and may increase the cost of electric service.

Waste sites

The Environmental Protection Agency (EPA) and various state environmental agencies, as appropriate, have notified us that we are among the potentially responsible parties that may be liable for costs incurred to remediate certain hazardous substances at five waste sites. The five sites do not include sites where coal gas was manufactured in the past, which are discussed below. With respect to the five sites, one site is included in Maine's Uncontrolled Sites Program (MUSP), one is included on the Massachusetts Non-Priority Confirmed Disposal Site list and one of the sites is also included on the National Priorities list. Any liability may be joint and several for certain of those sites. We have recorded an estimated liability of $1.4 million related to the five sites at December 31, 2024.

We have recorded an estimated liability of $3.7 million at December 31, 2024, related to three additional sites where we believe it is probable that we will incur remediation costs and/or monitoring costs as a result of being regulated under State Resource Conservation and Recovery Act (RCRA) program. We have one additional site subject to Maine's Waste Management Program with a recorded estimated liability of $0.2 million at December 31, 2024 . It is reasonably possible the ultimate cost to remediate the sites may be significantly more than the accrued amount. Our estimate for costs to remediate the nine total sites ranges from $4.3 million to $11.2 million as of December 31, 2024. Factors affecting the estimated remediation amount include the remedial action plan selected, the extent of site contamination and the portion attributed to us. We recorded a corresponding regulatory asset, net of insurance recoveries, because we expect to recover the net costs in rates.

Manufactured gas plants

We have a program to investigate and perform necessary remediation and/or monitoring at our three sites where coal gas was manufactured in the past. The three sites are in Maine's Voluntary Response Action Program, Brownfield Cleanup Program or MUSP.

Our estimate for costs related to investigation, remediation and/or monitoring of the sites ranges from $0.1 million to $0.2 million at December 31, 2024. The estimate could change materially based on facts and circumstances derived from site investigations, changes in required remedial action, changes in technology relating to remedial alternatives, changes due to property use and changes to current laws and regulations.

The liability to investigate and perform remediation, as necessary, at the known inactive coal gas manufacturing sites was $0.1 million at both December 31, 2024 and 2023. We recorded a corresponding regulatory asset because we expect to recover the net costs in rates.

Keddy Mill Superfund Site

On September 30, 2024, CMP received a special notice letter pursuant to Section 122(e) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) from the United States Department of Environmental Protection Agency related to contamination at the Keddy Mill Superfund Site in Windham, Maine that occurred in the 1960s and 1970s. The site had previously been owned by a CMP affiliate between 1941 and 1945. The letter notifies CMP of potential liability with respect to the site, informs CMP of planned remediation activities, and invites CMP to perform or finance those remediation activities. We are evaluating the allegations of liability and cannot predict the outcome of this matter.

Our environmental liabilities are recorded on an undiscounted basis and are expected to be paid through the year 2062.

Note 13. Accounting for Derivative Instruments and Hedging Activities

We are exposed to certain risks relating to our ongoing business operations. The primary risk we manage by using derivative instruments is commodity price risk. In accordance with the accounting requirements concerning derivative instruments and hedging activities, we recognize all derivative instruments as either assets or liabilities at fair value on our balance sheet. For financial statement presentation, we offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement.

The financial instruments we hold or issue are not for trading or speculative purposes.

The effect of hedging instruments on OCI and income for the years ended December 31, 2024 and 2023, respectively, consisted of:

Years Ended December 31,	Gain Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	(Loss) Gain Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2024				
Interest rate contracts	$ —	Interest expense	$ (181)	$ 70,443
Total	**$ —**		**$ (181)**	
2023				
Interest rate contracts	$ —	Interest expense	$ (181)	$ 66,121
Total	**$ —**		**$ (181)**	

The amount in AOCI related to previously settled interest rate hedging contracts at December 31 is a net loss of $1.8 million for 2024 and $1.9 million for 2023. For the year ended December 31, 2024, we recorded $0.2 million in net derivative losses related to discontinued cash flow hedges. We will amortize approximately $0.2 million of discontinued cash flow hedges in 2025.

Note 14. Fair Value of Financial Instruments and Fair Value Measurements

The estimated fair value of debt amounted to $1,489 million and $1,348 million as of December 31, 2024 and 2023, respectively. The estimated fair value was determined, in most cases, by discounting the future cash flows at market interest rates. The interest rate curve used to make these calculations takes into account the risks associated with the electricity industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

We had no transfers to or from Level 1 and 2 during the year ended December 31, 2024 and 2023. Our policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that causes a transfer, if any.

Note 15. Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss for the years ended December 31, 2024 and 2023 consisted of:

(Thousands)	Balance December 31, 2022	2023 Change	Balance December 31, 2023	2024 Change	Balance December 31, 2024
Amortization of pension cost for nonqualified plans and current year actuarial gain, net of income tax expense of $11 for 2023 and $14 for 2024	$ (1,672)	$ 29	$ (1,643)	$ 36	$ (1,607)
Unrealized gain on derivatives qualified as hedges:					
Reclassification adjustment for loss on settled cash flow treasury hedges, net of income tax expense of $51 for both 2023 and 2024		130		130	
Net unrealized gain on derivatives qualified as hedges	(1,544)	130	(1,414)	130	(1,284)
Accumulated Other Comprehensive Loss	**$ (3,216)**	**$ 159**	**$ (3,057)**	**$ 166**	**$ (2,891)**

No Accumulated Other Comprehensive Loss is attributable to the noncontrolling interest for the above periods.

Note 16. Post-Retirement and Similar Obligations

We have funded non-contributory defined benefit pension plans that cover all eligible employees. The plans provide defined benefits based on years of service and final average salary for employees hired before 2002. Most employees hired in 2002, or later based upon the plan, are covered under a cash balance plan or formula where their benefit accumulates based on a percentage of annual salary and credited interest. During 2013, we announced that we would discontinue, effective December 31, 2013, the cash balance accruals for all non-union employees covered under the cash balance plans or formula. At the same time, the plans were closed to newly-hired non-union employees. The plans had been closed to newly-hired union employees in prior years. CMP's unionized employees covered under the cash balance plans ceased to receive accruals as of December 31, 2014. Their earned balances will continue to accrue interest but will no longer be increased by a flat dollar amount or percentage of pay, as defined by the plan. Instead, they will receive a contribution to their account under their respective company's defined contribution plan. During 2022, the Company decided to freeze pension benefit accruals and contribution credits for non-union employees and transition their retirement benefits to the 401(k) Plan. Employees not participating in a defined benefit plan are eligible to receive an enhanced or core 401(k) Company matching contribution, depending on whether they are union or non-union employees, respectively.

The company maintains a 401(k) Savings and Retirement Plan (the Plan) for all eligible employees as defined in the Plan agreement. Participants in the Plan may contribute a percentage of their compensation and the company may match a predetermined percentage of the participant contributions. Expenses under the Plan for the Company totaled approximately $10.8 million for 2024 and $9.3 million for 2023.

We also have other postretirement health care benefit plans covering substantially all of our employees. The health care plans are contributory with participants' contributions adjusted annually.

Non-Qualified Retirement Benefit Plans

We also sponsor various unfunded non-qualified pension plans for certain current employees, former employees and former directors. The total liability for these plans, which is included in Other non-current liabilities on our consolidated balance sheets, was $1.1 million and $1.2 million at December 31, 2024 and 2023, respectively.

Qualified Retirement Benefit Plans

Obligations and funded status as of December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
As of December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Change in benefit obligation				
Benefit obligation as of January 1,	**$ 286,951**	**$ 273,954**	**$ 68,088**	**$ 60,789**
Service cost	1,884	1,705	299	298
Interest cost	13,025	13,686	3,037	2,980
Actuarial (gain) loss	(20,782)	15,366	(302)	10,765
Benefits paid	(22,153)	(17,760)	(7,753)	(6,744)
Benefit obligation as of December 31,	**$ 258,925**	**$ 286,951**	**$ 63,369**	**$ 68,088**
Change in plan assets				
Fair value of plan assets at January 1,	**$ 264,412**	**$ 260,536**	**$ 13,032**	**$ 14,746**
Actual return on plan assets	(189)	21,636	1,180	2,155
Employer contributions	—	—	884	2,875
Benefits paid	(22,153)	(17,760)	(7,753)	(6,744)
Fair value of plan assets at December 31,	**$ 242,070**	**$ 264,412**	**$ 7,343**	**$ 13,032**
Funded status at December 31,	**$ (16,855)**	**$ (22,539)**	**$ (56,026)**	**$ (55,056)**

During 2024, the pension obligation had an actuarial gain of $20.8 million. This gain was primarily driven by $20.8 million gain from increase in discount rates. During 2024, the postretirement benefit obligation had an actuarial gain of $0.3 million. This gain was primarily driven by $3.9 million gain from increase in discount rates and $0.1 million gain from changes in demographic assumptions offset by $3.7 million loss from assumption changes in health care trend rates.

During 2023, the pension obligation had an actuarial loss of $15.4 million primarily driven by $14.4 million loss from discount rate decreases. During 2023, the postretirement benefit obligation had an actuarial loss of $10.8 million primarily driven by $6.8 million loss from assumption changes in health care trend rates and $2.9 million loss from discount rate decreases.

Amounts recognized in the consolidated balance sheets as of December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
As of December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Non-current liabilities	$ (16,855)	$ (22,539)	$ (56,026)	$ (55,056)

We have determined that we are allowed to defer as regulatory assets or regulatory liabilities items that would otherwise be recorded in accumulated other comprehensive income pursuant to the accounting requirements concerning defined benefit pension and other postretirement plans.

Amounts recognized as regulatory assets or regulatory liabilities for the years ended December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
Years Ended December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Net loss	$ 92,343	$ 93,715	$ 5,970	$ 6,830

Our accumulated benefit obligation (ABO) for all qualified defined benefit pension plans was $253.3 million and $280.2 million as of December 31, 2024 and 2023, respectively. Our postretirement benefits were partially funded at December 31, 2024 and 2023.

The projected benefit obligation (PBO) and ABO exceeded the fair value of pension plan assets for our qualified plans as of December 31, 2024 and 2023. The following table shows the aggregate projected and accumulated benefit obligations and the fair value of plan assets for the relevant periods.

As of December 31,	**2024**	**2023**
(Thousands)		
Projected benefit obligation	$ 258,925	$ 286,951
Accumulated benefit obligation	$ 253,345	$ 280,184
Fair value of plan assets	$ 242,070	$ 264,412

As of December 31, 2024 and 2023, the accumulated postretirement benefits obligation for all the qualified plans exceeded the fair value of plan assets.

Components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in income and regulatory assets and liabilities for the years ended December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
For the years ended December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Net Periodic Benefit Cost:				
Service cost	$ 1,884	$ 1,705	$ 299	$ 298
Interest cost	13,025	13,686	3,037	2,980
Expected return on plan assets	(20,018)	(18,042)	(624)	(1,009)
Amortization of net loss	797	—	2	—
Net Periodic Benefit Cost	**$ (4,312)**	**$ (2,651)**	**$ 2,714**	**$ 2,269**
Other changes in plan assets and benefit obligations recognized in regulatory assets and regulatory liabilities:				
Net loss (gain)	$ (575)	$ 11,772	$ (858)	$ 9,619
Amortization of net loss	(797)	—	(2)	—
Total Other Changes	**(1,372)**	**11,772**	**$ (860)**	**9,619**
Total Recognized	**$ (5,684)**	**$ 9,121**	**$ 1,854**	**$ 11,888**

We include the net periodic benefit cost in other operating expenses for the service component and other deductions for the non-service component. The net periodic benefit cost for postretirement benefits represents the amount expensed for providing health care benefits to retirees and their eligible dependents.

The weighted-average assumptions used to determine benefit obligations as of December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
As of December 31,	**2024**	**2023**	**2024**	**2023**
Discount rate	5.49%	4.75%	5.33%	4.65%
Rate of compensation increase	3.00% for Union	3.00% for Union	3.00% for Unions	3.00% for Union
Interest crediting rate	3.63%	3.52%	N/A	N/A

The discount rate is the rate at which the benefit obligations could presently be effectively settled. We determined the discount rates by developing yield curves derived from a portfolio of high grade non-callable bonds with yields that closely match the duration of the expected cash flows of our benefit obligations.

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
Years Ended December 31,	**2024**	**2023**	**2024**	**2023**
Discount rate	4.75 %	5.21 %	4.65 %	5.13 %
Expected long-term return on plan assets	7.25 %	6.00 %	6.60 %	6.84 %
Rate of compensation increase	3.00% for Union	3.00% for Union	3.00% for Union	3.00% for Union

We developed our expected long-term rate of return on plan assets assumption based on a review of long-term historical returns for the major asset classes, the target asset allocations, and the effect of rebalancing of plan assets discussed below. Our analysis considered current capital market conditions and projected conditions. Our policy is to calculate the expected return on plan assets using the market related value of assets. We amortize unrecognized actuarial gains and losses using the standard amortization methodology under which amounts in excess of 10% of the greater of the projected benefit obligation or market related value are amortized over the plan participants' average remaining service to retirement.

Assumed health care cost trend rates used to determine benefit obligations as of December 31, 2024 and 2023 consisted of:

As of December 31,	**2024**	**2023**
Health care cost trend rate assumed for next year	8.90% / 10.60%	8.10% / 8.60%
Rate to which cost trend rate is assumed to decline (ultimate trend rate)	4.50% / 4.50%	4.50% / 4.50%
Year that the rate reaches the ultimate trend rate	2039 / 2039	2031 / 2032

Contributions

We make annual contributions in accordance with our funding policy of not less than the minimum amounts as required by applicable regulations. We do not expect to contribute to our pension or other postretirement plans during 2025.

Estimated future benefit payments

Expected benefit payments and Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act) subsidy receipts reflecting expected future service as of December 31, 2024 consisted of:

	Pension Benefits	Postretirement Benefits	Medicare Act Subsidy Receipts
(Thousands)			
2025	$ 25,108	$ 5,118	$ 161
2026	$ 23,825	$ 5,113	$ 171
2027	$ 23,847	$ 5,146	$ 180
2028	$ 23,409	$ 5,107	$ 196
2029	$ 22,699	$ 5,116	$ 206
2030 - 2034	$ 104,662	$ 25,123	$ 1,229

Plan assets

Our pension benefits plan assets are held in a master trust providing for a single trustee/ custodian, a uniform investment manager lineup, and an efficient, cost-effective means of allocating expenses and investment performance to each plan under the master trust. Our primary investment objective is to ensure that current and future benefit obligations are adequately funded and with volatility commensurate with our tolerance for risk. Preservation of capital and achievement of sufficient total return to fund accrued and future benefits obligations are of highest concern. Our primary means for achieving capital preservation is through diversification of the trust's investments while avoiding significant concentrations of risk in any one area of the securities markets. Within each asset group, further diversification is achieved through utilizing multiple asset managers and systematic allocation to various asset classes and providing broad exposure to different segments of the equity, fixed income and alternative investment markets.

The asset allocation policy is the most important consideration in achieving our objective of superior investment returns while minimizing risk. We have established a target asset allocation policy within allowable ranges for our pension benefits plan assets within broad categories of asset classes made up of Return-Seeking and Liability-Hedging investments. We currently have target allocations ranging from 15%-70% for Return-Seeking assets and 30%-85% for Liability-Hedging assets. Return-Seeking assets include investments in domestic, international and emerging equity, real estate, global asset allocation strategies and hedge funds. Liability-Hedging investments generally consist of long-term corporate bonds, annuity contracts, long-term treasury STRIPS and opportunistic fixed income investments. Systematic rebalancing within the target ranges increases the probability that the annualized return on the investments will be enhanced, while realizing lower overall risk, should any asset categories drift outside their specified ranges.

The fair values of pension benefits plan assets, by asset category, as of December 31, 2024, consisted of:

As of December 31, 2024		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 10,175	$ 257	$ 9,918	$ —
U.S. government securities	30,105	30,105	—	—
Common stocks	5,700	5,700	—	—
Registered investment companies	8,417	8,417	—	—
Corporate bonds	86,263	—	86,263	—
Common collective trusts	70,517	—	70,517	—
Other, principally annuity, fixed income	426	—	426	—
	$ 211,603	**$ 44,479**	**$ 167,124**	**$ —**
Other investments measured at net asset value	30,467			
Total	**$ 242,070**			

The fair values of pension benefits plan assets, by asset category, as of December 31, 2023, consisted of:

As of December 31, 2023		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 10,580	$ (229)	$ 10,809	$ —
U.S. government securities	35,025	35,025	—	—
Common stocks	9,874	9,874	—	—
Registered investment companies	13,261	13,261	—	—
Corporate bonds	82,140	—	82,140	—
Common collective trusts	62,215	—	62,215	—
Other, principally annuity, fixed income	(453)	—	(453)	—
	$ 212,642	**$ 57,931**	**$ 154,711**	**$ —**
Other investments measured at net asset value	51,770			
Total	**$ 264,412**			

Valuation Techniques

We value our pension benefits plan assets as follows:

- Cash and cash equivalents - Level 1: at cost, plus accrued interest, which approximates fair value. Level 2: proprietary cash associated with other investments, based on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. government securities - at the closing price reported in the active market in which the security is traded.
- Common stocks - at the closing price reported in the active market in which the individual investment is traded.
- Corporate bonds - based on yields currently available on comparable securities of issuers with similar credit ratings.
- Preferred stocks - at the closing price reported in the active market in which the individual investment is traded.

- Common collective trusts/Registered investment companies - Level 1: at the closing price reported in the active market in which the individual investment is traded. Level 2: the fair value is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market.
- Other investments, principally annuity and fixed income - based on yields currently available on comparable securities of issuers with similar credit ratings.
- Other investments measured at net asset value (NAV) - fund shares offered to a limited group of investors and alternative investments, such as private equity and real estate oriented investments, partnership/joint ventures and hedge funds are valued using the NAV as a practical expedient.

Our postretirement benefits plan assets are held with trustees in multiple voluntary employees' beneficiary association (VEBA) and 401(h) arrangements and are invested among and within various asset classes to achieve sufficient diversification in accordance with our risk tolerance. This is achieved for our postretirement benefits plan assets through the utilization of multiple institutional mutual and money market funds, providing exposure to different segments of the fixed income, equity and short-term cash markets. Substantially all of the postretirement benefits plan assets are invested in VEBA and 401(h) arrangements that are not subject to income taxes with the remainder being invested in arrangements subject to income taxes.

We have established a target asset allocation policy within allowable ranges for postretirement benefits plan assets of 49%-69% for equity securities and 31%-51% for fixed income investments. Equity investments are diversified across U.S. and non-U.S. stocks, investment styles, and market capitalization ranges. Fixed income investments are primarily invested in U.S. bonds and may also include some non-U.S. bonds. We primarily minimize the risk of large losses through diversification but also through monitoring and managing other aspects of risk through quarterly investment portfolio reviews. Systematic rebalancing within target ranges increases the probability of increasing the projected expected return, while mitigating risk, should any asset categories drift outside their specified ranges.

The fair values of other postretirement benefits plan assets, by asset category, as of December 31, 2024, consisted of:

As of December 31, 2024		**Fair Value Measurements**		
(Thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Asset Category				
Cash and cash equivalents	$ 818	$ (1)	$ 819	$ —
U.S. government securities	41	41	—	—
Common stocks	118	118	—	—
Registered investment companies	4,193	4,193	—	—
Corporate bonds	687	—	687	—
Common collective trusts	855	—	855	—
Other, principally annuity, fixed income	4	—	4	—
	$ 6,716	**$ 4,351**	**$ 2,365**	**$ —**
Other investments measured at net asset value	627			
Total	**$ 7,343**			

The fair values of pension benefits plan assets, by asset category, as of December 31, 2023, consisted of:

As of December 31, 2023		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 727	$ 4	$ 723	$ —
U.S. government securities	567	567	—	—
Common stocks	314	314	—	—
Registered investment companies	7,118	7,118	—	—
Corporate bonds	1,379	—	1,379	—
Common collective trusts	2,311	—	2,311	—
Other, principally annuity, fixed income	(175)	—	(175)	—
	$ 12,241	**$ 8,003**	**$ 4,238**	**$ —**
Other investments measured at net asset value	791			
Total	**$ 13,032**			

Valuation techniques

We value our postretirement benefits plan assets as follows:

- Cash and cash equivalents - Level 1: at cost, plus accrued interest, which approximates fair value. Level 2: proprietary cash associated with other investments, based on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. government securities - at the closing price reported in the active market in which the security is traded.
- Common stocks and registered investment companies - at the closing price reported in the active market in which the individual investment is traded.
- Corporate bonds - based on yields currently available on comparable securities of issuers with similar credit ratings.
- Common collective trusts - the fair value is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market.
- Other investments, principally annuity and fixed income - based on yields currently available on comparable securities of issuers with similar credit ratings.
- Other investments measured at net asset value (NAV) - fund shares offered to a limited group of investors and alternative investments, such as private equity and real estate oriented investments, partnership/joint ventures and hedge funds are valued using the NAV as a practical expedient.

Pension and postretirement plan equity securities did not include any Iberdrola common stock as of both December 31, 2024 and 2023.

Note 17. Other Income and Other Deductions

Other income and deductions for the years ended December 31, 2024 and 2023 consisted of:

Years Ended December 31,		2024		2023
(Thousands)				
Interest and dividends income	$	62	$	—
Allowance for funds used during construction		11,459		10,983
Carrying costs on regulatory assets		23,133		12,268
Equity earnings		67		61
Miscellaneous		3,090		2,135
Total other income	**$**	**37,811**	**$**	**25,447**
Pension non-service components	$	3,747	$	2,166
Miscellaneous		(3,736)		(3,445)
Total other income (deductions), net	**$**	**11**	**$**	**(1,279)**

Note 18. Related Party Transactions

Certain Networks subsidiaries, including CMP, borrow from AGR, the parent of Networks, through intercompany revolving credit agreements. For CMP, the intercompany revolving credit agreements provide access to supplemental liquidity. See Note 8 for further detail on the credit facility with AGR.

AGR, through its affiliates, provides administrative and management services to Networks operating utilities, including CMP, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating and capital services provided to CMP by AGR and its affiliates was $57.4 million and $50.4 million for 2024 and 2023, respectively. Cost for services includes amounts capitalized in utility plant, which was approximately $9.9 million in 2024 and $8.5 million in 2023. The remainder was primarily recorded as operations and maintenance expense. The charges for services provided by CMP to AGR and its subsidiaries were approximately $8.7 million for 2024 and $7.0 million for 2023. All charges for services are at cost. All of the charges associated with services provided are recorded as revenues to offset other operating expenses on the financial statements.

The balance in accounts payable to affiliates of $39.6 million at December 31, 2024 and the balance of $41.4 million at December 31, 2023 is mostly payable to Avangrid Service Company. The balance in accounts receivable from affiliates of $25.5 million at December 31, 2024 and the balance of $2.4 million at December 31, 2023 is mostly receivable from NECEC.

Notes receivable from affiliates at December 31, 2024 and at December 31, 2023 of $0.2 million and $0.3 million, respectively, are from Avangrid, Inc.

In 2018, the New England Clean Energy Connect, or NECEC, transmission project, proposed in a joint bid by CMP and Hydro-Québec, was selected by the Massachusetts electric distribution utilities and the Massachusetts Department of Energy Resources in the Commonwealth of Massachusetts' 83D clean energy Request for Proposal. The NECEC transmission project includes a 145-mile transmission line linking the electrical grids in Québec, Canada and New England.

On January 4, 2021, in connection with certain stipulation agreements (Stipulations), CMP transferred the NECEC project to NECEC Transmission LLC pursuant to the terms of a transfer agreement dated November 3, 2020.

As consideration for the transfer of the NECEC project, NECEC Transmission LLC agreed to pay CMP the sum total of $60 million, payable in one hundred and sixty equal installments of $375,000 each, due the first business day of each January, April, July and October, to be included in CMP's NECEC Rate Relief Fund as established by the Stipulations. Similarly and in connection with the Stipulations, CMP will receive $80 million, payable in one hundred and sixty equal installments of $500,000, due the first business day of each January, April, July and October, from funding provided by H.Q. Energy Services (U.S.) Inc., an unaffiliated entity, which will be included in CMP's NECEC Rate Relief Fund. Pursuant to the terms of the Stipulations, all these payments were suspended in December 2021 following the stoppage of construction of the NECEC project. In July 2023 the Stipulations payments resumed when NECEC Transmission LLC restarted construction on the project. For the years ended December 31, 2024 and 2023, CMP has received $1.5 million and $0.8 million, respectively, in payments from NECEC Transmission LLC related to the Rate Relief Fund.

Note 19. Subsequent Events

The company has performed a review of subsequent events through March 25, 2025, which is the date these consolidated financial statements were available to be issued.