THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

MARCH 31, 2016 AND DECEMBER 31, 2015 AND

FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues	$ 228,736	$ 249,970
Operating Expenses		
Operation		
Purchased power	65,675	97,102
Operation and maintenance	59,066	60,108
Transmission wholesale	22,192	19,709
Depreciation and amortization	19,337	18,329
Taxes - other than income taxes	24,053	24,109
Total Operating Expenses	190,323	219,357
Operating Income	38,413	30,613
Other Income and (Deductions), net, (Note A)		
Other income	2,563	2,769
Other (deductions)	(92)	(109)
Total Other Income and (Deductions), net	2,471	2,660
Interest Charges, net		
Interest on long-term debt	10,857	10,565
Other interest, net	(969)	(192)
	9,888	10,373
Amortization of debt expense and redemption premiums	349	369
Total Interest Charges, net	10,237	10,742
Income from Equity Investments	3,198	2,936
Income Before Income Taxes	33,846	25,467
Income Taxes (Note E)	9,666	7,714
Net Income	$ 24,179	$ 17,753

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

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash Flows From Operating Activities		
Net income	$ 24,179	$ 17,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,686	18,699
Deferred income taxes	9,387	161
Pension expense	7,416	5,745
Allowance for funds used during construction (AFUDC) - equity	(1,889)	(1,510)
Undistributed (earnings) losses in equity investments	(3,199)	(2,935)
Other regulatory activity, net	(39,872)	(16,039)
Other non-cash items, net	60	19
Changes in:		
Accounts receivable, net	4,279	(21,285)
Unbilled revenues	2,196	1,221
Prepayments	(8,384)	(8,836)
Accounts payable	(5,971)	(13,275)
Interest accrued	(936)	(1,800)
Cash distribution received from GenConn	3,191	2,839
Taxes accrued and refundable	5,462	7,829
Accrued liabilities	(4,162)	(844)
Accrued pension	(85)	(2,392)
Accrued post-employment benefits	(42)	(155)
Other assets	(505)	(455)
Other liabilities	581	(177)
Total Adjustments	(12,787)	(33,190)
Net Cash provided by (used in) Operating Activities	11,392	(15,437)
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(52,493)	(38,082)
Cash distribution from GenConn	2,073	2,581
Deposits in New England West Solution (NEEWS) (Note C)	-	(1,451)
Changes in restricted cash	620	141
Intercompany receivable	38,000	15,000
Net Cash (used in) Investing Activities	(11,800)	(21,811)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(22,200)
Net Cash (used in) Financing Activities	-	(22,200)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(408)	(59,448)
Balance at beginning of period	5,657	96,363
Balance at end of period	$ 5,249	$ 36,915
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 7,930	$ 10,624

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	March 31, 2016	December 31, 2015
Current Assets		
Unrestricted cash and temporary cash investments	$ 5,249	$ 5,657
Restricted cash	1,107	1,727
Utility accounts receivable less allowance of $3,500 and $3,500, respectively	101,907	106,186
Unbilled revenues	37,684	39,880
Current regulatory assets (Note A)	54,485	44,469
Materials and supplies, at average cost	7,521	7,619
Refundable taxes	7,457	11,741
Prepayments	10,626	2,242
Intercompany receivable	16,000	54,000
Current portion of derivative assets (Note A), (Note I)	10,657	10,507
Other current assets	71	107
Total Current Assets	252,764	284,135
Other Investments		
Equity investment in GenConn (Note A)	108,239	110,306
Other	9,644	9,702
Total Other Investments	117,883	120,008
Total Property, Plant and Equipment	2,481,370	2,441,295
Less accumulated depreciation	543,067	539,289
	1,938,303	1,902,006
Construction work in progress	173,345	187,212
Net Property, Plant and Equipment (Note A)	2,111,648	2,089,218
Regulatory Assets (Note A)	456,007	431,923
Deferred Charges and Other Assets		
Unamortized debt issuance expenses	140	210
Other long-term receivable	1,482	1,484
Derivative assets (Note A), (Note I)	15,587	18,757
Other	1,039	380
Total Deferred Charges and Other Assets	18,248	20,831
Total Assets	$ 2,956,550	$ 2,946,115

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)

	March 31, 2016	December 31, 2015
Current Liabilities		
Accounts payable	$ 90,622	$ 110,955
Accrued liabilities	18,715	23,524
Current regulatory liabilities (Note A)	720	10,079
Interest accrued	9,952	10,888
Taxes accrued	13,458	12,280
Current portion of derivative liabilities (Note A), (Note I)	28,821	28,466
Total Current Liabilities	162,288	196,192
Deferred Income Taxes (Note E)	433,373	465,717
Regulatory Liabilities	273,344	249,827
Other Noncurrent Liabilities		
Pension accrued	160,316	153,636
Other post-retirement benefits accrued	43,096	42,487
Derivative liabilities (Note A), (Note I)	89,074	67,764
Environmental liabilities	33,011	33,011
Other	6,092	5,800
Total Other Noncurrent Liabilities	331,589	302,698
Commitments and Contingencies (Note H)		
Capitalization (Note B)		
Long-term debt, net of unamortized discount and premium	862,833	862,737
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	183,892	159,713
Net Common Stock Equity	893,123	868,944
Total Capitalization	1,755,956	1,731,681
Total Liabilities and Capitalization	$ 2,956,550	$ 2,946,115

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

THE UNITED ILLUMINATING COMPANY
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
March 31, 2016
(Thousands of Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Total
Balance as of December 31, 2014	100	$ 1	$ 704,730	$ 162,149	$ 866,880
Net income				57,264	57,264
Cash dividends				(59,700)	(59,700)
Equity infusion from parent			4,500		4,500
Balance as of December 31, 2015	100	$ 1	$ 709,230	$ 159,713	$ 868,944
Net income				24,179	24,179
Cash dividends					-
Balance as of March 31, 2016	100	$ 1	$ 709,230	$ 183,892	$ 893,123

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

NOTES TO FINANCIAL STATEMENTS – UNAUDITED

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

The United Illuminating Company (UI), a wholly owned subsidiary of UIL Holdings Corporation, formerly Green Merger Sub, Inc., and a wholly-owned subsidiary of Avangrid, Inc., is a regulated operating electric public utility established in 1899. On December 16, 2015, UIL Holdings Corporation, a Connecticut corporation (Predecessor UIL) merged with and into Green Merger Sub, Inc., after which Green Merger Sub, Inc. changed its name to UIL Holdings Corporation (UIL Holdings). Throughout this document "UIL Holdings" shall refer to UIL Holdings and Predecessor UIL unless the context otherwise indicates. See Note (C) "Regulatory Proceedings" for further information regarding the merger. 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 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 related to deferred tax liabilities, regulatory liabilities, operation and maintenance expense, depreciation and amortization expense, taxes other than income taxes, other interest, and other income and (deductions) that were reported as such in the Financial Statements in previous periods have been reclassified to conform to the current presentation as a result of UIL Holdings presenting such information consistent with its parent Avangrid, Inc. due to the merger. In addition, certain immaterial amounts have been reclassified to conform to the current presentation.

UI has evaluated subsequent events through the date its financial statements were available to be issued, May 13, 2016.

Derivatives

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

<u>Contracts for Differences (CfDs)</u>

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 March 31, 2016, UI has recorded a gross derivative asset of $26.2 million ($0.2 million of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of $90.8 million, a gross derivative liability of $117.9 million ($84.9 million of which is related to UI's portion of the CfD signed by CL&P) and a regulatory liability of $0.9 million. See Note (J) "Fair Value of Financial Instruments" for additional CfD information.

The gross derivative assets and liabilities as of March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016	December 31, 2015
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 10,657	$ 10,507
Deferred Charges and Other Assets	$ 15,587	$ 18,757
Gross derivative liabilities:		
Current Liabilities	$ 28,821	$ 28,466
Noncurrent Liabilities	$ 89,074	$ 67,764

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, as of March 31, 2016 and 2015, were as follows:

	March 31, 2016	March 31, 2015
	(In Thousands)	
Regulatory Assets - Derivative liabilities	$ 23,058	$ 13,769
Regulatory Liabilities - Derivative assets	$ (148)	$ 1,197

The fluctuations in the balances of the derivatives as well as the related unrealized gains in the three months ended March 31, 2015 as compared to year ended December 31, 2015 are primarily due to decreases in forward prices for capacity and reserves.

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 $108.2 million and $110.3 million as of March 31, 2016 and December 31, 2015, respectively. As of March 31, 2016, 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 $2.9 million for the three-month period ended March 31, 2016 and 2015, 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 $5.3 million and $5.4 million during the three-month period ended March 31, 2016 and 2015, respectively.

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS – UNAUDITED

Regulatory Accounting

Unless otherwise stated below, all of UI's regulatory assets earn a return. UI's regulatory assets and liabilities as of March 31, 2016 and December 31, 2015:

	Remaining Period	March 31, 2016	December 31, 2015
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	7 to 19 years	$ 9,496	$ 9,697
Pension and other post-retirement benefit plans	(a)	181,030	181,030
Unfunded future income taxes	(b)	181,130	179,187
Contracts for differences	(c)	91,651	67,705
Deferred transmission expense	(d)	12,635	10,425
Other	(f)	34,550	28,348
Total regulatory assets		510,492	476,392
Less current portion of regulatory assets		54,485	44,469
Regulatory Assets, Net		$ 456,007	$ 431,923
Regulatory Liabilities:			
Accumulated deferred investment tax credits	29 years	$ 10,043	$ 10,156
Rate credits	Not applicable.	-	9,359
Excess generation service charge	(e)	996	20,895
Middletown/Norwalk local transmission network service collections	35 years	20,112	20,255
Pension and other post-retirement benefit plans	(a)	6,537	6,537
Asset removal costs	(f)	63,508	63,272
Deferred income taxes	(b)	163,282	119,607
Contracts for differences	(c)	-	739
Other	(f)	9,586	9,086
Total regulatory liabilities		274,064	259,906
Less current portion of regulatory liabilities		720	10,079
Regulatory Liabilities, Net		$ 273,344	$ 249,827

(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 4 - 11 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 transmission income or expense and fluctuates based upon actual revenues and revenue requirements.
(e) 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.
(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 includes decoupling ($4.9 million) and certain other amounts that are not currently earning a return. See Note (C) "Regulatory Proceedings" for a discussion of the decoupling recovery period.

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 – Electric Distribution and Transmission – 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 – Electric Distribution and Transmission – New Renewable Source Generation.

New Accounting Pronouncements

As of March 31, 2016 there have been no material changes to any significant accounting policies described in our combined and consolidated financial statements as of December 31, 2015 and 2014. There have been no new accounting pronouncements issued since the filing of the combined and consolidated financial statements as of December 31, 2015 and 2014 that we expect to have a material effect on our condensed consolidated interim financial statements.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at March 31, 2016 and December 31, 2015.

(C) REGULATORY PROCEEDINGS

Merger with Avangrid, Inc.

As discussed in Note A, "Organization and Statement of Accounting Policies", on December 16, 2015, UI's parent company, UIL Holdings, merged with Avangrid, Inc. PURA and DPU approvals were obtained upon commitments made by UIL Holdings and Avangrid, Inc. that included $9.4 million in rate credits to UI customers included in regulatory liabilities in the accompanying balance sheet, $7.0 million in contributions to a clean energy fund and disaster relief included in accrued liabilities in the accompanying balance sheet. These commitments were accrued upon completion of the merger and are included in the consolidated results of operations for the three months ended March 31, 2016.

In addition, the commitments include a distribution rate freeze to January 1, 2017 for UI. UIL Holdings and Avangrid, Inc. further committed to no change in the day-to-day management and operation of UIL Holdings' Connecticut and Massachusetts utilities, to hiring 150 employees or contractors within the State of Connecticut over the next three years, to maintain UI's high service reliability and to improve certain customer service metrics in Connecticut over the next three years.

The commitments also included comprehensive "ring fencing" provisions to protect the Connecticut and Massachusetts utilities from involuntary bankruptcy associated with potential future adverse changes in financial circumstances of Avangrid, Inc. affiliates. These provisions include the creation of a special purpose entity with at least one independent director, dividend limitations on the Connecticut utilities where the investment grade credit rating is in jeopardy or if a minimum common equity ratio is not maintained, commitments to maintain separate books and records and a prohibition on commingling of funds.

In connection with the commitments, UI negotiated a proposed partial consent order with the Connecticut Department of Energy and Environmental Protection (DEEP) to remediate the English Station site in New Haven, Connecticut, formerly owned by UI. See Note (H) "Commitments and Contingencies" for further discussion regarding English Station.

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.

UI's allowed distribution return on equity established by PURA is 9.15%. UI is required to return to customers 50% of any distribution earnings over the allowed ROE in a calendar year by means of an earnings sharing mechanism. Under the settlement agreement entered into in connection with PURA's approval of the merger of UIL Holdings with Avangrid, Inc., UI agreed not to request new distribution rates effective prior to January 1, 2017.

Power Supply Arrangements

Under Connecticut law, UI's retail electricity customers are able to choose their electricity supplier while UI remains their electric distribution company. UI purchases power for those of its customers under standard service rates who do not choose a retail electric supplier and have a maximum demand of less than 500 kilowatts and its customers under supplier of last resort service for those who are not eligible for standard service and who do not choose to purchase electric generation service from a retail electric supplier. The cost of the power is a "pass-through" to those customers through the GSC charge on their bills.

UI must procure the power to serve its standard service load pursuant to a procurement plan approved by PURA. Under the procurement plan UI procures wholesale power for its standard service customers on a full requirements basis pursuant to contracts with a maximum duration of 12 months, with the delivery of such wholesale power to commence no later than six months from the applicable bid day.

UI has wholesale power supply agreements in place for its entire standard service load for the first half of 2016, 80% of its standard service load for the second half of 2016 and 30% of its standard service load for the first half of 2017. 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 March 31, 2016, UI would have had to post an aggregate of approximately $13.2 million in collateral. UI would have been and remains able to provide that collateral.

In addition, UI is authorized to seek long-term contracts for up to 20% of its standard service requirements and Connecticut Class I Renewable Energy Certificates (RECs) for UI's standard service customers that will result in an economic benefit to ratepayers, both in terms of risk and cost mitigation. UI continues to keep apprised of possible long-term contracts that could benefit customers, but has not executed any long-term contracts.

New Renewable Source Generation

Under Connecticut law Public Act (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 21-year period. The obligations will phase in over a six-year solicitation period, and are expected to peak at an annual commitment level of about $13.6 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.

On October 23, 2013, PURA approved UI's renewable connections program filed in accordance with PA 11-80, through which UI will develop up to 10 MW of renewable generation. The costs for this program will be 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 9.15%) 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. UI expects the cost of this program, a planned 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 to be approximately $47 million.

Pursuant to Connecticut law (PA 13-303), on September 19, 2013, at the direction DEEP UI entered into two contracts for energy and/or RECs from Class I renewable resources, totaling approximately 3.5% of UI's distribution load, which were subsequently approved by PURA. Costs of each of these agreements will be fully recoverable through electric rates. On December 18, 2013, Allco Finance Limited, an unsuccessful bidder for such contracts, filed a complaint against DEEP in the United States District Court in Connecticut alleging that DEEP's direction to UI and CL&P to enter into the contracts violated the Supremacy Clause of the U.S. Constitution and the Federal Power Act by setting wholesale electricity rates. This complaint was dismissed in December 2014. On January 2, 2015 Allco filed an appeal with the United States Court of Appeals for the Second Circuit. On November 6, 2015 the Second Circuit affirmed the district court's judgment on alternative grounds.

Pursuant to Section 8 of Public Act 13-303, "An Act Concerning Connecticut's Clean Energy Goals," (PA 13-303), in January 2014, at DEEP's direction, UI entered into three contracts for the purchase of RECs associated with an aggregate of 5.7 MW of energy production from biomass plants in New England. The costs of these agreements will be fully recoverable through electric rates.

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE, which are within the jurisdiction of the FERC. The FERC has issued orders establishing allowable ROEs for transmission projects of transmission owners in New England, including UI. The FERC established a base-level ROE of 11.14%, as well as a 50 basis point ROE adder on Pool Transmission Facilities (PTF) for participation in the RTO for New England and a 100 basis point ROE incentive for projects included in the ISO-NE Regional System Plan that were completed and on line as of December 31, 2008.

UI's overall transmission ROE is determined by the mix of UI's transmission rate base between new and existing transmission assets, and whether such assets are PTF or non-PTF. UI's transmission assets are primarily PTF. For 2015, UI's overall allowed weighted-average ROE for its transmission business was 11.35%. 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.

Beginning in 2011, several New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties filed three separate complaints with the FERC against ISO-NE and several New England transmission owners, including UI. In the first complaint, filed in September 2011, the complainants claimed that the then current approved base ROE of 11.14% used in calculating formula rates for transmission service under the ISO-NE Open Access Transmission Tariff by the New England transmission owners was not just and reasonable and sought a reduction of the base ROE and a refund to customers for a refund period of October 1, 2011 through December 31, 2012. In 2012 and 2014, respectively, the complainants filed claims with the FERC similarly challenging the base ROE and seeking refunds for the 15-month periods beginning December 27, 2012 and July 31, 2014, respectively. The complainants in the third complaint also asked for a determination that the top of the zone of reasonableness caps the ROE for each individual project. The FERC issued an order consolidating the second and third complaints and establishing hearing procedures. The New England transmission owners petitioned FERC for a rehearing, which was denied in May 2015. Hearings were held in June 2015 on the second and third complaints before a FERC Administrative Law Judge, relating to the refund periods and going forward. 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 New England transmission owners filed a petition for review of FERC's orders establishing hearing and consolidation procedures for the second and third complaints with the U.S. Court of Appeals. The 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 in late 2016 or early 2017.

In 2014, the FERC determined that the base ROE should be set at 10.57% for the first complaint refund period and that a utility's total or maximum ROE should not exceed 11.74%. The FERC ordered the New England transmission owners to provide refunds to customers for the first complaint refund period and set the new base ROE of 10.57% prospectively from October 16, 2014.

On March 3, 2015, the FERC issued an Order on Rehearing in the first complaint (the March Order) denying all rehearing requests from the complainants and the New England transmission owners. On April 30, 2015, the New England transmission owners filed a petition for review of the FERC's decisions on the first complaint with the U.S. Court of Appeals for the D.C. Circuit. On May 1, 2015, two additional petitions for review of those FERC decisions were also filed at the D.C. Circuit by the complainants and by several customers. The appeals of the FERC's decisions on the first complaint have been consolidated and are currently pending before the D.C. Circuit. UI recorded additional pre-tax reserves of $6.0 million in 2015 relating to the third complaint and the March Order. As of March 31, 2016, net pre-tax reserves relating to refunds and potential refunds to customers under all three claims were approximately $7.7million and cumulative pre-tax reserves were approximately $14.1 million, of which $6.4 million has already been refunded to customers.

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 Federal Power Act, or FPA, the FERC found that the ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. 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. FERC also found that the current RNS and 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. UIL Holdings is unable to predict the outcome of this proceeding at this time.

On April 29, 2016, the Complainants filed a fourth, related, complaint (Complaint IV) for a subsequent rate period requesting the base ROE be 8.61% and ROE Cap be 11.24%. We cannot predict the outcome of the Complaint IV proceeding.

New England East-West Solution

Pursuant to an agreement with CL&P (the Agreement), UI has the right to invest in, and own transmission assets associated with, the Connecticut portion of CL&P's New England East West Solution (NEEWS) projects to improve regional energy reliability. NEEWS consists of four inter-related transmission projects being developed by subsidiaries of Northeast Utilities (doing business as Eversource Energy), the parent company of CL&P, in collaboration with National Grid USA. Three of the projects have portions located in Connecticut: (1) the Greater Springfield Reliability Project (GSRP), which was fully energized in November 2013, (2) the Interstate Reliability Project (IRP), which is expected to be placed in service in December 2015 and (3) the Central Connecticut Reliability Project (CCRP), which was reassessed as part of the Greater Hartford Central Connecticut Study (GHCC). As CL&P places assets in service, it will transfer title to certain NEEWS transmission assets to UI in proportion to UI's investments, but CL&P will continue to maintain these portions of the transmission system pursuant to an operating and maintenance agreement with UI. Any termination of the Agreement pursuant to its terms would have no effect on the assets previously transferred to UI.

Under the terms of the Agreement, UI has the option to make quarterly deposits to CL&P in exchange for ownership of specific NEEWS transmission assets as they are placed in service. UI has the right to invest up to the greater of $60 million or an amount equal to 8.4% of CL&P's costs for the originally proposed Connecticut portions of the NEEWS projects. Based upon the current projected costs, UI's investment rights in GSRP and IRP is approximately $45 million. In February 2015, ISO-NE issued its final GHCC transmission solutions report and, in March 2015, approved the proposed plan applications. Based on the ISO-NE reassessment of CCRP and the currently planned generation in Connecticut, UI does not anticipate making any investments in GHCC or further investment in NEEWS.

Deposits associated with NEEWS are recorded as assets at the time the deposit is made and they are reported in the 'Other' line item within the Deferred Charges and Other Assets section of the balance sheet. When title to the assets is transferred to UI, the amount of the corresponding deposit is reclassified from other assets to plant-in-service on the balance sheet and shown as a non-cash investing activity in the statement of cash flows.

As of March 31, 2016, UI had made aggregate deposits of $45 million under the Agreement since its inception, with assets associated with the GSRP valued at approximately $24.6 million and assets associated with the IRP valued at approximately $20 million having been transferred to UI. UI does not anticipate making any additional investments in NEEWS under the agreement.

Other Proceedings

On November 12, 2014, PURA issued a decision in a docket addressing UI's semi-annual Generation Services Charge (GSC), bypassable federally mandated congestion charge and the non-bypassable federally mandated congestion charge (NBFMCC) reconciliations. PURA's decision allowed for recovery of $7.7 million of the $11.3 million request included in UI's filing for the reconciliation of certain revenues and expenses relating to the period from 2004 through 2013. This resulted in UI recording a pre-tax write-off of approximately $3.8 million during the fourth quarter of 2014, which amount included the disallowed portion of UI's request as well as additional 2014 carrying charges.

Also on November 12, 2014, PURA issued a final decision in UI's final Competitive Transition Assessment (CTA) reconciliation proceeding which extinguished all remaining CTA balances. In addition, the final decision allowed for the application of an approximate $8.2 million remaining CTA regulatory liability, as well as an approximate $12.0 million regulatory liability related to the Connecticut Yankee Atomic Power Company litigation against the U.S. Department of Energy (DOE), against UI's storm regulatory asset balance. The final decision required that remaining regulatory liability balance be applied to the GSC "working capital allowance" and be returned to customers through the NBFMCC.

Because the two decisions noted above, among other things, fail to apply rate making principles on a consistent basis, UI filed appeals with the State of Connecticut Superior Court in December 2014 for both the GSC/NBFMCC and the CTA final decisions. On February 3, 2015, PURA filed a motion to dismiss UI's appeal of the CTA final decision. On June 17, 2015, the Superior Court denied PURA's motion to dismiss the CTA appeal.

UI filed a motion to stay the appeals in the two proceedings discussed above in connection with the settlement agreement filed with PURA in the change in control proceeding. On October 12, 2015, the motions to stay were granted. Upon resolution of any appeals of PURA's approval of UIL Holdings' merger with Avangrid, Inc., UI will withdraw the appeals.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with the 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, 2016 through December 31, 2016 of $29.3 million and $36.4 million for GenConn Devon and GenConn Middletown, respectively. In addition, PURA has ruled that GenConn project costs incurred that were in excess of the proposed costs originally submitted in 2008 were prudently incurred and are recoverable. Such costs are included in the determination of the 2015 approved revenue requirements.

(D) SHORT-TERM CREDIT ARRANGEMENTS

On April 5, 2016, Avangrid Inc. and its regulated subsidiaries, including UI, entered into a revolving credit facility with a syndicate of banks (the Credit Facility), that provides for maximum borrowings of up to $1.5 billion in the aggregate. Under the terms of the Credit Facility, each joint borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit established by the banks. UI has a maximum sublimit of $250 million. Under the Credit Facility, each of the borrowers will pay an annual facility fee that is dependent on its credit rating. The maturity date for the Credit Facility is April 5, 2021.

As of March 31, 2016, UI did not have any borrowings outstanding under the Credit Facility.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences in the treatment of certain transactions for book and tax purposes and by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. In accordance with ASC 740, 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 three-month periods ended March 31, 2016 and 2015 were 28.6% and 30.3%, respectively. Income tax expense for the first quarter of 2016 increased $2.0 million from the first quarter of 2015 due primarily higher pre-tax book income; partially offset by lower state taxes.

(F) PENSION AND OTHER BENEFITS

During the three months ended March 31, 2016, UI did not make any pension contributions. The amount of expected pension contributions for the remainder of 2016 is $22.5 million.

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 period ended March 31, 2016:

	Three Months Ended March 31,			
	Pension Benefits		Other Post-Retirement Benefits	
	2016	2015	2016	2015
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,578	$ 1,955	$ 257	$ 290
Interest cost	5,718	5,542	787	859
Expected return on plan assets	(6,435)	(7,190)	(418)	(462)
Amortization of:				
Prior service costs	(1)	(1)	(382)	13
Actuarial (gain) loss	5,906	4,472	408	266
Net periodic benefit cost	$ 6,766	$ 4,778	$ 652	$ 966
Discount rate	4.24%	4.20%-4.30%	4.24%	4.30%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.75%	8.00%	7.75%	8.00%
Composite health care trend rate (current year)	N/A	N/A	7.00%	7.00%
Composite health care trend rate (2019 forward)	N/A	N/A	4.50%	5.00%

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

During the three-month period ended March 31, 2016 and year ended December 31, 2015, 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 UIL Holdings and its subsidiaries. For the three-month periods ended March 31, 2016 and 2015, UI recorded inter-company expenses of $10.3 million and $14.9 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of UIL Holdings' regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers. At March 31, 2016 and December 31, 2015, the Balance Sheet reflects inter-company receivables, included in other accounts receivable of $6.8 million and $9.8 million, respectively, and inter-company payables, included in accounts payable, of $10.2 million and $19.3 million, respectively.

Dividends/Capital Contributions

In 2016 and 2015, UI made wire transfers to UIL Holdings on a quarterly basis in order to maintain its capitalization structure as allowed per PURA's final decision in UI's 2008 distribution rate proceeding. For the three-month period ended March 31, 2016, UI did not accrue any dividends to UIL Holdings and for the year ended December 31, 2015, UI accrued dividends to UIL Holdings of $59.7 million.

(H) COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, UI and its subsidiaries are involved in various proceedings, including legal, tax, regulatory and environmental matters, which require management's assessment to determine the probability of whether a loss will occur and, if probable, an estimate of probable loss. When assessments indicate that it is probable that a liability has been incurred and an amount can be reasonably estimated, UI accrues a reserve and discloses the reserve and related matter. UI discloses material matters when losses are probable but for which an estimate cannot be reasonably estimated or when losses are not probable but are reasonably possible. Subsequent analysis is performed on a periodic basis to assess the impact of any changes in events or circumstances and any resulting need to adjust existing reserves or record additional reserves. However, given the inherent unpredictability of these legal and regulatory proceedings, we cannot assure you that our assessment of such proceedings will reflect the ultimate outcome, and an adverse outcome in certain matters could have a material adverse effect on our results of operations or cash flows.

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 of March 31, 2016. 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. See Note (C) "Regulatory Proceedings – Other Proceedings" for additional information.

In August 2013, the Yankee Companies filed a third round of claims against the Government seeking damages for the years 2009-2014 (Phase III). The Phase III trial was completed in July 2015 and the court issued its decision on March 25, 2016 awarding the Yankee Companies a combined $76.8 million (Connecticut Yankee $32.6 million, Maine Yankee $24.6 million and Yankee Atomic $19.6 million). The damage awards will potentially flow through the Yankee Companies to shareholders, including UI, upon FERC approval, and will reduce retail customer charges or otherwise as specified by law. UI will receive their proportionate share of the awards that flow through based on percentage ownership. We cannot predict the timing or amount of damage awards that may ultimately flow through to customers.

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

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. In December 2013, Evergreen and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the property; (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. UI believes the claims are without merit. These lawsuits were stayed pending the resolution of the proposed partial consent order described below.

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. These proceedings were stayed pending the resolution of the proposed partial consent order described below.

On September 16, 2015, UI signed a Proposed Partial Consent Order that, when issued by the Commissioner of DEEP, and subject to the terms and conditions in the Proposed Partial Consent Order, would require UI to investigate and remediate certain environmental conditions within the perimeter of the English Station site. Under the Proposed Partial Consent Order, to the extent that the cost of this investigation and remediation is less than $30 million, UI would 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. Pursuant to the Proposed Partial Consent Order, upon its issuance and subject to its terms and conditions, UI would be obligated to comply with the Proposed Partial Consent Order, even if the cost of such compliance exceeds $30 million. 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. We cannot predict the outcome of this matter. On September 30, 2015, the Hearing Officer in DEEP's administrative proceeding approved a Motion for Stay of further proceedings filed by DEEP, staying all proceedings on the administrative order for 120 days. On January 26, 2016 the Stay was extended for an additional 90 days, the Stay was further extended to September 1, 2016. A status conference is scheduled for September 1, 2016. As of December 31, 2015 we reserved $20.5 million for this case and have accrued the remaining $9.5 million in accordance with the settlement with PURA approving the acquisition. As of March 31, 2016 the reserve amount remained unchanged.

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.

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS – UNAUDITED

Middletown/Norwalk Transmission Project

The general contractor responsible for civil construction work in connection with the installation of UI's portion of the Middletown/Norwalk Transmission Project's underground electric cable system filed a lawsuit in Connecticut state court on September 22, 2009. On September 3, 2013, the court found for UI on all claims but one related to certain change orders, and ordered UI to pay the general contractor approximately $1.3 million, which has since been paid. On October 22, 2013, the general contractor filed an appeal of the trial court's decision and on June 23, 2015, the appellate court affirmed the trial court's judgment. The period to file a petition for review by the Connecticut Supreme Court has passed and the case is now concluded. UI expects to recover any amounts paid to resolve the contractor and subcontractor claims through UI's transmission revenue requirements.

In April 2013, an affiliate of the general contractor for the Middletown/Norwalk Transmission Project, purporting to act as a shareholder on behalf of UIL Holdings, filed a complaint against the UIL Holdings Board of Directors alleging that the directors breached a fiduciary duty by failing to undertake an independent investigation in response to a letter from the affiliate asking for an investigation regarding alleged improper practices by UI in connection with the Middletown/Norwalk Transmission Project. In October 2013, the court granted the defendants' motion to dismiss the complaint, which dismissal was affirmed by the Connecticut Appellate Court in March 2015. The period to file a petition for review by the Connecticut Supreme Court has passed and the case is now concluded.

(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 March 31, 2016 and December 31, 2015.

	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
	(In Thousands)			
March 31, 2016				
Assets:				
Derivative assets	$ -	$ -	$ 26,244	$ 26,244
Supplemental retirement benefit trust life insurance policies	-	9,484	-	9,484
	-	9,484	26,244	35,728
Liabilities:				
Derivative liabilities	-	-	117,895	117,895
Long-term debt	-	983,094	-	983,094
	-	983,094	117,895	1,100,989
Net fair value assets/(liabilities), March 31, 2016	$ -	$ (973,610)	$ (91,651)	$ (1,065,261)
December 31, 2015				
Assets:				
Derivative assets	$ -	$ -	$ 29,264	$ 29,264
Supplemental retirement benefit trust life insurance policies	-	9,544	-	9,544
	-	9,544	29,264	38,808
Liabilities:				
Derivative liabilities	-	-	96,230	96,230
Long-term debt	-	955,420	-	955,420
	-	955,420	96,230	1,051,650
Net fair value assets/(liabilities), December 31, 2015	$ -	$ (945,876)	$ (66,966)	$ (1,012,842)

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 March 31, 2016 and December 31, 2015 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 March 31, 2016	Range at December 31, 2015
Contracts for differences	Risk of non-performance	0.02% - 0.79%	0.06% - 0.88%
	Discount rate	0.87% - 1.78%	1.31% - 2.27%
	Forward pricing ($ per MW)	$3.15 - $9.55	$3.15 - $11.19

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 March 31, 2016 and December 31, 2015 in the active markets for the various funds within which the assets are held.

Long-term debt is carried at cost on the balance sheet. The fair value of long-term debt as displayed in the table above is based on evaluated prices that reflect significant observable market information such as reported trades, actual trade information of similar securities, benchmark yields, broker/dealer quotes of new issue prices and relevant credit information.
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 twelve month periods ended March 31, 2016 and December 31, 2015.

	Three Months Ended March 31, 2016 (In Thousands)
Net derivative assets/(liabilities), December 31, 2015	$ (66,966)
Unrealized gains and (losses), net	(24,685)
Net derivative assets/(liabilities), March 31, 2016	$ (91,651)
Change in unrealized gains (losses), net relating to net derivative assets/(liabilities), still held as of March 31, 2016	$ (24,685)

	Three Months Ended March 31, 2016 (In Thousands)
Net regulatory assets/(liabilities), December 31, 2015	$ 66,966
Unrealized (gains) and losses, net	24,685
Net regulatory assets/(liabilities), March 31, 2016	$ 91,651

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF MARCH 31, 2016 AND DECEMBER 31, 2015 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2016AND 2015

(UNAUDITED)

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues	$ 123,473	$ 143,543
Operating Expenses		
Operation		
Natural gas purchased	55,187	70,726
Operation and maintenance	27,155	24,022
Depreciation and amortization	6,372	5,681
Taxes - other than income taxes	8,158	8,859
Total Operating Expenses	96,872	109,288
Operating Income	26,601	34,255
Other Income and (Deductions), net		
Other income	497	94
Other (deductions)	(276)	(248)
Total Other Income and (Deductions), net	221	(154)
Interest Charges, net		
Interest on long-term debt	3,344	3,344
Other interest, net	69	48
	3,413	3,392
Amortization of debt expense and redemption premiums	108	77
Total Interest Charges, net	3,521	3,469
Income Before Income Taxes	23,301	30,632
Income Taxes	8,817	11,887
Net Income	$ 14,484	$ 18,745

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net Income	$ 14,484	$ 18,745
Other Comprehensive Income (Loss), net of income taxes		
Changes in unrealized gains (losses) related to pension and other post-retirement benefit plans	5	145
Comprehensive Income	$ 14,489	$ 18,890

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)

	March 31, 2016	December 31, 2015
Current Assets		
Unrestricted cash and temporary cash investments	$ 8,682	$ 6,946
Accounts receivable less allowance of $1,800 and $1,400, respectively	60,912	53,681
Unbilled revenues	16,475	15,805
Current regulatory assets	21,030	27,272
Natural gas in storage, at average cost	21,175	32,109
Materials and supplies, at average cost	2,195	2,311
Refundable taxes	2,117	10,793
Prepayments	7,931	523
	3,004	3,005
Total Current Assets	143,521	152,445
Other investments	9,535	9,645
Net Property, Plant and Equipment	641,988	641,071
Regulatory Assets	148,041	156,085
Deferred Charges and Other Assets		
Unamortized debt issuance expenses	66	125
Goodwill	134,931	134,931
Other	466	-
Total Deferred Charges and Other Assets	135,463	135,056
Total Assets	$ 1,078,548	$ 1,094,302

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.

CONSOLIDATED BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	March 31, 2016	December 31, 2015
Current Liabilities		
Current portion of long-term debt	$ 2,517	$ 2,517
Accounts payable	30,820	41,516
Accrued liabilities	15,399	16,148
Current regulatory liabilities	3,398	7,929
Interest accrued	2,070	2,271
Taxes accrued	5,946	3,687
Intercompany payable	22,000	46,000
Total Current Liabilities	82,150	120,068
Deferred Income Taxes	47,433	44,521
Regulatory Liabilities	175,456	170,205
Other Noncurrent Liabilities		
Pension accrued	42,804	42,173
Other post-retirement benefits accrued	15,480	15,913
Other	13,469	13,350
Environmental liabilities	48,872	49,000
Total Other Noncurrent Liabilities	120,625	120,436
Commitments and Contingencies		
Capitalization		
Long-term debt, net of unamortized premium	224,179	224,856
Noncontrolling interest (Note A)	20,369	20,369
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	20,198	5,714
Accumulated other comprehensive income (loss)	(360)	(365)
Net Common Stock Equity	408,336	393,847
Total Capitalization	652,884	639,072
Total Liabilities and Capitalization	$ 1,078,548	$ 1,094,302

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)

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
Cash Flows From Operating Activities				
Net income	$	14,484	$	18,745
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		6,480		11,623
Deferred income taxes		7,082		375
Pension expense		1,770		1,344
Regulatory activity, net		9,318		6,757
Other non-cash items, net		(227)		179
Changes in:				
Accounts receivable, net		(6,931)		(26,708)
Unbilled revenues		(670)		3,651
Natural gas in storage		10,934		25,002
Prepayments		(1,594)		(1,209)
Accounts payable		(3,881)		(6,070)
Taxes accrued/refundable, net		5,119		13,989
Accrued liabilities		(749)		(1,194)
Accrued pension		(719)		(2,799)
Accrued other post-employment benefits		(853)		(1,001)
Other assets		(320)		(964)
Other liabilities		(162)		(1,315)
Total Adjustments		24,597		21,660
Net Cash provided by Operating Activities		39,081		40,405
Cash Flows from Investing Activities				
Plant expenditures including AFUDC debt		(13,345)		(13,905)
Net Cash used in Investing Activities		(13,345)		(13,905)
Cash Flows from Financing Activities				
Payment of common stock dividend		-		(15,000)
Intercompany payable		(24,000)		(10,000)
Net Cash used in Financing Activities		(24,000)		(25,000)
Unrestricted Cash and Temporary Cash Investments:				
Net change for the period		1,736		1,500
Balance at beginning of period		6,946		428
Balance at end of period	$	8,682	$	1,928
Non-cash investing activity:				
Plant expenditures included in ending accounts payable	$	1,308	$	702

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
March 31, 2016
(Thousands of Dollars)
(Unaudited)

	Common Stock						Retained Earnings		Accumulated Other		
	Shares		Amount		Paid-in Capital		(Accumulated Deficit)		Comprehensive Income (Loss)		Total
Balance as of December 31, 2015	1,407,072	$	18,761	$	369,737	$	5,714	$	(365)	$	393,847
Net income							14,484				14,484
Other comprehensive loss, net of income taxes									5		5
Payment of common stock dividend											
Balance as of March 31, 2016	1,407,072	$	18,761	$	369,737	$	20,198	$	(360)	$	408,336

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

CONNECTICUT NATURAL GAS CORPORATION

AS OF MARCH 31, 2016 AND DECEMBER 31, 2015 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

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STATEMENT OF INCOME
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues	$ 116,294	$ 149,508
Operating Expenses		
Operation		
Natural gas purchased	49,522	84,441
Operation and maintenance	19,155	20,627
Depreciation and amortization	7,722	7,857
Taxes - other than income taxes	7,794	8,486
Total Operating Expenses	84,193	121,411
Operating Income	32,101	28,097
Other Income and (Deductions), net		
Other income	475	285
Other (deductions)	(79)	(52)
Total Other Income and (Deductions), net	396	233
Interest Charges, net		
Interest on long-term debt	2,185	2,185
Other interest, net	14	58
	2,199	2,243
Amortization of debt expense and redemption premiums	54	23
Total Interest Charges, net	2,253	2,266
Income Before Income Taxes	30,244	26,064
Income Taxes	10,522	9,281
Net Income	19,722	16,783
Less:		
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Net Income attributable to Connecticut Natural Gas Corporation	$ 19,715	$ 16,776

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net Income	$ 19,722	$ 16,783
Other Comprehensive Income (Loss), net of income taxes		
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	-	128
Total Other Comprehensive Income (Loss), net of income taxes	-	128
Comprehensive Income	19,722	16,911
Less:		
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Comprehensive Income	$ 19,715	$ 16,904

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

	March 31, 2016	December 31, 2015
Current Assets		
Unrestricted cash and temporary cash investments	$ 6,949	$ 2,835
Accounts receivable less allowance of $1,800 and $3,300, respectively	57,081	50,404
Unbilled revenues	16,953	16,904
Current regulatory assets	14,990	17,090
Natural gas in storage, at average cost	16,614	28,837
Materials and supplies, at average cost	1,708	1,395
Refundable taxes	68	-
Prepayments	2,099	963
Other	175	175
Total Current Assets	116,637	118,603
Other investments	1,451	1,527
Total Property, Plant and Equipment	801,521	794,780
Less accumulated depreciation	269,992	265,758
	531,529	529,022
Construction work in progress	20,399	19,286
Net Property, Plant and Equipment	551,928	548,308
Regulatory Assets	140,446	130,561
Deferred Charges and Other Assets		
Unamortized debt issuance expenses	185	125
Goodwill	79,341	79,341
Other	612	230
Total Deferred Charges and Other Assets	80,138	79,696
Total Assets	$ 890,600	$ 878,695

BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	March 31, 2016	December 31, 2015
Current Liabilities		
Current portion of long-term debt	$ 11,359	$ 11,527
Accounts payable	31,113	41,236
Accrued liabilities	10,248	12,312
Current regulatory liabilities	14,270	18,764
Interest accrued	2,929	2,064
Intercompany payable	-	8,000
Taxes accrued	12,892	7,595
Total Current Liabilities	82,811	101,498
Deferred Income Taxes	49,757	33,751
Regulatory Liabilities	187,388	192,774
Other Noncurrent Liabilities		
Pension accrued	57,503	56,368
Other post-retirement benefits accrued	11,510	12,061
Other	7,211	7,200
Total Other Noncurrent Liabilities	76,224	75,629
Commitments and Contingencies		
Capitalization		
Long-term debt, net of unamortized premium	129,400	129,738
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	16,042	(3,673)
Accumulated other comprehensive income	101	101
Net Common Stock Equity	364,680	344,965
Total Capitalization	494,420	475,043
Total Liabilities and Capitalization	$ 890,600	$ 878,695

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash Flows From Operating Activities		
Net Income	$ 19,722	$ 16,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,776	7,880
Deferred income taxes	6,948	(1,536)
Pension expense	2,136	1,842
Regulatory activity, net	(12,383)	16,060
Other non-cash items, net	(468)	144
Changes in:		
Accounts receivable, net	(6,377)	(15,748)
Unbilled revenues	(49)	3
Natural gas in storage	12,223	27,163
Prepayments	(1,136)	(1,119)
Accounts payable	(6,586)	(16,980)
Interest accrued	865	863
Taxes accrued/refundable, net	5,229	12,973
Accrued pension	(785)	(2,558)
Accrued other post-employment benefits	(767)	(550)
Accrued liabilities	(2,064)	(3,469)
Other assets	(786)	(1,421)
Other liabilities	77	47
Total Adjustments	3,853	23,594
Net Cash provided by Operating Activities	23,575	40,377
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(11,454)	(8,402)
Intercompany receivable	-	(5,000)
Net Cash (used in) Investing Activities	(11,454)	(13,402)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(11,000)
Payments of preferred stock dividend	(7)	(7)
Intercompany payable	(8,000)	-
Other	-	-
Net Cash (used in) Financing Activities	(8,007)	(11,007)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	4,114	15,968
Balance at beginning of period	2,835	7,074
Balance at end of period	$ 6,949	$ 23,042
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 2,281	$ 1,759

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2016
(Thousands of Dollars)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2015	10,634,436	$ 33,233	$ 315,304	$ (3,673)	$ 101	$ 344,965
Net income				19,722		19,722
Other comprehensive income, net of income taxes						
Payment of common stock dividend						
Payment of preferred stock dividend				(7)		(7)
Balance as of March 31, 2016	10,634,436	$ 33,233	$ 315,304	$ 16,042	$ 101	$ 364,680

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF MARCH 31, 2016 AND DECEMBER 31, 2015 AND FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(UNAUDITED)

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Revenues	$ 29,630	$ 41,389
Operating Expenses		
Operation		
Natural gas purchased	11,301	19,354
Operation and maintenance	6,860	7,898
Depreciation and amortization	1,787	1,717
Taxes - other than income taxes	834	873
Total Operating Expenses	20,782	29,842
Operating Income	8,848	11,547
Other Income and (Deductions), net		
Other income	116	38
Other (deductions)	(10)	(9)
Total Other Income and (Deductions), net	106	29
Interest Charges, net		
Interest on long-term debt	814	842
Other interest, net	(10)	(6)
	804	836
Amortization of debt expense and redemption premiums	31	30
Total Interest Charges, net	835	866
Income Before Income Taxes	8,119	10,710
Income Taxes	3,183	4,496
Net Income	$ 4,936	$ 6,214

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

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net Income	$ 4,936	$ 6,214
Other Comprehensive Income (Loss)	15	8
Comprehensive Income	$ 4,951	$ 6,222

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

	March 31, 2016	December 31, 2015
Current Assets		
Unrestricted cash and temporary cash investments	$ 2,415	$ 2,950
Accounts receivable less allowance of $1,160 and $1,303, respectively	11,538	8,618
Unbilled revenues	3,502	4,003
Current regulatory assets	2,792	3,960
Natural gas in storage, at average cost	1,317	2,344
Materials and supplies, at average cost	-	825
Intercompany receivable	6,000	-
Other	3,691	2,812
Total Current Assets	31,255	25,512
Other investments	830	855
Total Property, Plant and Equipment	208,494	204,691
Less accumulated depreciation	69,709	68,546
	138,785	136,145
Construction work in progress	3,232	6,405
Net Property, Plant and Equipment (Note A)	142,017	142,550
Regulatory Assets	33,232	36,979
Deferred Charges and Other Assets		
Unamortized debt issuance expenses	-	23
Goodwill	51,933	51,933
Other	1,100	22
Total Deferred Charges and Other Assets	53,033	51,978
Total Assets	$ 260,367	$ 257,874

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

	March 31, 2016	December 31, 2015
Current Liabilities		
Current portion of long-term debt	$ 2,393	$ 2,393
Accounts payable	4,416	7,219
Accrued liabilities	3,556	4,519
Interest accrued	609	853
Taxes accrued	11,425	7,254
Total Current Liabilities	22,399	22,238
Deferred Income Taxes	25,420	28,867
Regulatory Liabilities	35,782	34,780
Other Noncurrent Liabilities		
Pension accrued	10,848	10,758
Other post-retirement benefits accrued	1,800	1,792
Environmental remediation costs	2,600	2,600
Other	4,728	4,774
Total Other Noncurrent Liabilities	19,976	19,924
Commitments and Contingencies		
Capitalization		
Long-term debt	42,366	42,592
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	8,333	3,397
Accumulated other comprehensive income (loss)	(4)	(19)
Net Common Stock Equity	114,424	109,473
Total Capitalization	156,790	152,065
Total Liabilities and Capitalization	$ 260,367	$ 257,874

STATEMENT OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Cash Flows From Operating Activities		
Net income	$ 4,936	$ 6,214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,818	2,658
Deferred income taxes	(197)	(1,358)
Pension expense	357	327
Regulatory activity, net	2,122	2,214
Other non-cash items, net	113	213
Changes in:		
Accounts receivable, net	(3,052)	(4,811)
Unbilled revenues	501	(171)
Natural gas in storage	1,027	2,827
Accounts payable	(2,051)	(2,830)
Taxes accrued/refundable, net	4,119	5,463
Accrued liabilities	(963)	(1,177)
Accrued pension	(267)	(304)
Other assets	(1,063)	(633)
Other liabilities	(360)	(247)
Total Adjustments	2,104	2,171
Net Cash provided by Operating Activities	7,040	8,385
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(1,575)	(1,677)
Intercompany receivable	(6,000)	-
Net Cash used in Investing Activities	(7,575)	(1,677)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(1,700)
Net Cash provided by Financing Activities	-	(1,700)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(535)	5,008
Balance at beginning of period	2,950	6,734
Balance at end of period	$ 2,415	$ 11,742
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 3	$ 229

THE BERKSHIRE GAS COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2016
(Thousands of Dollars)

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Balance as of December 31, 2015	100	$ -	$ 106,095	$ 3,397	$ (19)	$ 109,473
Net income				4,936		4,936
Other comprehensive income, net of income taxes					15	15
Payment of common stock dividend						
Balance as of March 31, 2016	100	$ -	$ 106,095	$ 8,333	$ (4)	$ 114,424

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For theThree Months Ended March 31, 2016 and 2015

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March 31, 2016 and 2015

Central Maine Power Company
Consolidated Statements of Income (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Operating Revenues		
Sales and services	$212,779	$193,729
Operating Expenses		
Electricity purchased	13,281	13,556
Operating expenses and Maintenance Expenses	103,971	80,484
Depreciation and amortization	25,484	22,902
Other taxes	12,988	8,886
Total Operating Expenses	155,724	125,828
Operating Income	57,055	67,901
Other (Income)	(1,454)	(1,498)
Other Deductions	147	1,821
Interest Charges, Net	13,048	13,987
Income Before Income Taxes	45,314	53,591
Income Taxes	17,794	19,438
Net Income	27,520	34,153
Less: Net Income Attributable to Noncontrolling Interest	105	94
Net Income Attributable to CMP	27,415	34,059
Preferred Stock Dividends	-	-
Earnings Available for CMP Common Stock	$27,415	$34,059

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

Three months ended March 31,	2016	2015
(Thousands)		
Net Income	$27,520	$34,153
Other Comprehensive Loss, net of Tax		
Amortization of pension cost for nonqualified plans	-	-
Unrealized gain (loss) on derivatives qualifed as hedges:		
Unrealized (loss) during period on derivatives qualified as hedges	(44)	(30)
Reclassification adjustment for loss (gain) included in net income	116	25
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	322	(60)
Net unrealized gain on derivatives qualified as hedges	394	(65)
Other Comprehensive Income, Net of Tax	394	(65)
Comprehensive Income	27,914	34,088
Less:		
Comprehensive Income Attributable to Other Noncontrolling Interests	105	94
Comprehensive Income Attributable to Central Maine Power Company	$27,809	$33,994

Central Maine Power Company

Consolidated Balance Sheets (Unaudited)

(Thousands)	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$1,921**	$5,360
Accounts receivable and unbilled revenues, net	**147,411**	149,281
Accounts receivable from affiliates	**744**	1,762
Notes receivable from affiliates	**695**	23,437
Materials and supplies	**14,768**	15,828
Prepayments and other current assets	**15,837**	121,095
Regulatory assets	**17,791**	22,032
Total Current Assets	**199,167**	338,795
Utility Plant, at Original Cost		
Electric	**3,697,564**	3,675,772
Less accumulated depreciation	**849,656**	826,309
Net Utility Plant in Service	**2,847,908**	2,849,463
Construction work in progress	**151,331**	152,707
Total Utility Plant	**2,999,239**	3,002,170
Other Property and Investments	**1,492**	1,506
Regulatory and Other Assets		
Regulatory assets	**518,051**	521,482
Goodwill	**324,938**	324,938
Other	**12,996**	5,304
Total Regulatory and Other Assets	**855,985**	851,724
Total Assets	**$4,055,883**	$4,194,195

Central Maine Power Company

Consolidated Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$1,325	$41,312
Notes payable	1,486	-
Notes payable to affiliates	39,250	-
Accounts payable and accrued liabilities	96,738	123,070
Accounts payable to affiliates	12,188	32,893
Interest accrued	10,292	18,671
Taxes accrued	3,264	7,454
Other current liabilities	53,016	59,781
Regulatory liabilities	35,971	44,799
Total Current Liabilities	253,530	327,980
Regulatory and Other Liabilities		
Regulatory liabilities	101,357	100,228
Deferred income taxes regulatory	164,314	165,119
Other Non-current liabilities		
Deferred income taxes	669,203	626,868
Pension and other postretirement benefits	226,868	226,560
Other	20,167	54,678
Total Regulatory and Other liabilities	1,181,909	1,173,453
Long-term debt	1,043,269	1,043,512
Total Liabilities	2,478,708	2,544,945
Commitments		
Preferred Stock		
Preferred stock	571	571
Common Stock Equity		
Common stock	156,057	156,057
Capital in excess of par value	713,893	713,893
Retained earnings	704,821	777,406
Accumulated other comprehensive loss	(8,120)	(8,514)
Total CMP Common Stock Equity	1,566,651	1,638,842
Noncontrolling Interest	9,953	9,837
Total Equity	1,576,604	1,648,679
Total Liabilities and Equity	$4,055,883	$4,194,195

Central Maine Power Company
Consolidated Statements of Cash Flows (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Operating Activities		
Net income	$27,520	$34,153
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,484	22,902
Amortization of regulatory and other assets and liabilities	(2,536)	(9,899)
Carrying costs of regulatory assets and liabilities	246	441
Defered income taxes and investment tax credits deferred, net	6,425	(7,548)
Pension expense	6,569	4,626
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	2,887	(21,784)
Materials and supplies	1,060	(2,148)
Accounts payable	(68,941)	34,611
Changes in other assets and liabilities		
Changes in other liabilities and accrued taxes	1,672	18,612
Changes in other assets	91,792	48,412
Changes in regulatory assets and liabilities	2,469	(12,263)
Net Cash(Used in)/Provided by Operating Activities	94,647	110,115
Investing Activities		
Utility plant additions	(24,762)	(108,253)
Contributions in aid of constuction	3,698	1,319
Notes receivable from affiliates	22,741	(49,800)
Investments	14	7,080
Net Cash Provided by/(Used in) Investing Activities	1,691	(149,654)
Financing Activities		
Issuances of long-term debt	-	150,000
Long-term note retirements	(38,810)	3,824
Notes payable to affiliates	39,250	(118,192)
Repayment of capital leases	(112)	-
Dividends paid on common and preferred stocks	(100,000)	-
Income Attributable to noncontrolling interest	(105)	-
Net Cash Provided by Financing Activities	(99,777)	35,632
Net Increase in Cash and Cash Equivalents	(3,439)	(3,907)
Cash and Cash Equivalents, Beginning of Period	5,360	5,023
Cash and Cash Equivalents, End of Period	$1,921	$1,116

Central Maine Power Company
Consolidated Statement of Changes in Equity (Unaudited)

(Thousands, except per share amounts)	Common Stock Outstanding $5 Par Value Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity	Noncon-trolling interest	Total
Balance, January 1, 2016	31,211	$156,057	$713,893	$777,406	($8,514)	$1,638,842	$9,837	$1,648,679
Net income attributable to CMP				27,415		27,415	105	27,520
Other comprehensive loss, net of tax					394	394		394
Comprehensive income								27,914
Adjustment to retained earnings							11	11
Dividends				(100,000)		(100,000)		(100,000)
Preferred stock				-				-
Balance, March 31, 2016	**31,211**	**$156,057**	**$713,893**	**$704,821**	**($8,120)**	**$1,566,651**	**$9,953**	**$1,576,604**

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For theThree Months Ended March 31, 2016 and 2015

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March 31, 2016 and 2015

Rochester Gas and Electric Corporation

Statements of Income (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Operating Revenues		
Electric	**$166,553**	$147,472
Natural gas	**95,958**	122,692
Total Operating Revenues	**262,511**	270,164
Operating Expenses		
Electricity purchased and fuel used in generation	**24,339**	42,426
Natural gas purchased	**32,068**	57,678
Operations and maintenance expense	**100,056**	75,824
Depreciation and amortization	**17,966**	15,746
Other taxes	**27,305**	17,392
Total Operating Expenses	**201,734**	209,066
Operating Income	**60,777**	61,098
Other (Income)	**(3,632)**	(3,900)
Other Deductions	**288**	3,388
Interest Charges, Net	**21,501**	19,086
Income Before Income Taxes	**42,620**	42,524
Income Tax Expense	**16,720**	14,676
Net Income	**$25,900**	$27,848

Rochester Gas and Electric Corporation

Statements of Comprehensive Income (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Net Income	**$25,900**	$27,848
Other Comprehensive Loss, net of Tax		
Unrealized (loss) gain on derivatives qualified as hedges:		
Unrealized (loss) gain during period on derivatives qualified as hedges	**(41)**	(70)
Reclassification adjustment for loss included in net income	**71**	110
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	**921**	1,088
Net unrealized gain on derivatives qualified as hedges	**951**	1,128
Other Comprehensive Income, net of Tax	**951**	1,128
Comprehensive Income	**$26,851**	$28,976

Rochester Gas & Electric Corporation

Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$674**	$1,136
Accounts receivable and unbilled revenues, net	**149,655**	139,282
Accounts receivable from affiliates	**2,162**	5,007
Natural gas in storage	**715**	5,891
Materials and supplies	**10,342**	10,382
Broker margin accounts	**9,096**	10,570
Income tax receivable	**17,192**	11,002
Prepaid property taxes	**36,504**	30,516
Other current assets	**1,496**	5,321
Regulatory assets	**27,350**	32,980
Total Current Assets	**255,186**	252,087
Property, Plant and Equipment, at Original Cost	**2,950,521**	2,904,955
Less accumulated depreciation	**867,448**	854,747
Net Utility Plant in Service	**2,083,073**	2,050,208
Construction work in progress	**312,158**	329,307
Total Utility Plant in Service	**2,395,231**	2,379,515
Other Property and Investments	**4,816**	4,745
Regulatory and Other Assets		
Regulatory assets	**508,786**	508,381
Other	**305**	365
Total regulatory and Other assets	**509,091**	508,746
Total Assets	**$3,164,324**	$3,145,093

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

(Thousands)	March 31, 2016	December 31, 2015
Liabilities		
Current Liabilities		
Current portion of long term debt	$40,081	$39,873
Notes payable to affiliates	44,867	69,717
Accounts payable and accrued liabilities	178,506	144,698
Accounts payable to affiliates	12,911	47,643
Interest accrued	9,336	13,155
Taxes accrued	24,924	1,835
Environmental remediation costs	4,444	4,745
Regulatory liabilities	25,739	18,558
Other	33,890	36,941
Total Current Liabilities	374,698	377,165
Regulatory and Other Liabilities		
Regulatory liabilities	422,595	433,100
Deferred income taxes regulatory	13,684	14,547
Other Non-current liabilities		
Deferred income taxes	432,018	399,063
Nuclear plant obligations	122,325	122,258
Pension and other postretirement benefits	187,018	187,542
Asset retirement obligation	6,500	8,388
Environmental remediation costs	133,587	133,513
Other	28,820	53,181
Total Regulary and Other Liabilities	1,346,547	1,351,592
Long-term debt	664,958	665,066
Total Liabilities	2,386,203	2,393,823
Commitments and Contingencies		
Common Stock Equity		
Common stock	194,429	194,429
Capital in excess of par value	529,943	529,943
Retained earnings	216,833	190,933
Accumulated other comprehensive (loss)	(45,846)	(46,797)
Treasury stock	(117,238)	(117,238)
Total Common Stock Equity	778,121	751,270
Total Liabilities and Equity	3,164,324	3,145,093

Rochester Gas and Electric Corporation

Statements of Cash Flows (Unaudited)

For the Three Months Ended March 31,	2016	2015
(Thousands)		
Operating Activities		
Net income	$25,900	$27,848
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17,966	15,746
Amortization of regulatory and other assets and liabilities, net	8,229	(180)
Carrying costs of regulatory assets and liabilities	6,376	6,431
Deferred income taxes and investment tax credits, net	16,579	(10,938)
Pension expense	5,191	4,431
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(7,528)	(23,715)
Inventory	5,216	18,915
Accounts payable and accrued liabilities	21,587	(6,710)
Taxes accrued	20,735	31,249
Other liabilities	(20,738)	(19,760)
Changes in other regulatory assets and liabilities	(16,984)	26,224
Changes in other assets	(1,715)	4,966
Net Provided by Operating Activities	80,814	74,507
Investing Activities		
Utility plant additions	(57,301)	(49,340)
Contributions in aid construction	1,269	540
Grants received from government entities	-	16,479
Investments	(71)	2,846
Net Cash Used in Investing Activities	(56,103)	(29,475)
Financing Activities		
Repayments of capital leases	(323)	-
Notes payable to affiliates, net	(24,850)	(44,376)
Net Cash Provided by (Used in) Financing Activities	(25,173)	(44,376)
Net Decrease in Cash and Cash Equivalents	(462)	656
Cash and Cash Equivalents, Beginning of Period	1,136	811
Cash and Cash Equivalents, End of Period	$674	$1,467

Rochester Gas and Electric Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Common Stock Outstanding $5.00 Par Value		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
	Shares	Amount					
Balance, January 1, 2016	38,886	$194,429	$529,943	$190,933	($46,797)	($117,238)	$751,270
Net income				25,900			25,900
Other comprehensive loss, net of tax					951		951
Comprehensive income							26,851
Balance, March 31, 2016	38,886	$194,429	$529,943	$216,833	($45,846)	($117,238)	$778,121

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

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March 31, 2016 and 2015

New York State Electric & Gas Corporation

Statements of Income (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Operating Revenues		
Electric	$306,686	$385,812
Natural gas	104,479	139,510
Total Operating Revenues	411,165	525,322
Operating Expenses		
Electricity purchased	89,579	163,398
Natural gas purchased	35,794	72,990
Operations and maintenance	140,597	154,497
Depreciation and amortization	32,381	45,368
Other taxes	36,094	26,397
Total Operating Expenses	334,445	462,650
Operating Income	76,720	62,672
Other (Income)	(8,827)	(9,205)
Other Deductions	551	2,462
Interest Charges, Net	21,985	20,195
Income before income tax	63,011	49,220
Income tax expense	20,718	19,120
Net income	$42,293	$30,100

New York State Electric & Gas Corporation

Statements of Comprehensive Income (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Net Income	$42,293	$30,100
Unrealized (loss) gain during period on derivatives qualified as hedges	(68)	(207)
Reclassificiation adjustment for loss included in net income	174	271
Reclassification adjustment for loss on settled cash flow treasury included in net income	15	141
Net unrealized (loss) gain on derivatives qualified as hedges	121	205
Other Comprehensive Income	121	205
Comprehensive Income	$42,414	$30,305

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$2,830**	$3,408
Accounts receivable and unbilled revenues, net	**215,646**	215,172
Accounts receivable from affiliates	**2,028**	10,981
Fuel and natural gas in storage, at average cost	**3,527**	13,336
Materials and supplies	**15,044**	14,758
Broker margin accounts	**18,607**	24,001
Prepaid property taxes	**49,214**	34,819
Other current assets	**33,045**	10,224
Regulatory assets	**63,837**	70,395
Total Current Assets	**403,778**	397,094
Utility Plant, at Original Cost	**5,006,437**	4,950,776
Less accumulated depreciation	**1,994,569**	1,981,015
Net Utility Plant in Service	**3,011,868**	2,969,761
Construction work in progress	**306,578**	323,565
Total Utility Plant	**3,318,446**	3,293,326
Other Property and Investments	**10,396**	10,402
Regulatory and Other Assets		
Regulatory assets	**1,255,301**	1,249,977
Total Regulatory and Other Assets	**1,255,301**	1,249,977
Total Assets	**4,987,921**	4,950,799

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$100,364	$100,417
Notes payable to affiliates	370,603	340,845
Accounts payable and accrued liabilities	100,511	128,087
Accounts payable to affiliates	22,374	73,379
Interest accrued	14,395	7,296
Taxes accrued	36,726	21,491
Derivative liabilities	877	981
Environmental remediation costs	35,293	27,805
Customer deposits	13,633	13,193
Regulatory liabilities	47,048	45,926
Other	54,400	58,732
Total Current Liabilities	796,224	818,152
Regulatory and Other Liabilities		
Regulatory liabilities	803,785	782,659
Deferred income taxes regularoty	187,378	195,403
Other non-current liabilities		
Deferred income taxes	676,876	644,485
Other postretirement benefits	323,824	330,835
Asset retirement obligation	15,076	14,902
Environmental remediation costs	128,994	140,176
Other	22,574	31,761
Total Regulatory and Other Liabilities	2,158,507	2,140,221
Long-term debt	843,258	844,908
Total Liabilities	3,797,989	3,803,281
Commitments and Contingencies		
Preferred Stock		
Common Stock Equity		
Common stock	430,057	430,057
Capital in excess of par value	268,364	268,364
Retained earnings	493,183	450,890
Accumulated other comprehensive (loss)	(1,672)	(1,793)
Total NYSEG Common Stock Equity	1,189,932	1,147,518
Total Liabilities and Equity	4,987,921	4,950,799

New York State Electric & Gas Corporation

Statements of Cash Flows (Unaudited)

Three months ended March 31,	2016	2015
(Thousands)		
Operating Activities		
Net income	$42,293	$30,100
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	32,381	45,368
Amortization of regulatory and other assets and liabilities	21,342	(294)
Carrying cost of regulatory assets and liabilities	2,889	2,594
Income taxes and investment tax credits deferred, net	10,627	(26,275)
Pension expense	16,086	12,800
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	8,479	(35,777)
Materials and supplies	9,523	16,117
Accounts payable and accrued liabilities	(72,329)	(11,156)
Changes in other assets and liabilities		
Taxes accrued	15,235	51,795
Changes in other liabilities	(28,489)	(37,735)
Changes in regulatory assets and liabilities	(1,847)	55,080
Changes in other assest	(29,054)	(19,251)
Net Cash Provided by Operating Activities	27,136	83,366
Investing Activities		
Utility plant additions	(57,517)	(52,197)
Contribution in aid of construction	2,603	752
Investments, net	(92)	5,753
Net Cash Used in Investing Activities	(55,006)	(45,692)
Financing Activities		
Long-term note repayments	-	(52,928)
Notes payable with affiliates three month or less, net	29,758	14,221
Notes payable three month or less, net	(1,709)	-
Repayments on capital leases	(757)	-
Net Cash Provided by (Used in) Financing Activities	27,292	(38,707)
Net Increase (Decrease) in Cash and Cash Equivalents	(578)	(1,033)
Cash and Cash Equivalents, Beginning of Period	3,408	7,143
Cash and Cash Equivalents, End of Period	2,830	$6,110

New York State Electric & Gas Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Common Stock Outstanding $6.66 2/3 Par Value		Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance, January 1, 2016	64,508	$430,057	$268,364	$450,890	($1,793)	$1,147,518
Net income				42,293		42,293
Other comprehensive income, net of tax					121	121
Comprehensive income						42,414
Balance, March 31, 2016	64,508	$430,057	$268,364	$493,183	($1,672)	$1,189,932