THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF

JUNE 30, 2017 AND DECEMBER 31, 2016 AND

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

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THE UNITED ILLUMINATING COMPANY
STATEMENT OF INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating Revenues	$ 207,255	$ 199,735	$ 436,668	$ 428,471
Operating Expenses				
Operation				
Purchased power	35,134	39,739	84,846	105,414
Operation and maintenance	87,008	91,086	180,096	172,344
Depreciation and amortization	19,264	19,783	38,969	39,120
Taxes - other than income taxes	25,057	21,880	51,157	45,933
Total Operating Expenses	166,463	172,488	355,068	362,811
Operating Income	40,792	27,247	81,600	65,660
Other Income and (Deductions), net				
Other income	2,022	2,373	3,969	4,936
Other (deductions)	(17)	32	(17)	(60)
Total Other Income and (Deductions), net	2,005	2,405	3,952	4,876
Interest Charges, net	10,125	10,353	20,597	20,590
Income from Equity Investments	3,175	3,374	6,239	6,572
Income Before Income Taxes	35,847	22,673	71,194	56,518
Income Taxes (Note E)	11,825	7,266	23,065	16,932
Net Income	$ 24,022	$ 15,407	$ 48,129	$ 39,586

The accompanying Notes to Financial
Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
STATEMENT OF CASH FLOWS
(Thousands of Dollars)
(Unaudited)

	Six Months Ended June 30, 2017	2016
Cash Flows From Operating Activities		
Net income	$ 48,129	$ 39,586
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	39,604	39,921
Deferred income taxes	15,015	18,751
Uncollectible expense	9,041	8,026
Pension expense	14,412	14,835
Allowance for funds used during construction (AFUDC) - equity	(1,477)	(3,446)
Undistributed (earnings) losses in equity investments	(6,239)	(6,573)
Regulatory assets/liabilities amortization	939	8,944
Regulatory assets/liabiities carrying cost	(900)	(171)
Other non-cash items, net	(33)	(308)
Changes in:		
Accounts receivable and unbilled revenues, net	(15,313)	(7,503)
Accounts payable and accrued liabilties	(9,239)	(12,111)
Cash distribution received from GenConn	6,168	6,471
Taxes accrued and refundable	10,014	3,474
Accrued pension and other post-retirement	(9,639)	(10,488)
Regulatory assets/liabilities	(17,256)	(51,199)
Other assets	(11,330)	1,831
Other liabilities	(5,298)	4,620
Total Adjustments	18,469	15,074
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(74,889)	(90,799)
Cash distribution from GenConn	2,008	2,130
Notes receivable from affiliates	-	29,400
Net Cash (used in) Investing Activities	(72,881)	(59,269)
Cash Flows from Financing Activities		
Payment of common stock dividend	(125,000)	-
Notes payable to affiliates	130,300	333
Net Cash provided by Financing Activities	5,300	333
Unrestricted Cash, Restricted Cash, and Temporary Cash Investments:		
Net change for the period	(983)	(4,276)
Balance at beginning of period	4,319	7,384
Balance at end of period	$ 3,336	$ 3,108
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 14,660	$ 6,561

The accompanying Notes to Financial
Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS

(In Thousands)

(Unaudited)

	June 30, 2017	December, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 382	$ 2,590
Accounts receivable and unbilled revenues, net	148,638	141,368
Accounts receivable from affiliates	5,163	5,961
Current regulatory assets (Note A)	40,744	33,462
Materials and supplies, at average cost	4,862	7,197
Refundable taxes	13,089	22,518
Current portion of derivative assets (Note A), (Note I)	7,905	8,785
Prepayments and other current assets	2,196	3,020
Total Current Assets	222,979	224,901
Other Investments		
Equity investment in GenConn (Note A)	104,270	106,214
Other	9,819	9,979
Total Other Investments	114,089	116,193
Total Property, Plant and Equipment	2,652,294	2,615,742
Less accumulated depreciation	567,667	537,736
	2,084,627	2,078,006
Construction work in progress	156,727	119,879
Net Property, Plant and Equipment	2,241,354	2,197,885
Regulatory Assets (Note A)	521,492	509,627
Deferred Charges and Other Assets		
Derivative assets (Note A), (Note I)	7,564	10,631
Other	6,081	3,490
Total Deferred Charges and Other Assets	13,645	14,121
Total Assets	$ 3,113,559	$ 3,062,727

The accompanying Notes to Financial
Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

LIABILITIES AND CAPITALIZATION

(In Thousands)

(Unaudited)

	June 30, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 70,000	$ 70,000
Accounts payable and accrued liabilities	96,136	107,286
Accounts payable to affiliates	9,455	4,552
Current regulatory liabilities (Note A)	1,280	720
Interest accrued	10,852	10,864
Taxes accrued	13,443	25,947
Notes payable to affiliates	146,800	16,500
Current portion of derivative liabilities (Note A), (Note I)	19,023	22,917
Other liabilities	7,837	10,100
Total Current Liabilities	374,826	268,886
Deferred Income Taxes	460,237	444,159
Regulatory Liabilities	122,214	122,120
Deferred Income Taxes Regulatory	177,172	171,757
Other Noncurrent Liabilities		
Pension accrued and other-post retirement benefits	256,307	251,534
Derivative liabilities (Note A), (Note I)	69,905	71,783
Environmental liabilities	29,287	29,897
Other	18,240	20,578
Total Other Noncurrent Liabilities	373,739	373,792
Capitalization		
Long-term debt	728,943	728,714
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	167,197	244,068
Net Common Stock Equity	876,428	953,299
Total Capitalization	1,605,371	1,682,013
Total Liabilities and Capitalization	$ 3,113,559	$ 3,062,727

The accompanying Notes to Financial Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
June 30, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock			Paid-in		Retained		
	Shares		Amount		Capital		Earnings		Total
Balance as of December 31, 2016	100	$	1	$	709,230	$	244,068	$	953,299
Net income							48,129		48,129
Payment of common stock dividend							(125,000)		(125,000)
Balance as of June 30, 2017	100	$	1	$	709,230		167,197		876,428

The accompanying Notes to Financial Statements are an integral part of the financial statements.

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

The United Illuminating Company (UI), a wholly owned subsidiary of UIL Holdings Corporation (UIL Holdings), is a regulated operating electric public utility established in 1899. UI is engaged principally in the purchase, transmission, distribution and sale of electricity for residential, commercial and industrial purposes. UI is regulated as an electric distribution company by the Connecticut Public Utilities Regulatory Authority (PURA) and is also subject to regulation by the Federal Energy Regulatory Commission (FERC). UI's parent company, UIL Holdings, is a wholly-owned subsidiary of Avangrid, Inc.

UI is also a party to a joint venture with certain affiliates of NRG Energy, Inc. (NRG affiliates) pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly owned subsidiary, GenConn Energy LLC (together with GCE Holding LLC, GenConn) operates peaking generation plants in Devon, Connecticut (GenConn Devon) and Middletown, Connecticut (GenConn Middletown).

Accounting Records

The accounting records of UI are maintained in conformity with accounting principles generally accepted in the United States of America (GAAP) and in accordance with the uniform systems of accounts prescribed by the FERC and the PURA.

Basis of Presentation

The preparation of financial statements in conformity with GAAP requires management to use estimates and assumptions that affect (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts reported in the Financial Statements in previous periods have been reclassified to conform to the current presentation. Changes in the current presentation are as a result of UIL Holdings presenting such information consistent with its parent Avangrid, Inc.

UI has evaluated subsequent events through the date its financial statements were available to be issued, August 3, 2017.

Derivatives

UI is party to contracts, and involved in transactions, that are derivatives.

Contracts for Differences (CfDs)

Pursuant to Connecticut's 2005 Energy Independence Act, the Connecticut Public Utilities Regulatory Authority (PURA) solicited bids to create new or incremental capacity resources in order to reduce federally mandated congestion charges, and selected four new capacity resources. To facilitate the transactions between the selected capacity resources and Connecticut electric customers, and provide the commitment necessary for owners of these resources to obtain necessary financing, PURA required that UI and The Connecticut Light and Power Company (CL&P) execute long-term contracts with the selected resources. In August 2007, PURA approved four CfDs, each of which specifies a capacity quantity and a monthly settlement that reflects the difference between a forward market price and the contract price. UI executed two of the contracts and CL&P executed the other two contracts. The costs or benefits of each contract will be paid by or allocated to customers and will be subject to a cost-sharing agreement between UI and CL&P pursuant to which approximately 20% of the cost or benefit is borne by or allocated to UI customers and approximately 80% is borne by or allocated to CL&P customers.

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of June 30, 2017, UI has recorded a gross derivative asset of $15.5 million, a regulatory asset of $73.5 million and a gross derivative liability of $88.9 million ($69.6 million of which is related to UI's portion of the CfD signed by CL&P). See Note (I) "Fair Value of Financial Instruments" for additional CfD information.

The gross derivative assets and liabilities as of June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017		December 31, 2016	
	(In Thousands)			
Gross derivative assets:				
Current Assets	$	7,905	$	8,785
Deferred Charges and Other Assets	$	7,564	$	10,631
Gross derivative liabilties:				
Current Liabilities	$	19,023	$	22,917
Noncurrent Liabilities	$	69,905	$	71,783

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, for the three and six-month periods ended June 30, 2016 and 2015, were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	(In Thousands)				(In Thousands)			
Regulatory Assets - Derivative liabilities	$	(7,046)	$	(2,892)	$	(1,825)	$	20,167
Regulatory Liabilities - Derivative assets	$	-	$	166	$	-	$	18

Equity Investments

UI is party to a 50-50 joint venture with the NRG affiliates in GenConn, which operates two peaking generation plants in Connecticut. UI's investment in GenConn is being accounted for as an equity investment, the carrying value of which was $104.3 million and $106.2 million as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, there was $0.1 million of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $3.2 million and $3.4 million for the three-month period ended June 30, 2017 and 2016, respectively. UI's pre-tax income from its equity investment in GenConn was $6.2 million and $6.6 million for the six-month periods ended June 30, 2017 and 2016, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections of the Statement of Cash Flows, respectively. UI received cash distributions from GenConn of $3.1 million and $3.3 million during the three-month periods ended June 30, 2017 and 2016, respectively. UI received cash distributions from GenConn of $8.2 million and $8.6 million in the six-month periods ended June 30, 2017 and 2016, respectively.

Regulatory Accounting

Generally accepted accounting principles for regulated entities in the United States of America allow UI to give accounting recognition to the actions of regulatory authorities in accordance with the provisions of Accounting Standards Codification (ASC) 980 "Regulated Operations." In accordance with ASC 980, UI has deferred recognition of costs (a regulatory asset) or has recognized obligations (a regulatory liability) if it is probable that such costs will be recovered or obligations relieved in the future through the ratemaking process. UI is allowed to recover all such deferred costs through its regulated rates. See Note (C) "Regulatory Proceedings", for a discussion of the recovery of certain deferred costs, as well as a discussion of the regulatory decisions that provide for such recovery.

UI also has obligations under long-term power contracts, the recovery of which is subject to regulation. If UI, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs would be required in the year in which such criteria are no longer met (if such deferred costs are not recoverable in the portion of the business that continues to meet the criteria for application of ASC 980). UI expects to continue to meet the criteria for application of ASC 980 for the foreseeable future. If a change in accounting were to occur, it could have a material adverse effect on the earnings and retained earnings of UI in that year and could also have a material adverse effect on the ongoing financial condition of UI.

Unless otherwise stated below, all of UI's regulatory assets earn a return. UI's regulatory assets and liabilities as of June 30, 2017 and December 31, 2016 included the following:

	Remaining Period	June 30, 2017	December 31, 2016
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	5 to 17 years	$ 8,517	8,907
Pension and other post-retirement benefit plans	(a)	236,688	236,688
Unfunded future income taxes	(b)	180,923	179,204
Contracts for differences	(c)	73,459	75,284
Excess generation service charge	(d)	9,881	1,536
Deferred transmission expense	(e)	20,171	8,465
Other	(f)	32,597	33,005
Total regulatory assets		562,236	543,089
Less current portion of regulatory assets		40,744	33,462
Regulatory Assets, Net		$ 521,492	$ 509,627
Regulatory Liabilities:			
Accumulated deferred investment tax credits	28 years	$ 14,385	$ 14,738
Middletown/Norwalk local transmission network service collections	34 years	19,395	19,682
Pension and other post-retirement benefit plans	(a)	10,177	10,177
Asset removal costs	(f)	68,035	67,019
Deferred income taxes	(b)	177,172	171,757
Other	(e)	11,502	11,224
Total regulatory liabilities		300,666	294,597
Less current portion of regulatory liabilities		1,280	720
Regulatory Liabilities, Net		$ 299,386	$ 293,877

(a) Life is dependent upon timing of final pension plan distribution; balance, which is fully offset by a corresponding asset/liability, is recalculated each year in accordance with ASC 715 "Compensation-Retirement Benefits." See Note (F) "Pension and Other Benefits" for additional information.
(b) The balance will be extinguished when the asset, which is fully offset by a corresponding liability; or liability has been realized or settled, respectively.
(c) Asset life is equal to delivery term of related contracts (which vary from approximately 2 - 9 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note I); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "-Contracts for Differences" discussion above for additional information.
(d) Regulatory asset or liability which defers generation-related and nonbypassable federally mandated congestion costs or revenues for future recovery from or return to customers. Amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.
(e) Regulatory asset or liability which defers transmission income or expense and fluctuates based upon actual revenues and revenue requirements.

(f) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; asset amount as of June 30, 2017 includes decoupling ($6.9 million) and certain other amounts that are not currently earning a return.

Variable Interest Entities

UI has identified GenConn as a variable interest entity (VIE), which is accounted for under the equity method. UI is not the primary beneficiary of GenConn, as defined in ASC 810 "Consolidation," because it shares control of all significant activities of GenConn with its joint venturer, NRG affiliates. As such, GenConn is not subject to consolidation. GenConn recovers its costs through CfDs, which are cost of service-based and have been approved by PURA. As a result, with the achievement of commercial operation by GenConn Devon and GenConn Middletown, UI's exposure to loss is primarily related to the potential for unrecovered GenConn operating or capital costs in a regulatory proceeding, the effect of which would be reflected in the carrying value of UI's 50% ownership position in GenConn and through "Income from Equity Investments" in UI's Financial Statements. Such exposure to loss cannot be determined at this time. For further discussion of GenConn, see "–Equity Investments" as well as Note (C) Regulatory Proceedings – Equity Investment in Peaking Generation.

UI has identified the selected capacity resources with which it has CfDs as VIEs and has concluded that it is not the primary beneficiary as it does not have the power to direct any of the significant activities of these capacity resources. As such, UI has not consolidated the selected capacity resources. UI's maximum exposure to loss through these agreements is limited to the settlement amount under the CfDs as described in "–Derivatives – Contracts for Differences (CfDs)" above. UI has no requirement to absorb additional losses nor has UI provided any financial or other support during the periods presented that were not previously contractually required.

UI has identified the entities for which it is required to enter into long-term contracts to purchase Renewable Energy Credits (RECs) as VIEs. In assessing these contracts for VIE identification and reporting purposes, UI has aggregated the contracts based on similar risk characteristics and significance to UI. UI is not the primary beneficiary as it does not have the power to direct any of the significant activities of these entities. UI's exposure to loss is primarily related to the purchase and resale of the RECs, but, any losses incurred are recoverable through electric rates. For further discussion of RECs, see Note (C) Regulatory Proceedings – New Renewable Source Generation.

New Accounting Pronouncements

In March 2017 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07 "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The ASU contains amendments that require an entity to present service cost separately from the other components of net benefit cost, and to report the service cost component in the income statement line item(s) where it reports the corresponding compensation cost. An entity is to present all other components of net benefit cost outside of operating cost, if it presents that subtotal. The amendments also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of a self-constructed asset). The amendments are effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. UI does not plan to early adopt. An entity is required to apply the amendments retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. A practical expedient allows an entity to retrospectively apply the amendments on adoption to net benefit costs for comparative periods by using the amounts disclosed in the notes to financial statements for pension and postretirement benefit plans for those periods. UI is currently evaluating how the adoption of the amendments will affect its results of operations, financial position, cash flows, and disclosures.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at June 30, 2017 and December 31, 2016.

(C) REGULATORY PROCEEDINGS

Rates

Utilities are entitled by Connecticut statutes to charge rates that are sufficient to allow them an opportunity to cover their reasonable operating and capital costs, to attract needed capital and to maintain their financial integrity, while also protecting relevant public interests.

In December 2016, the Connecticut Public Utilities Regulatory Authority (PURA) approved new distribution rate schedules for The United Illuminating Company (UI) for three years, which became effective January 1, 2017, and which, among other things, provides for annual tariff increases and an ROE of 9.10% based on a 50% equity ratio, continued UI's existing earnings sharing mechanism pursuant to which UI and its customers share on a 50/50 basis all distribution earnings above the allowed ROE in a calendar year, continued the existing decoupling mechanism, and approved the continuation of the requested storm reserve. Any dollars due to customers continue to be first applied against any storm regulatory asset balance (if one exists at that time) or refunded to customers through a bill credit if such storm regulatory asset balance does not exist.

Power Supply Arrangements

UI has wholesale power supply agreements in place for its entire standard service load for the second half of 2017and 50% of its standard service load for the first half of 2018. Supplier of last resort service is procured on a quarterly basis, however, from time to time there are no bidders in the procurement process for supplier of last resort service and in such cases UI manages the load directly.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 "Derivatives and Hedging" and elected the "normal purchase, normal sale" exception under ASC 815 "Derivatives and Hedging." UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI's credit rating on senior debt were to fall below investment grade. If UI's credit rating were to decline one rating at Standard & Poor's or two ratings at Moody's and UI were to be placed on negative credit watch, monthly amounts due and payable to the power suppliers would be accelerated to semi-monthly payments. UI's credit rating would have to decline two ratings at Standard & Poor's and three ratings at Moody's to fall below investment grade. If this were to occur, UI would have to deliver collateral security in an amount equal to the receivables due to the sellers for the thirty-day period immediately preceding the default notice. If such an event had occurred as of June 30, 2017 UI would have had to post an aggregate of approximately $11.2 million in collateral. UI would have been and remains able to provide that collateral.

New Renewable Source Generation

Under Connecticut law Public Act 11-80 (PA 11-80), Connecticut electric utilities are required to enter into long-term contracts to purchase Connecticut Class I Renewable Energy Certificates, or RECs, from renewable generators located on customer premises. Under this program, UI is required to enter into contracts totaling approximately $200 million in commitments over an approximate 22-year period. The obligations have been phasing in over a seven-year solicitation period, with the 2017-2018 year being the sixth year, and are expected to peak at an annual commitment level of about $15.2 million per year after all selected projects are online. Upon purchase, UI accounts for the RECs as inventory. UI expects to partially mitigate the cost of these contracts through the resale of the RECs. PA 11-80 provides that the remaining costs (and any benefits) of these contracts, including any gain or loss resulting from the resale of the RECs, are fully recoverable from (or credited to) customers through electric rates.

Through UI's renewable connections program UI owns 10 MW of renewable generation. The costs for this program are recovered on a cost of service basis. PURA established a base ROE to be calculated as the greater of: (A) the current UI authorized distribution ROE (currently 9.10%) plus 25 basis points and (B) the current authorized distribution ROE for CL&P (currently 9.17%), less target equivalent market revenues (reflected as 25 basis points). In addition, UI will retain a percentage of the market revenues from the project, which percentage is expected to equate to approximately 25 basis points on a levelized basis over the life of the project. The costs of this program, a 2.8 MW fuel cell facility in New Haven, solar photovoltaic and fuel cell facilities totaling 5 MW in Bridgeport, and a 2.2 MW fuel cell facility in Woodbridge was approximately $47.5 million.

Pursuant to Connecticut statute, on February 7, 2017, UI entered into a master agreement with the Connecticut Green Bank to procure Connecticut Class I RECs produced by residential solar installations in 15 year tranches, with a final tranche to commence no later than 2022. UI's contractual obligation is to procure 20% of RECs produced by about 255 MW of residential solar installations. Connecticut statutes provides that the net costs (and any benefits) of these contracts, including any gain or loss resulting from the resale of the RECs, are fully recoverable from (or credited to) customers through electric rates.

On May 25, 2017, UI entered into six 20-year power purchase agreements (PPAs) totaling approximately 30 MW with developers of wind and solar generation. These PPAs originated from a three-state Clean Energy RFP, and were entered into pursuant Connecticut law Public Act (PA) 13-303 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs are expected to be filed for PURA approval during the third quarter of 2017.

On June 20, 2017, UI entered into 22 20-year PPAs totaling approximately 70 MW with developers of wind and solar generation. These PPAs originated from the Connecticut Department of Energy and Environmental Protection's PA 15-107 1(b) RFP, and were entered into pursuant to PA 15-107, Section 1(b) PA 15-107 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were filed for PURA approval on June 26, 2017.

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE. UI'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. For 2017, UI is using an estimated overall allowed weighted-average ROE for its transmission business of 11.3% as of June 30, 2017. This includes the impact of the FERC order issued on October 16, 2014 and excludes any impacts of the reserve adjustment, both of which are discussed below.

On December 28, 2015, the FERC issued an order instituting section 206 proceedings and establishing hearing and settlement judge procedures. Pursuant to section 206 of the FPA, the FERC instituted proceedings because it found that ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. The FERC stated that ISO-NE's Tariff lacks adequate transparency and challenge procedures with regard to the formula rates for ISO-NE Participating Transmission Owners, including UI. The FERC also found that the current Regional Network Service, or RNS and Local Network Service, or LNS, formula rates appear to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful as the formula rates appear to lack sufficient detail in order to determine how certain costs are derived and recovered in the formula rates. A settlement judge has been appointed and a settlement conference has convened. UI is unable to predict the outcome of this proceeding at this time.

On September 30, 2011, several New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties collectively filed a complaint (Complaint I) with the FERC pursuant to sections 206 and 306 of the Federal Power Act. The filing parties sought an order from the FERC reducing the 11.14% base return on equity used in calculating formula rates for transmission service under the ISO-New England Open Access Transmission Tariff (OATT) to 9.2%. UI is a New England Transmission Owner (NETO) with assets and service rates that are governed by the OATT and therefore is affected by any FERC order resulting from the filed complaint.

On June 19, 2014, the FERC issued its decision in Complaint I, establishing an ROE methodology and setting an issue for a paper hearing. On October 16, 2014, 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, and ordered the NETOs to file a refund report. On November 17, 2014 the NETOs filed the requested refund report.

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 16, 2014 decision. The March order upheld the FERC's June 19, 2014 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 average transmission return. In June 2015 the NETOs and complainants both filed an appeal in the U.S. Court of Appeals for the District of Columbia of the FERC's final order.

On April 14, 2017, the Court of Appeals (the Court) vacated the FERC's decision on Complaint I and remanded it to the FERC. The Court found that the FERC, as directed by statute, did not determine first that the existing ROE was unjust and unreasonable before determining a new ROE. The Court ruled that the FERC must first determine that the then existing 11.14% base ROE was unjust and unreasonable before selecting the 10.57% as the new base ROE. The Court also found that the FERC did not provide reasoned judgment as to why 10.57%, the point ROE at the midpoint of the upper end of the zone of reasonableness, is a just and reasonable ROE. Instead, FERC only explained in its order that the midpoint of 9.39% was not just and reasonable and a higher base ROE was warranted. On June 5, 2017, the NETOs made a filing with the FERC seeking to reinstate transmission rates to the status quo ante (effect of the Court vacating order is to return the parties to the rates in effect prior to the FERC Final decision) as of June 6, 2017, the date the Court decision is expected to be effective. In that filing, the NETOs state that they will not begin billing at the higher rates until 60 days after the FERC has a quorum of commissioners. UI cannot predict the outcome of an appeal or other action by the FERC.

On December 26, 2012, a second, ROE complaint (Complaint II) for a subsequent rate period was filed requesting the ROE be reduced to 8.7%. On June 19, 2014, the FERC accepted Complaint II, established a 15-month refund effective date of December 27, 2012, and set the matter for hearing using the methodology established in the Complaint I.

On July 31, 2014, a third, ROE complaint (Complaint III) was filed for a subsequent rate period requesting the ROE be reduced to 8.84%. On November 24, 2014, the FERC accepted the Complaint III, established a 15-month refund effective date of July 31, 2014, and set this matter consolidated with Complaint II for hearing in June 2015. Hearings were held in June 2015 on Complaints II and III before a FERC Administrative Law Judge, relating to the refund periods and going forward period. On July 29, 2015, post-hearing briefs were filed by parties and on August 26, 2015 reply briefs were filed by parties. On July 13, 2015, the NETOs filed a petition for review of the FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the U.S. Court of Appeals. The FERC Administrative Law Judge issued an Initial Decision on March 22, 2016. The Initial Decision determined that: (1) for the 15-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 15 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 is the Administrative Law Judge's recommendation to the FERC Commissioners. The FERC is expected to make its final decision later in 2017, once the FERC has enough commissioners to provide quorum for decision-making.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 final decision in Complaint I. Refunds were provided for Complaint I. The total reserve associated with Complaints II and III is $4.4 million as of June 30, 2017, which has not changed since December 31, 2016, except for the accrual of carrying costs. If adopted as final, the impact of the initial decision would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings. UI cannot predict the outcome of the Complaint II and III proceedings.

On April 29, 2016, a fourth ROE complaint (Complaint IV) was filed for a rate period subsequent to prior complaints requesting the base ROE be 8.61% and ROE Cap be 11.24%. The NETOs filed a response to the Complaint IV on June 3, 2016. On September 20, 2016, FERC accepted the Complaint IV, established a 15-month refund effective date of April 29, 2016, and set the matter for hearing and settlement judge procedures. On February 1, 2017, the complainants filed their initial testimony recommending a base ROE of 8.59%. On March 23, 2017, the NETOs filed their answering testimony supporting the continuation of the base ROE from Complaint I of 10.57%. In April 2017, the NETOs filed for a stay in the hearings pending FERC on the Court order described above. That request was denied by the Administrative Law Judge. Hearings are being held later this year with an expected Initial Decision from the Administrative Law Judge in March 2018. A range of possible outcomes is not able to be determined at this time due to the preliminary state of this matter. UI cannot predict the outcome of the Complaint IV proceeding.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with NRG affiliates in GenConn, which operates two peaking generation plants in Connecticut. The two peaking generation plants, GenConn Devon and GenConn Middletown, are both participating in the ISO-New England markets. PURA has approved revenue requirements for the period from January 1, 2017 through December 31, 2017 of $28.9 million and $35.7 million for GenConn Devon and GenConn Middletown, respectively. PURA has ruled previously that GenConn's project capital costs incurred were prudently incurred and are included in the 2017 approved revenue requirements.

(D) SHORT-TERM CREDIT ARRANGEMENTS

Through its parent company, Avangrid, Inc., and along with other Avangrid, Inc. subsidiaries, UI is party to a credit facility agreement (AVANGRID Credit Facility) under which UI has a maximum sublimit of $250 million. Additionally, under the AVANGRID Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 10.0 to 17.5 basis points. The maturity date for the AVANGRID Credit Facility is April 5, 2021. As of June 30, 2017, UI does not have any outstanding borrowings under the AVANGRID Credit Facility.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The annualized effective income tax rates for the six-month periods ended June 30, 2017 and 2016 were 31.9% and 30.1%, respectively.

(F) PENSION AND OTHER BENEFITS

In April 2017, UI made pension contributions of $9.0 million and does not expect to make any additional contributions in the remainder of 2017.

The following table represents the components of net periodic benefit cost for pension and other postretirement benefits (OPEB) as well as the actuarial weighted-average assumptions used in calculating net periodic benefit costs for the three-month and six-month periods ended June 30, 2017 an 2016:

	Three Months Ended June 30,			
	Pension Benefits		Other Post-Retirement Benefits	
	2017	2016	2017	2016
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,403	$ 1,578	$ 235	$ 257
Interest cost	5,747	5,718	675	787
Expected return on plan assets	(6,291)	(6,435)	(363)	(418)
Amortization of:				
Prior service costs	(2)	(1)	(385)	(382)
Actuarial (gain) loss	6,185	5,906	4	408
Net periodic benefit cost	$ 7,042	$ 6,766	$ 167	$ 652

	Six Months Ended June 30,			
	Pension Benefits		Other Post-Retirement Benefits	
	2017	2016	2017	2016
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 2,805	$ 3,156	$ 471	$ 257
Interest cost	11,493	11,436	1,350	787
Expected return on plan assets	(12,582)	(12,870)	(726)	(418)
Amortization of:				
Prior service costs	(3)	(2)	(769)	(382)
Actuarial (gain) loss	12,371	11,812	7	408
Net periodic benefit cost	$ 14,084	$ 13,532	$ 333	$ 652
Discount rate	4.24%	4.24%	4.24%	4.24%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.50%	7.75%	6.25%	7.75%
Health care trend rate (current year - pre/post-65)	N/A	N/A	6.75%/6.00%	7.00%
Health care trend rate (2026/2024 - pre/post-65)	N/A	N/A	4.50%/4.50%	4.50%

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

During the six-month periods ending June 30, 2017 and 2016, UI received cash distributions from GenConn. See Note (A) Business Organization and Statement of Accounting Policies – Equity Investments.

Inter-company Transactions

UI receives various administrative and management services from and enters into certain inter-company transactions with Avangrid Inc. and its subsidiaries. For the six-month periods ended June 30, 2017 and 2016, UI recorded inter-company expenses of $28.8 million and $22.2 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of Avangrid's regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers and are included in Accounts receivable from affiliates and Accounts payable to affiliates in the accompanying balance sheets.

Dividends/Capital Contributions

In order to maintain its capitalization structure as allowed per PURA, on a quarterly basis UI assesses the need to pay dividends to UIL Holdings. For the six-month periods ended June 30, 2017, UI paid dividends of $125 million to UIL Holdings.

(H) COMMITMENTS AND CONTINGENCIES

UI is party to various legal disputes arising as part of its normal business activities. UI assesses its exposure to these matters and records estimated loss contingencies when a loss is likely and can be reasonably estimated.

Connecticut Yankee Atomic Power Company

UI has a 9.5% stock ownership share in the Connecticut Yankee Atomic Power Company, an inactive nuclear generating company (Connecticut Yankee), the carrying value of which was $0.2 million as June 30, 2017. Connecticut Yankee has completed the physical decommissioning of its generation facilities and is now engaged primarily in the long-term storage of its spent nuclear fuel. Connecticut Yankee collects its costs through wholesale FERC-approved rates from UI and several other New England utilities. UI recovers these costs from its customers through electric rates.

DOE Spent Fuel Litigation

In 1998, Connecticut Yankee filed claims in the United States Court of Federal Claims seeking damages resulting from the breach of the 1983 spent fuel and high level waste disposal contract between Connecticut Yankee and the DOE. In September 2010, the court issued its decision and awarded Connecticut Yankee damages of $39.7 million for its spent fuel-related costs through 2001, which was affirmed in May 2012. Connecticut Yankee received payment of the damage award and, in light of its ownership share, in July 2013 UI received approximately $3.8 million of such award which was credited back to customers through the CTA.

In December 2007, Connecticut Yankee filed a second set of complaints with the United States Court of Federal Claims against the DOE seeking damages incurred since January 1, 2002 for the DOE's failure to remove Connecticut Yankee's spent fuel. In November 2013, the court issued a final judgment, which was not appealed, awarding Connecticut Yankee damages of $126.3 million. In light of its ownership share, in June 2014, UI received approximately $12.0 million of such award which was applied, in part, against the remaining storm regulatory asset balance. The remaining regulatory liability balance was applied to the GSC "working capital allowance" and will be returned to customers through the nonbypassable federally mandated congestion charge.

In August 2013, Connecticut Yankee filed a third set of complaints (Phase III) with the United States Court of Federal Claims against the DOE seeking an unspecified amount of damages incurred since January 1, 2009 for the DOE's failure to remove Connecticut Yankee's spent fuel. In April 2015, Connecticut Yankee provided the DOE with a third set of damage claims totaling approximately $32.9 million for damages incurred from January 1, 2009 through December 31, 2012. The Phase II trial was completed in July 2015 and the Court issued its decision on March 25, 2016 awarding Connecticut Yankee $32.6 million. On July 18, 2016, the notice of appeal period expired and the Phase III trial award became final. On October 14, 2016, Connecticut Yankee received the DOE's payment of the damage award. UI's 9.5% ownership share resulted in a receipt of approximately $3.1 million in December 2016, of which approximately $1.7 million will be refunded to customers and of which approximately $1.4 million was used to fund the decommissioning trust fund.

Environmental Matters

In complying with existing environmental statutes and regulations and further developments in areas of environmental concern, including legislation and studies in the fields of water quality, hazardous waste handling and disposal, toxic substances, climate change and electric and magnetic fields, UI may incur substantial capital expenditures for equipment modifications and additions, monitoring equipment and recording devices, as well as additional operating expenses. The total amount of these expenditures is not now determinable. Environmental damage claims may also arise from the operations of our subsidiaries. Significant environmental issues known to UI at this time are described below.

Site Decontamination, Demolition and Remediation Costs

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then and current owners of a former generation site on the Mill River in New Haven (the English Station site) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut against UI seeking, among other things: (i) an order directing UI to reimburse the plaintiffs for costs they have incurred and will incur for the testing, investigation and remediation of hazardous substances at the English Station site and (ii) an order directing UI to investigate and remediate the site. This proceeding had been stayed in 2014 pending resolutions of other proceedings before the Connecticut Department of Energy and Environmental Protection (DEEP) concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party. In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the English Station site; (ii) reimbursement of remediation costs; (iii) termination of UI's easement rights; (iv) reimbursement for costs associated with securing the property; and (v) punitive damages. This lawsuit had been stayed in May 2014 pending mediation. Due to lack of activity in the case, the court terminated the stay and scheduled a status conference for July 6, 2017. On July 5, 2017, Asnat filed a pretrial memorandum claiming damages of $10 million for "environmental remediation activities" and lost use of the property; the memorandum also states that Asnat intends to amend its complaint to update allegations and name additional parties, including former UIL officers and employees and other UI officers.

On April 8, 2013, DEEP issued an administrative order addressed to UI, Evergreen Power, Asnat and others, ordering the parties to take certain actions related to investigating and remediating the English Station site. Mediation of the matter began in the fourth quarter of 2013 and concluded unsuccessfully in April 2015. This proceeding was stayed while DEEP and UI continue to work through the remediation process pursuant to the consent order described below. Status reports are periodically filed with the DEEP. The last report was filed in July 2017 and the next status report is due in September 2017.

On August 4, 2016, DEEP issued a partial consent order (the consent order), that, subject to its terms and conditions, requires UI to investigate and remediate certain environmental conditions within the perimeter of the English Station site. Under the consent order, to the extent that the cost of this investigation and remediation is less than $30 million, UI will remit to the State of Connecticut the difference between such cost and $30 million to be used for a public purpose as determined in the discretion of the Governor of the State of Connecticut, the Attorney General of the State of Connecticut, and the Commissioner of DEEP. UI is obligated to comply with the terms of the consent order even if the cost of such compliance exceeds $30 million. Under the terms of the consent order, the State will discuss options with UI on recovering or funding any cost above $30 million such as through public funding or recovery from third parties; however, it is not bound to agree to or support any means of recovery or funding.

In connection with the consent order, on August 4, 2016, DEEP also issued a consent order to Evergreen Power, Asnat, and certain related parties that provides UI access to investigate and remediate the English Station site consistent with the consent order. UI has initiated its process to investigate and remediate the environmental conditions within the perimeter of the English Station site pursuant to the consent order.

As of December 31, 2016, UI reserved $30 million for this matter. As of June 30, 2017, the reserve amount remained unchanged. UI cannot predict the outcome of this matter.

Other

With respect to transmission-related property adjacent to the New Haven Harbor Generating Station, UI performed an environmental analysis that indicated remediation expenses would be approximately $3.2 million. UI has accrued these estimated expenses, which were recovered in transmission rates.

(I) FAIR VALUE MEASUREMENTS

As required by ASC 820 "Fair Value Measurements and Disclosures," financial assets and liabilities are classified in their entirety, based on the lowest level of input that is significant to the fair value measurement. UI's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth the fair value of UI's financial assets and liabilities, other than pension benefits and other postretirement benefits, as of June 30, 2017 and December 31, 2016:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
June 30, 2017		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	15,469	$ 15,469
Supplemental retirement benefit trust life insurance policies	-	9,646	-	9,646
	-	9,646	15,469	25,115
Liabilities:				
Derivative liabilities	-	-	88,928	88,928
	-	-	88,928	88,928
Net fair value assets/(liabilities), June 30, 2017	$ -	$ 9,646	$ (73,459)	$ (63,813)
December 31, 2016				
Assets:				
Derivative assets	$ -	$ -	$ 19,416	$ 19,416
Supplemental retirement benefit trust life insurance policies	-	9,646	-	9,646
	-	9,646	19,416	29,062
Liabilities:				
Derivative liabilities	-	-	94,700	94,700
	-	-	94,700	94,700
Net fair value assets/(liabilities), December 31, 2016	$ -	$ 9,646	$ (75,284)	$ (65,638)

Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The derivative assets consist primarily of CfDs. The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at the June 30, 2017 or December 31, 2016 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

Additionally, on a quarterly basis, UI performs analytics to ensure that the fair value of the derivatives is consistent with changes, if any, in the various fair value model inputs. Additional quantitative information about Level 3 fair value measurements is as follows:

	Unobservable Input	Range at June 30, 2017	Range at December 31, 2016
Contracts for differences	Risk of non-performance	0.61% - 0.64%	0.68% - 0.81%
	Discount rate	1.55% - 2.31%	1.47% - 2.45%
	Forward pricing ($ per MW)	$5.30 - $9.55	$3.15 - $9.55

Significant isolated changes in the risk of non-performance, the discount rate or the contract term pricing would result in an inverse change in the fair value of the CfDs.

The determination of the fair value of the supplemental retirement benefit trust life insurance policies was based on quoted prices as of June 30, 2017 and December 31, 2016 in the active markets for the various funds within which the assets are held.

The following tables set forth a reconciliation of changes in the fair value of the assets and liabilities above that are classified as Level 3 in the fair value hierarchy for the six-month period June 30, 2017.

	Six Months Ended June 30, 2017 (In Thousands)
Net derivative assets/(liabilities), December 31, 2016	$ (75,284)
Unrealized gains and (losses), net	1,825
Net derivative assets/(liabilities), June 30, 2017	$ (73,459)
Change in unrealized gains (losses), net relating to net derivative assets/(liabilities), still held as of June 30, 2017	$ 1,825

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

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THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating Revenues	$ 65,738	$ 64,070	$ 202,280	$ 187,543
Operating Expenses				
Operation				
Natural gas purchased	24,862	23,979	95,464	79,166
Operation and maintenance	24,879	19,826	48,619	46,981
Depreciation and amortization	6,361	6,475	12,660	12,847
Taxes - other than income taxes	6,000	5,082	14,409	13,240
Total Operating Expenses	62,102	55,362	171,152	152,234
Operating Income	3,636	8,708	31,128	35,309
Other Income and (Deductions), net				
Other income	929	164	3,165	661
Other (deductions)	(144)	(112)	(453)	(388)
Total Other Income and (Deductions), net	785	52	2,712	273
Interest Charges, net	2,987	3,500	6,515	7,021
Income (Loss) Before Income Taxes	1,434	5,260	27,325	28,561
Income Taxes	(133)	1,840	9,361	10,657
Net Income (Loss)	$ 1,567	$ 3,420	$ 17,964	$ 17,904

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income (Loss)	$ 1,567	$ 3,420	$ 17,964	$ 17,904
Other Comprehensive Income (Loss), net of income taxes				
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	168	59	428	64
Comprehensive Income	$ 1,735	$ 3,479	$ 18,392	$ 17,968

Connecticut Energy Corporation, a wholly owned subsidiary of UIL Holdings Corporation, is a holding company whose sole business is ownership of the Southern Connecticut Gas Company (SCG). The Consolidated Financial Statements of SCG include the accounts of all variable interest entities where SCG has been determined to be the primary beneficiary including the Milford LNG facility owned by United Resources, Inc., a wholly owned subsidiary of UIL Holdings Corporation.

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED BALANCE SHEET
ASSETS
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 400	$ 794
Accounts receivable and unbilled revenues, net	59,093	78,570
Accounts receivable from affiliates	1,826	5,541
Notes receivable from affiliates	3,915	2,880
Current regulatory assets	15,232	22,886
Natural gas in storage, at average cost	27,842	26,489
Materials and supplies, at average cost	1,994	2,115
Prepayments and other current assets	3,738	9,990
Total Current Assets	114,040	149,265
Other Investments	10,172	9,657
Total Property, Plant and Equipment	907,802	889,871
Less accumulated depreciation	231,156	221,864
	676,646	668,007
Construction work in progress	8,947	7,425
Net Property, Plant and Equipment	685,593	675,432
Regulatory Assets	148,958	153,415
Deferred Income Taxes Regulatory	9,610	-
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	1,459	170
Total Deferred Charges and Other Assets	136,390	135,101
Total Assets	$ 1,104,763	$ 1,122,870

Connecticut Energy Corporation, a wholly owned subsidiary of UIL Holdings Corporation, is a holding company whose sole business is ownership of the Southern Connecticut Gas Company (SCG). The Consolidated Financial Statements of SCG include the accounts of all variable interest entities where SCG has been determined to be the primary beneficiary including the Milford LNG facility owned by United Resources, Inc., a wholly owned subsidiary of UIL Holdings Corporation.

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 2,590	$ 2,517
Accounts payable and accrued liabilities	38,690	55,254
Accounts payable to affiliates	6,101	-
Current regulatory liabilities	7,066	2,759
Other current liabilities	6,400	6,592
Interest accrued	2,206	2,819
Taxes accrued	4,432	18,474
Notes payable to affiliates	10,048	19,698
Total Current Liabilities	77,533	108,113
Deferred Income Taxes	54,976	42,366
Regulatory Liabilities	181,127	172,897
Deferred Income Taxes Regulatory	-	218
Other Noncurrent Liabilities		
Pension and other-post retirement	72,386	70,589
Asset retirement obligations	12,219	11,910
Environmental liabilities	46,898	46,916
Other	8,020	8,473
Total Other Noncurrent Liabilities	139,523	137,888
Capitalization		
Long-term debt, net of unamortized premium	221,347	222,523
Noncontrolling interest	16,869	16,869
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	24,605	33,641
Accumulated other comprehensive income (loss)	285	(143)
Net Common Stock Equity	413,388	421,996
Total Capitalization	651,604	661,388
Total Liabilities and Capitalization	$ 1,104,763	$ 1,122,870

Connecticut Energy Corporation, a wholly owned subsidiary of UIL Holdings Corporation, is a holding company whose sole business is ownership of the Southern Connecticut Gas Company (SCG). The Consolidated Financial Statements of SCG include the accounts of all variable interest entities where SCG has been determined to be the primary beneficiary including the Milford LNG facility owned by United Resources, Inc., a wholly owned subsidiary of UIL Holdings Corporation.

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash Flows From Operating Activities		
Net income	$ 17,964	$ 17,904
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,753	13,046
Uncollectible expense	2,262	2,213
Deferred income taxes	1,733	10,670
Pension expense	2,328	2,170
Regulatory assets/liabilities amortization	8,539	8,539
Regulatory assets/liabiities carrying cost	151	-
Other non-cash items, net	116	(38)
Changes in:		
Accounts receivable and unbilled revenue, net	20,730	11,848
Natural gas in storage	(1,353)	8,206
Accounts payable and accrued liabilities	(8,503)	(9,611)
Taxes accrued/refundable, net	(5,030)	(202)
Interest accrued	(613)	(113)
Accrued pension and other post-retirement	(531)	(3,884)
Regulatory assets/liabilities	11,729	6,536
Other assets	(1,273)	2,913
Other liabilities	(375)	173
Total Adjustments	42,663	52,466
Net Cash provided by Operating Activities	60,627	70,370
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(23,336)	(26,446)
Notes receivable from affiliates	(1,035)	-
Net Cash (used in) Investing Activities	(24,371)	(26,446)
Cash Flows from Financing Activities		
Payment of common stock dividend	(27,000)	-
Notes payable to affililiates	(9,650)	(44,950)
Net Cash (used in) provided by Financing Activities	(36,650)	(44,950)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(394)	(1,026)
Balance at beginning of period	794	6,946
Balance at end of period	$ 400	$ 5,920
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,308	$ 3,470

Connecticut Energy Corporation, a wholly owned subsidiary of UIL Holdings Corporation, is a holding company whose sole business is ownership of the Southern Connecticut Gas Company (SCG). The Consolidated Financial Statements of SCG include the accounts of all variable interest entities where SCG has been determined to be the primary beneficiary including the Milford LNG facility owned by United Resources, Inc., a wholly owned subsidiary of UIL Holdings Corporation.

THE SOUTHERN CONNECTICUT GAS COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

June 30, 2017

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained Earnings (Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit)	Income (Loss)	Total
Balance as of December 31, 2016	1,407,072	$ 18,761	$ 369,737	$ 33,641	$ (143)	$ 421,996
Net income				17,964		17,964
Other comprehensive loss, net of income taxes					428	428
Payment of common stock dividend				(27,000)		(27,000)
Balance as of March 31, 2017	1,407,072	$ 18,761	$ 369,737	$ 24,605	$ 285	$ 413,388

Connecticut Energy Corporation, a wholly owned subsidiary of UIL Holdings Corporation, is a holding company whose sole business is ownership of the Southern Connecticut Gas Company (SCG). The Consolidated Financial Statements of SCG include the accounts of all variable interest entities where SCG has been determined to be the primary beneficiary including the Milford LNG facility owned by United Resources, Inc., a wholly owned subsidiary of UIL Holdings Corporation.

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

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THE BERKSHIRE GAS COMPANY
STATEMENT OF INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Operating Revenues	$ 11,555	$ 11,114	$ 45,258	$ 40,744
Operating Expenses				
Operation				
Natural gas purchased	2,551	2,067	17,636	13,368
Operation and maintenance	6,546	6,425	13,611	13,285
Depreciation and amortization	1,972	1,816	3,889	3,603
Taxes - other than income taxes	1,154	982	2,102	1,816
Total Operating Expenses	12,223	11,290	37,238	32,072
Operating Income (loss)	(668)	(176)	8,020	8,672
Other Income and (Deductions), net				
Other income	3	43	47	159
Other (deductions)	(54)	(70)	(65)	(80)
Total Other Income and (Deductions), net	(51)	(27)	(18)	79
Interest Charges, net	801	852	1,622	1,687
Income (Loss) Before Income Taxes	(1,520)	(1,055)	6,380	7,064
Income Taxes	(530)	(425)	2,648	2,758
Net Income (Loss)	$ (990)	$ (630)	$ 3,732	$ 4,306

THE BERKSHIRE GAS COMPANY
STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net Income (Loss)	$ (990)	$ (630)	$ 3,732	$ 4,306
Other Comprehensive Income (Loss)	2	4	6	19
Comprehensive Income (Loss)	$ (988)	$ (626)	$ 3,738	$ 4,325

THE BERKSHIRE GAS COMPANY
BALANCE SHEET
ASSETS
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 92	$ 78
Accounts receivable and unbilled revenues, net	7,282	14,427
Accounts receivable from affiliates	298	292
Current regulatory assets	2,533	7,149
Natural gas in storage, at average cost	1,704	1,898
Materials and supplies, at average cost	1,126	764
Other current assets	61	300
Total Current Assets	13,096	24,908
Other Investments	2,405	2,450
Total Property, Plant and Equipment	227,731	222,525
Less accumulated depreciation	74,867	72,618
	152,864	149,907
Construction work in progress	5,387	3,407
Net Property, Plant and Equipment	158,251	153,314
Regulatory Assets	35,150	35,409
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	1,008	28
Total Deferred Charges and Other Assets	52,941	51,961
Total Assets	$ 261,843	$ 268,042

THE BERKSHIRE GAS COMPANY
BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 2,393	$ 2,393
Accounts payable and accrued liabilities	6,588	11,140
Accounts payable to affiliates	474	8,021
Other current liabilities	802	971
Interest accrued	850	848
Notes payable to affiliates	2,400	8,300
Current regulatory liabilities	3,723	2,312
Taxes accrued	10,014	81
Total Current Liabilities	27,244	34,066
Deferred income taxes	26,691	24,591
Regulatory liabilities	32,992	33,725
Deferred income taxes regulatory	389	2,622
Other Noncurrent Liabilities		
Pension accrued	18,699	18,113
Environmental remediation costs	2,950	2,950
Other	3,211	5,630
Total Other Noncurrent Liabilities	24,860	26,693
Capitalization		
Long-term debt	39,883	40,300
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	3,690	(42)
Accumulated other comprehensive income (loss)	(1)	(8)
Net Common Stock Equity	109,784	106,045
Total Capitalization	149,667	146,345
Total Liabilities and Capitalization	$ 261,843	$ 268,042

THE BERKSHIRE GAS COMPANY
STATEMENT OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2017	
	2017	**2016**
Cash Flows From Operating Activities		
Net income	$ 3,732	$ 4,306
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,768	3,507
Deferred income taxes	(213)	(43)
Uncollectible expense	(25)	328
Pension expense	630	364
Regulatory assets/liabilities amortization	1,001	1,080
Other non-cash items, net	139	291
Changes in:		
Accounts receivable and unbilled revenue, net	7,077	5,244
Natural gas in storage	194	763
Accounts payable and accrued liabilities	(13,082)	(5,393)
Taxes accrued/refundable, net	9,933	2,789
Accrued pension and other post-retirement	(44)	(591)
Regulatory assets/liabilities	3,531	2,473
Other assets	(1,106)	(98)
Other liabilities	(2,498)	371
Total Adjustments	9,305	11,085
Net Cash provided by Operating Activities	13,037	15,391
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(7,123)	(4,632)
Net Cash used in Investing Activities	(7,123)	(4,632)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(7,500)
Notes payable to affiliates	(5,900)	-
Other	-	33
Net Cash used in Financing Activities	(5,900)	(7,467)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	14	3,292
Balance at beginning of period	78	2,950
Balance at end of period	$ 92	$ 6,242
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,783	$ 1,182

THE BERKSHIRE GAS COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
June 30, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2016	100	$ -	$ 106,095	$ (42)	$ (8)	$ 106,045
Net income				3,732		3,732
Other comprehensive income, net of income taxes					7	7
Balance as of June 30, 2017	100	$ -	$ 106,095	$ 3,690	$ (1)	$ 109,784

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

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CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating Revenues	$ 62,466	$ 59,393	$ 203,175	$ 175,687
Operating Expenses				
Operation				
Natural gas purchased	24,342	23,146	97,526	72,668
Operation and maintenance	25,829	20,981	48,368	40,136
Depreciation and amortization	8,220	7,819	16,451	15,541
Taxes - other than income taxes	5,488	4,796	13,942	12,590
Total Operating Expenses	63,879	56,742	176,287	140,935
Operating Income (Loss)	(1,413)	2,651	26,888	34,752
Other Income and (Deductions), net				
Other income	288	285	590	760
Other (deductions)	(63)	(21)	(144)	(100)
Total Other Income and (Deductions), net	225	264	446	660
Interest Charges, net	1,550	2,454	3,610	4,707
Income (Loss) Before Income Taxes	(2,738)	461	23,724	30,705
Income Taxes	(1,080)	(224)	7,896	10,298
Net Income (Loss)	(1,658)	685	15,828	20,407
Less:				
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7	14	14
Net Income (Loss) attributable to Connecticut Natural Gas Corporation	$ (1,665)	$ 678	$ 15,814	$ 20,393

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income (Loss)	$ (1,658)	$ 685	$ 15,828	$ 20,407
Other Comprehensive Income (Loss), net of income taxes				
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	-	-	-	-
Total Other Comprehensive Income (Loss), net of income taxes	(1,658)	685	15,828	20,407
Comprehensive Income				
Less:				
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7	14	14
Comprehensive Income (Loss)	$ (1,665)	$ 678	$ 15,814	$ 20,393

CONNECTICUT NATURAL GAS CORPORATION
BALANCE SHEET
ASSETS
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 396	$ 714
Accounts receivable and unbilled revenues, net	58,257	80,503
Accounts receivable from affiliates	984	1,547
Current regulatory assets	8,173	14,461
Natural gas in storage	21,991	22,748
Materials and supplies	1,722	1,663
Prepayments and other current assets	396	1,502
Total Current Assets	91,919	123,138
Other Investments	1,302	1,375
Total Property, Plant and Equipment	872,389	857,533
Less accumulated depreciation	287,770	280,731
	584,619	576,802
Construction work in progress	35,168	23,348
Net Property, Plant and Equipment	619,787	600,150
Regulatory Assets	137,041	138,460
Deferred Income Taxes Regulatory	28,068	21,749
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	1,434	170
Total Deferred Charges and Other Assets	80,775	79,511
Total Assets	$ 958,892	$ 964,383

CONNECTICUT NATURAL GAS CORPORATION
BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	June 30, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ -	$ 20,310
Accounts payable and accrued liabilities	40,413	62,476
Accounts payable to affiliates	4,683	11,349
Other current liabilities	3,114	3,666
Current regulatory liabilities	11,337	11,471
Interest accrued	1,265	1,905
Notes payable to affiliates	45,950	22,000
Taxes accrued	12,291	9,567
Total Current Liabilities	119,053	142,744
Deferred Income Taxes	52,896	40,474
Regulatory Liabilities	203,926	195,993
Other Noncurrent Liabilities		
Pension and other post-retirement	100,441	99,933
Asset retirement obligations	6,890	6,716
Other	1,582	1,257
Total Other Noncurrent Liabilities	108,913	107,906
Capitalization		
Long-term debt, net of unamortized premium	109,267	109,243
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,304	315,304
Retained earnings	15,987	19,173
Accumulated other comprehensive income	(27)	(27)
Net Common Stock Equity	364,497	367,683
Total Capitalization	474,104	477,266
Total Liabilities and Capitalization	$ 958,892	$ 964,383

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash Flows From Operating Activities		
Net Income	$ 15,828	$ 20,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,490	15,813
Deferred income taxes	3,528	9,355
Uncollectible expense	2,867	1,827
Pension expense	3,264	2,725
Regulatory assets/liabilities amortization	1,021	1,194
Regulatory assets/liabiities carrying cost	290	185
Other non-cash items, net	(114)	(224)
Changes in:		
Accounts receivable and unbilled revenues, net	19,942	9,727
Natural gas in storage	757	8,092
Accounts payable and accrued liabilities	(24,661)	(11,328)
Interest accrued	(640)	(44)
Taxes accrued/refundable, net	2,724	2,130
Accrued pension and other post-retirement	(2,756)	(4,182)
Regulatory assets/liabilities	9,756	(9,742)
Other assets	(227)	(958)
Other liabilities	(151)	43
Total Adjustments	32,090	24,613
Net Cash provided by Operating Activities	47,918	45,020
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(33,172)	(22,911)
Notes receivable from affiliates	-	(16,650)
Net Cash used in Investing Activities	(33,172)	(39,561)
Cash Flows from Financing Activities		
Payment of common stock dividend	(19,000)	-
Payment of long-term debt	(20,000)	-
Payment of preferred stock dividend	(14)	(14)
Notes payable to affiliates	23,950	(8,000)
Other	-	200
Net Cash used in Financing Activities	(15,064)	(7,814)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(318)	(2,355)
Balance at beginning of period	714	2,835
Balance at end of period	$ 396	$ 480
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 6,356	$ 3,727

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
June 30, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained Earnings (Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit)	Income (Loss)	Total
Balance as of December 31, 2016	10,634,436	$ 33,233	$ 315,304	$ 19,173	$ (27)	$ 367,683
Net income				15,828		15,828
Payment of commom stock dividend				(19,000)		(19,000)
Payment of preferred stock dividend				(14)		(14)
Balance as of June 30, 2017	10,634,436	$ 33,233	$ 315,304	$ 15,987	$ (27)	$ 364,497

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Six Months Ended June 30, 2017 and 2016

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June 30, 2017 and 2016

New York State Electric & Gas Corporation

Statements of Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Operating Revenues				
Electric	**$ 298,556**	$ 281,668	**$ 624,098**	$ 588,354
Natural gas	**57,520**	72,759	**173,236**	177,238
Total Operating Revenues	**356,076**	354,427	**797,334**	765,592
Operating Expenses				
Electricity purchased	**$ 69,759**	69,481	**162,083**	159,060
Natural gas purchased	**12,369**	10,351	**56,466**	46,145
Other operating expenses	**151,368**	158,156	**298,413**	298,753
Depreciation and amortization	**28,984**	32,723	**56,814**	65,104
Other taxes	**35,917**	35,383	**72,994**	71,478
Total Operating Expenses	**298,397**	306,094	**646,770**	640,540
Operating Income	**57,679**	48,332	**150,564**	125,052
Other Income	**3,830**	1,686	**7,462**	10,513
Other Deductions	**(384)**	(83)	**(490)**	(634)
Interest Charges, Net	**(15,156)**	(15,567)	**(30,247)**	(37,552)
Income Before Income Taxes	**45,969**	34,368	**127,289**	97,379
Income Taxes	**17,979**	18,432	**58,163**	39,150
Net Income	**$ 27,990**	$ 15,936	**$ 69,126**	$ 58,229

New York State Electric & Gas Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Net Income	**$ 27,990**	$ 15,936	**$ 69,126**	$ 58,229
Other Comprehensive (Loss) Income, Net of Tax				
Unrealized (loss) gain on derivatives qualified as hedges				
Unrealized (loss) gain during period on derivatives qualified as hedges	**(143)**	124	**(343)**	56
Reclassificiation adjustment for loss included in net income	**76**	196	**125**	370
Reclassification adjustment for loss on settled cash flow treasury included in net income	**16**	17	**32**	32
Net unrealized (loss) gain on derivatives qualified as hedges	**(51)**	337	**(186)**	458
Other Comprehensive (Loss) Income, Net of Tax	**(51)**	337	**(186)**	458
Comprehensive Income	**$ 27,939**	$ 16,273	**$ 68,940**	$ 58,687

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

(Thousands)	June 30, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 2,545	$ 3,646
Accounts receivable and unbilled revenues, net	212,213	246,902
Accounts receivable from affiliates	22,830	13,246
Fuel and natural gas in storage, at average cost	11,889	11,751
Materials and supplies, at average cost	16,175	16,490
Broker margin accounts	7,419	11,968
Prepaid property taxes	25,617	35,224
Other current assets	34,374	41,284
Regulatory assets	124,429	121,697
Total Current Assets	457,491	502,208
Utility Plant, at Original Cost	5,345,688	5,248,018
Less accumulated depreciation	(2,075,164)	(2,043,588)
Net Utility Plant in Service	3,270,524	3,204,430
Construction work in progress	300,151	252,044
Total Utility Plant	3,570,675	3,456,474
Other Property and Investments	10,391	10,385
Regulatory and Other Assets		
Regulatory assets	973,092	1,045,706
Other	360	215
Total Regulatory and Other Assets	973,452	1,045,921

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	June 30, 2017	December 31, 2016
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	**$ 202,109**	$ 219,325
Notes payable to affiliates	**13,500**	5,900
Accounts payable and accrued liabilities	**215,883**	205,771
Accounts payable to affiliates	**44,698**	74,310
Interest accrued	**8,272**	8,381
Taxes accrued	**1,083**	1,209
Derivative liabilities	**505**	145
Environmental remediation costs	**40,146**	27,151
Customer deposits	**13,042**	13,230
Regulatory liabilities	**90,593**	108,139
Other	**53,308**	66,599
Total Current Liabilities	**683,139**	730,160
Regulatory and Other Liabilities		
Regulatory liabilities	**700,780**	710,101
Deferred income taxes	**121,290**	138,973
Other non-current liabilities		
Deferred income taxes	**787,541**	745,538
Other postretirement benefits	**246,355**	263,172
Asset retirement obligation	**14,860**	14,478
Environmental remediation costs	**115,029**	135,118
Other	**42,078**	43,352
Total Regulatory and Other Liabilities	**2,027,933**	2,050,732
Long-term debt	**1,039,672**	1,041,815
Total Liabilities	**3,750,744**	3,822,707
Commitments and Contingencies		
Preferred Stock		
Common Stock Equity		
Common stock	**430,057**	430,057
Capital in excess of par value	**268,449**	268,405
Retained earnings	**563,903**	494,777
Accumulated other comprehensive loss	**(1,144)**	(958)

New York State Electric & Gas Corporation

Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30,	2017	2016
(Thousands)		
Operating Activities		
Net income	$ 69,126	$ 58,229
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	56,814	65,104
Amortization of regulatory and other assets and liabilities	(8,281)	39,295
Carrying costs of regulatory assets and liabilities	1,556	3,709
Amortization of debt issuance costs	840	438
Stock-based compensation	124	-
Accretion expenses	382	394
Deferred taxes	24,544	11,635
Pension expense	30,412	31,217
Gain on disposal of property, plant and equipment	(715)	-
Other non-cash items	(11,557)	558
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	25,106	25,326
Inventories	177	4,209
Accounts payable and accrued liabilities	(17,290)	(2,186)
Taxes accrued	(126)	(20,929)
Other assets/liabilities	(47,055)	(1,250)
Regulatory assets/liabilities	44,293	(12,212)
Net Cash Provided by Operating Activities	168,350	203,537
Investing Activities		
Utility plant additions	(167,782)	(148,553)
Contribution in aid of construction	10,017	27,627
Proceeds from sale of property, plant and equipment	919	43,116
Investments, net	(6)	176
Net Cash Used in Investing Activities	(156,852)	(77,634)
Financing Activities		
Repayment of capital leases	(20,199)	(711)
Proceeds (repayments) of short term debt-affiliates	7,600	(117,153)
Net Cash Used in Financing Activities	(12,599)	(117,864)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,101)	8,039
Cash and Cash Equivalents, Beginning of Period	3,646	3,408

New York State Electric & Gas Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $6.66 2/3 Par Value Shares		Amount		Capital in Excess of Par		Retained Earnings		Accumulated Other Comprehensive Loss		Total
Balance, January 1, 2017	**64,508**	**$**	**430,057**	**$**	**268,405**		**494,777**	**$**	**(958)**	**$**	**1,192,281**
Net income							**69,126**				**69,126**
Other comprehensive loss, net of tax									**(186)**		**(186)**
Comprehensive income											**68,940**
Stock-based compensation					44						**44**
Balance, June 30, 2017	**64,508**	**$**	**430,057**	**$**	**268,449**	**$**	**563,903**	**$**	**(1,144)**	**$**	**1,261,265**

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Six Months Ended June 30, 2017 and 2016

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June 30, 2017 and 2016

Rochester Gas and Electric Corporation

Statements of Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Operating Revenues				
Electric	**$ 118,000**	$ 275,448	**$ 279,060**	$ 442,002
Natural gas	**47,711**	55,804	**151,006**	151,761
Total Operating Revenues	**165,711**	331,252	**430,066**	593,763
Operating Expenses				
Electricity purchased and fuel used in generation	**22,667**	23,147	**49,036**	47,486
Natural gas purchased	**14,457**	12,617	**53,074**	44,685
Operations and maintenance expense	**47,432**	92,236	**132,132**	192,292
Depreciation and amortization	**19,816**	24,668	**38,695**	42,634
Other taxes	**29,837**	26,253	**61,476**	53,558
Total Operating Expenses	**134,209**	178,921	**334,413**	380,655
Operating Income	**31,502**	152,331	**95,653**	213,108
Other Income	**3,049**	4,908	**6,190**	8,540
Other Deductions	**(78)**	(90)	**(284)**	(378)
Interest Charges, Net	**(15,348)**	(14,054)	**(32,931)**	(35,555)
Income Before Income Taxes	**19,125**	143,095	**68,628**	185,715
Income Tax Expense	**7,548**	133,536	**26,926**	150,256
Net Income	**$ 11,577**	$ 9,559	**$ 41,702**	$ 35,459

Rochester Gas and Electric Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Net Income	**$ 11,577**	$ 9,559	**$ 41,702**	$ 35,459
Other Comprehensive Income, Net of Tax				
Net unrealized holding gain (loss) on investments	**-**	5	**-**	5
Unrealized (loss) gain on derivatives qualified as hedges:				
Unrealized (loss) gain during period on derivatives qualified as hedges	**(62)**	30	**(156)**	(11)
Reclassification adjustment for loss included in net income	**32**	59	**53**	130
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	**876**	830	**1,753**	1,751
Net unrealized gain on derivatives qualified as hedges	**846**	919	**1,650**	1,870
Other Comprehensive Income, Net of Tax	**846**	924	**1,650**	1,875
Comprehensive Income	**$ 12,423**	$ 10,483	**$ 43,352**	$ 37,334

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

		June 30, 2017		December 31, 2016
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	**$**	**7,663**	$	9
Accounts receivable and unbilled revenues, net		**132,928**		147,337
Accounts receivable from affiliates		**5,583**		4,743
Notes receivable from affiliates		**99,950**		-
Natural gas in storage		**7,921**		6,170
Materials and supplies		**11,143**		10,173
Income tax receivable		**-**		39,932
Broker margin accounts		**4,140**		3,417
Prepaid property taxes		**17,496**		35,056
Other current assets		**5,465**		6,500
Regulatory assets		**58,813**		63,117
Total Current Assets		**351,102**		316,454
Property, Plant and Equipment, at Original Cost		**3,295,449**		3,088,882
Less accumulated depreciation		**(931,697)**		(905,434)
Net Utility Plant in Service		**2,363,752**		2,183,448
Construction work in progress		**299,716**		395,665
Total Utility Plant in Service		**2,663,468**		2,579,113
Other Property and Investments		**3,907**		3,764
Regulatory and Other Assets				
Regulatory assets		**525,818**		513,712
Other		**185**		438
Total regulatory and Other assets		**526,003**		514,150
Total Assets	**$**	**3,544,480**	$	3,413,481

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

(Thousands)		June 30, 2017		December 31, 2016
Liabilities				
Current Liabilities				
Current portion of long-term debt	$	1,394	$	529
Notes payable		-		784
Notes payable to affiliates		-		249,167
Accounts payable and accrued liabilities		155,983		206,446
Accounts payable to affiliates		34,552		38,306
Interest accrued		12,663		11,948
Taxes accrued		11,771		1,920
Environmental remediation costs		9,486		5,269
Other		26,790		37,068
Regulatory liabilities		32,567		29,733
Total Current Liabilities		285,206		581,170
Regulatory and Other Liabilities				
Regulatory liabilities		430,529		430,336
Deferred income taxes		54,476		51,876
Other Non-current liabilities				
Deferred income taxes		457,945		434,937
Nuclear plant obligations		122,985		122,579
Pension and other postretirement benefits		172,844		180,078
Asset retirement obligation		3,082		3,004
Environmental remediation costs		129,237		133,463
Other		24,907		25,620
Total Regulary and Other Liabilities		1,396,005		1,381,893
Long-term debt		958,843		664,424
Total Liabilities		2,640,054		2,627,487
Commitments and Contingencies				
Common Stock Equity				
Common stock		194,429		194,429
Capital in excess of par value		605,098		530,018
Retained earnings		263,293		221,591
Accumulated other comprehensive loss		(41,156)		(42,806)
Treasury stock		(117,238)		(117,238)
Total Common Stock Equity		904,426		785,994
Total Liabilities and Equity	$	3,544,480	$	3,413,481

Rochester Gas and Electric Corporation

Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30,	2017	2016
(Thousands)		
Operating Activities		
Net income	$ 41,702	$ 35,459
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	38,695	42,634
Amortization of regulatory and other assets and liabilities, net	(3,680)	17,238
Carrying cost of regulatory assets and liabilities	7,681	8,329
Amortization of debt costs	503	641
Pension expense	12,078	10,541
Gain on disposal of property, plant and equipment	(20)	-
Stock-based compensation	215	-
Accretion expenses	78	84
Deferred income taxes	24,544	148,194
Other non-cash items	(3,064)	(8,905)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	13,570	8,757
Inventory	(2,721)	2,516
Accounts payable and accrued liabilities	(50,342)	47,234
Taxes accrued	9,851	2,341
Regulatory assets/liabilities	(19,968)	(170,447)
Other assets/ liabilities	113,153	15,965
Net Provided by Operating Activities	182,275	160,581
Investing Activities		
Utility plant additions	(120,622)	(124,814)
Contribution in aid of construction	2,369	2,508
Proceeds from sale of property, plant and equipment	333	-
Notes receivable from affiliates	(99,950)	-
Investments, net	(143)	144
Net Cash Used in Investing Activities	(218,013)	(122,162)
Financing Activities		
Proceeds from non-current issuance	294,012	-
Repayment of short term debt-affiliates	(249,167)	(37,894)
Repayment of other short term debt, net	(784)	-
Repayment of capital leases	(668)	(630)
Net Cash Provided by (Used in) Financing Activities	43,393	(38,524)
Net Increase (Decrease) in Cash and Cash Equivalents	7,654	(105)
Cash and Cash Equivalents, Beginning of Period	9	1,136
Cash and Cash Equivalents, End of Period	$ 7,663	$ 1,031

Rochester Gas and Electric Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $5.00 Par Value		Capital in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Excess of Par Value	Earnings	Loss	Stock	Total
Balance, January 1, 2017	38,886	$ 194,429	$ 530,018	$ 221,591	$ (42,806)	$ (117,238)	$ 785,994
Net income				41,702			41,702
Other comprehensive income, net of tax					1,650		1,650
Comprehensive income							43,352
Capital contribution			75,000				75,000
Stock-based compensation			80				80
Balance, June 30, 2017	38,886	$ 194,429	$ 605,098	$ 263,293	$ (41,156)	$ (117,238)	$ 904,426

Central Maine Power Company
and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the six months ended June 30, 2017 and 2016

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June 30, 2017 and 2016

Central Maine Power Company and Subsidiaries
Consolidated Statements of Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Operating Revenues				
Sales and services	**$ 197,759**	$ 193,804	**$ 405,683**	$ 406,583
Operating Expenses				
Electricity purchased	**2,982**	13,833	**6,370**	27,114
Operating expenses and Maintenance Expenses	**90,465**	95,009	**187,809**	198,980
Depreciation and amortization	**26,633**	26,494	**52,943**	51,979
Other taxes	**14,694**	13,153	**29,545**	26,141
Total Operating Expenses	**134,774**	148,489	**276,667**	304,214
Operating Income	**62,985**	45,315	**129,016**	102,369
Other Income	**3,022**	1,440	**4,291**	2,894
Other Deductions	**17**	(94)	**(159)**	(242)
Interest Charges, Net	**(12,690)**	(13,658)	**(25,854)**	(26,705)
Income Before Income Taxes	**53,334**	33,003	**107,294**	78,316
Income Taxes	**20,316**	13,534	**40,902**	31,327
Net Income	**33,018**	19,469	**66,392**	46,989
Less: Net Income Attributable to Noncontrolling Interest	**172**	19	**338**	124
Net Income Attributable to CMP	**32,846**	19,450	**66,054**	46,865
Preferred Stock Dividends	**-**		**-**	-
Earnings Available for CMP Common Stock	**$ 32,846**	$ 19,450	**$ 66,054**	$ 46,865

Central Maine Power Company and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)

Periods ended June 30,	Three Months 2017	Three Months 2016	Six Months 2017	Six Months 2016
(Thousands)				
Net Income	**$ 33,018**	$ 19,469	**$ 66,392**	$ 46,989
Other Comprehensive Income, Net of Tax				
Unrealized gain (loss) on derivatives qualifed as hedges:				
Unrealized gain (loss) during period on derivatives qualified as hedges	**52**	80	**82**	36
Reclassification adjustment for (gain) loss included in net income	**(88)**	105	**(199)**	221
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	**322**	323	**643**	645
Net unrealized gain on derivatives qualified as hedges	**286**	508	**526**	902
Other Comprehensive Income, Net of Tax	**286**	508	**526**	902
Comprehensive Income	**33,304**	19,977	**66,918**	47,891
Less:				
Net Income Attributable to Noncontrolling Interests	**172**	19	**338**	124
Comprehensive Income Attributable to CMP	**$ 33,132**	$ 19,958	**$ 66,580**	$ 47,767

Central Maine Power Company and Subsidiaries

Consolidated Balance Sheets (Unaudited)

	June 30, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 9,812**	$ 7,968
Accounts receivable and unbilled revenues, net	**157,644**	161,725
Accounts receivable from affiliates	**5,357**	1,671
Notes receivable from affiliates	**63,204**	32,100
Materials and supplies	**14,097**	15,018
Prepayments and other current assets	**25,496**	79,170
Regulatory assets	**26,658**	18,198
Total Current Assets	**302,268**	315,850
Utility Plant, at Original Cost	**3,861,849**	3,828,993
Less accumulated depreciation	**(938,749)**	(893,117)
Net Utility Plant in Service	**2,923,100**	2,935,876
Construction work in progress	**197,178**	160,459
Total Utility Plant	**3,120,278**	3,096,335
Other Property and Investments	**1,282**	1,297
Regulatory and Other Assets		
Regulatory assets	**487,515**	489,765
Goodwill	**324,938**	324,938
Other	**25,678**	19,027
Total Regulatory and Other Assets	**838,131**	833,730
Total Assets	**$ 4,261,959**	$ 4,247,212

Central Maine Power Company and Subsidiaries

Consolidated Balance Sheets (Unaudited)

	June 30, 2017	December 31, 2016
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	**$ 1,414**	$ 5,154
Accounts payable and accrued liabilities	**97,551**	145,653
Accounts payable to affiliates	**21,382**	35,844
Interest accrued	**17,829**	17,851
Taxes accrued	**7,645**	3,154
Regulatory liabilities	**47,758**	54,008
Other current liabilities	**56,740**	36,801
Total Current Liabilities	**250,319**	298,465
Regulatory and Other Liabilities		
Regulatory liabilities	**116,693**	109,941
Deferred income taxes regulatory	**145,081**	149,232
Other Non-current liabilities		
Deferred income taxes	**670,764**	660,090
Pension and other postretirement benefits	**178,577**	194,716
Other	**55,556**	56,096
Total Regulatory and Other liabilities	**1,166,671**	1,170,075
Long-term debt	**1,041,560**	1,042,310
Total Liabilities	**2,458,550**	2,510,850
Commitments		
Preferred Stock		
Preferred stock	**571**	571
Common Stock Equity		
Common stock	**156,057**	156,057
Capital in excess of par value	**764,143**	764,014
Retained earnings	**878,175**	812,121
Accumulated other comprehensive loss	**(6,121)**	(6,647)
Total CMP Common Stock Equity	**1,792,254**	1,725,545
Noncontrolling Interest	**10,584**	10,246
Total Equity	**1,802,838**	1,735,791
Total Liabilities and Equity	**$ 4,261,959**	$ 4,247,212

Central Maine Power Company and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30,	**2017**	2016
(Thousands)		
Operating Activities		
Net income	**$ 66,392**	$ 46,989
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**52,943**	51,979
Amortization of regulatory and other assets and liabilities	**3,387**	(3,171)
Carrying costs of regulatory assets and liabilities	**300**	449
Amortization of debt issuance costs	**283**	292
Deferred taxes	**24,544**	(27,416)
Pension cost	**9,426**	11,216
Stock-based compensation	**267**	-
Accretion expenses	**21**	20
Gain on disposal of property, plant and equipment	**(45)**	-
Other non-cash items	**(67)**	58
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	**395**	9,361
Materials and supplies	**922**	495
Accounts payable and accrued liabilities	**(55,337)**	(36,468)
Accrued taxes	**4,491**	38,353
Other assets/liabilities	**71,047**	62,249
Regulatory assets/liabilities	**(50,139)**	3,976
Net Cash Provided by Operating Activities	**128,830**	158,382
Investing Activities		
Utility plant additions	**(96,792)**	(84,660)
Contributions in aid of construction	**5,628**	10,406
Proceeds from sale of property, plant and equipment	**39**	-
Notes receivable from affiliates	**(31,104)**	22,741
Investments, net	**15**	20
Net Cash Used in Investing Activities	**(122,214)**	(51,493)
Financing Activities		
Repayment of capital leases	**(4,181)**	(271)
Repayments of non-current debt	**(591)**	(40,591)
Proceeds from other short term debt	**-**	1,830
Proceeds from other short term debt-affiliates	**-**	30,506
Dividends paid on common and preferred stocks	**-**	(100,000)
Net Cash Used in Financing Activities	**(4,772)**	(108,526)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,844**	(1,637)
Cash and Cash Equivalents, Beginning of Period	**7,968**	5,360

Central Maine Power Company and Subsidiaries
Consolidated Statement of Changes in Common Stock Equity (Unaudited)
(Thousands)

	Common Stock Outstanding $5 Par Value Shares	Common Stock Outstanding $5 Par Value Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Noncon-trolling interest	Total
Balance, January 1, 2017	**31,211**	**$ 156,057**	**$ 764,014**	**$ 812,121**	**$ (6,647)**	**$ 1,725,545**	**$ 10,246**	**$ 1,735,791**
Net income attributable to CMP				66,054		66,054	338	66,392
Other comprehensive income, net of tax					526	526		526
Comprehensive income								66,918
Stock-based compensation			129			129		129
Balance, June 30, 2017	**31,211**	**$ 156,057**	**$ 764,143**	**$ 878,175**	**$ (6,121)**	**$ 1,792,254**	**$ 10,584**	**$ 1,802,838**