The Berkshire Gas Company

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

The Berkshire Gas Company

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The Berkshire Gas Company
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 11,335**	**$ 9,199**	**$ 68,689**	**$ 56,805**
Operating Expenses				
Natural gas purchased	2,761	1,079	26,047	17,026
Operations and maintenance	7,406	8,408	24,366	23,500
Depreciation and amortization	2,290	2,227	6,801	6,695
Taxes other than income taxes, net	1,803	1,452	5,796	4,627
Total Operating Expenses	**14,260**	**13,166**	**63,010**	**51,848**
Operating Income (Loss)	**(2,925)**	**(3,967)**	**5,679**	**4,957**
Other income	152	91	278	137
Other deductions	(32)	(755)	(672)	(752)
Interest expense, net of capitalization	(675)	(698)	(2,019)	(2,116)
Income (Loss) Before Income Tax	**(3,480)**	**(5,329)**	**3,266**	**2,226**
Income tax expense (benefit)	714	(941)	508	377
Net Income (Loss)	**$ (4,194)**	**$ (4,388)**	**$ 2,758**	**$ 1,849**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of		September 30, 2022		December 31, 2021
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	—	$	4,537
Accounts receivable and unbilled revenues, net		5,540		15,724
Accounts receivable from affiliates		10		26
Gas in storage		4,748		2,636
Materials and supplies		2,125		1,799
Income tax receivable		2,004		—
Other current assets		358		146
Regulatory assets		11,840		15,916
Total Current Assets		**26,625**		**40,784**
Utility plant, at original cost		316,684		304,225
Less accumulated depreciation		(107,278)		(100,334)
Net Utility Plant in Service		**209,406**		**203,891**
Construction work in progress		5,152		4,619
Total Utility Plant		**214,558**		**208,510**
Operating lease right-of-use assets		107		141
Other property and investments		2,047		2,179
Regulatory and Other Assets				
Regulatory assets		18,626		22,857
Goodwill		51,932		51,932
Other		9		6
Total Regulatory and Other Assets		**70,567**		**74,795**
Total Assets	**$**	**313,904**	**$**	**326,409**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of (Thousands)		September 30, 2022		December 31, 2021
Liabilities				
Current Liabilities				
Notes payable to affiliates	$	4,400	$	—
Accounts payable and accrued liabilities		6,773		16,279
Accounts payable to affiliates		2,788		754
Interest accrued		524		729
Taxes accrued		213		7,318
Operating lease liabilities		6		6
Regulatory liabilities		63		198
Other		4,425		4,159
Total Current Liabilities		**19,192**		**29,443**
Regulatory and Other Liabilities				
Regulatory liabilities		51,372		51,908
Other Non-current Liabilities				
Deferred income taxes		27,498		26,803
Pension and other postretirement		10,964		15,472
Operating lease liabilities		97		133
Environmental remediation costs		2,990		3,620
Other		1,640		1,717
Total Regulatory and Other Liabilities		**94,561**		**99,653**
Non-current debt		59,583		59,547
Total Liabilities		**173,336**		**188,643**
Commitments and Contingencies				
Common Stock Equity				
Additional paid-in capital		126,487		116,443
Retained earnings		14,081		21,323
Total Common Stock Equity		**140,568**		**137,766**
Total Liabilities and Equity	**$**	**313,904**	**$**	**326,409**

The Berkshire Gas Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 2,758**	**$ 1,849**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,801	6,695
Regulatory assets/liabilities amortization	(390)	1,350
Regulatory assets/liabilities carrying cost	(221)	(86)
Amortization of debt issuance costs	19	(78)
Deferred taxes	530	3,941
Pension cost	181	309
Stock-based compensation	71	52
Other non-cash items	182	(274)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	10,200	11,264
Inventories	(2,438)	(610)
Accounts payable, to affiliates, and accrued liabilities	(7,406)	(4,540)
Taxes accrued	(9,109)	(2,502)
Other assets/liabilities	(942)	1,326
Regulatory assets/liabilities	3,203	(428)
Net Cash Provided by Operating Activities	**3,439**	**18,268**
Cash Flow from Investing Activities:		
Capital expenditures	(12,632)	(10,610)
Contributions in aid of construction	226	173
Proceeds from sale of utility plant	30	222
Net Cash Used in Investing Activities	**(12,376)**	**(10,215)**
Cash Flow from Financing Activities:		
Notes payable to affiliates	4,400	(9,010)
Capital contributions	10,000	10,000
Dividends	(10,000)	—
Net Cash Provided by Financing Activities	**4,400**	**990**
Net (Decrease) Increase in Cash and Cash Equivalents	**(4,537)**	**9,043**
Cash and Cash Equivalents, Beginning of Period	**4,537**	**212**
Cash and Cash Equivalents, End of Period	**$ —**	**$ 9,255**

The Berkshire Gas Company
Statements of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Total Common Stock Equity
Balance, December 31, 2020	**100**	**$ —**	**$ 106,095**	**$ 16,960**	**$ 123,055**
Net income	—	—	—	1,849	1,849
Stock-based compensation	—	—	329	—	329
Capital contributions	—	—	10,000	—	10,000
Balance, September 30, 2021	**100**	**$ —**	**$ 116,424**	**$ 18,809**	**$ 135,233**
Balance, December 31, 2021	**100**	**$ —**	**$ 116,443**	**$ 21,323**	**$ 137,766**
Net income	—	—	—	2,758	2,758
Common stock dividends	—	—	—	(10,000)	(10,000)
Stock-based compensation	—	—	44	—	44
Capital contributions	—	—	10,000	—	10,000
Balance, September 30, 2022	**100**	**$ —**	**$ 126,487**	**$ 14,081**	**$ 140,568**

(*) Par value of share amounts is $2.50

Connecticut Natural Gas Corporation

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Connecticut Natural Gas Corporation
Statements of Income (Unaudited)

		Three Months		Nine Months	
Periods Ended September 30,		**2022**	**2021**	**2022**	**2021**
(Thousands)					
Operating Revenues		**$ 73,946**	**$ 62,420**	**$ 359,909**	**$ 286,585**
Operating Expenses					
Natural gas purchased		29,267	20,796	183,298	121,523
Operations and maintenance		27,535	27,508	76,273	75,795
Depreciation and amortization		11,873	11,680	35,332	34,759
Taxes other than income taxes, net		6,405	6,355	24,627	22,749
Total Operating Expenses		**75,080**	**66,339**	**319,530**	**254,826**
Operating Income (Loss)		**(1,134)**	**(3,919)**	**40,379**	**31,759**
Other income		667	539	1,799	1,586
Other deductions		(1,455)	(4,260)	(1,909)	(2,495)
Interest expense, net of capitalization		(4,583)	(2,316)	(13,793)	(7,207)
Income (Loss) Before Income Tax		**(6,505)**	**(9,956)**	**26,476**	**23,643**
Income tax (benefit) expense		(1,221)	(2,409)	6,625	5,426
Net Income (Loss)		**$ (5,284)**	**$ (7,547)**	**$ 19,851**	**$ 18,217**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of		September 30, 2022		December 31, 2021
(Thousands)				
Assets				
Current Assets				
Accounts receivable and unbilled revenues, net	$	76,682	$	107,019
Accounts receivable from affiliates		566		706
Gas in storage		60,772		30,118
Materials and supplies		4,361		4,653
Income tax receivable		7,817		—
Other current assets		4,288		2,179
Regulatory assets		45,052		51,867
Total Current Assets		**199,538**		**196,542**
Utility plant, at original cost		1,192,919		1,142,558
Less accumulated depreciation		(405,314)		(374,307)
Net Utility Plant in Service		**787,605**		**768,251**
Construction work in progress		24,843		19,823
Total Utility Plant		**812,448**		**788,074**
Operating lease right-of-use assets		559		542
Other property and investments		782		833
Regulatory and Other Assets				
Regulatory assets		66,115		84,532
Goodwill		79,341		79,341
Other		129		128
Total Regulatory and Other Assets		**145,585**		**164,001**
Total Assets	**$**	**1,158,912**	**$**	**1,149,992**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of		September 30, 2022		December 31, 2021
(Thousands, except share information)				
Liabilities				
Current Liabilities				
Notes payable to affiliates	$	23,300	$	8,700
Accounts payable and accrued liabilities		48,387		63,248
Accounts payable to affiliates		13,481		19,338
Interest accrued		2,336		2,501
Taxes accrued		4,394		19,397
Operating lease liabilities		59		607
Regulatory liabilities		5,472		4,844
Other		19,603		17,664
Total Current Liabilities		**117,032**		**136,299**
Regulatory and Other Liabilities				
Regulatory liabilities		292,105		276,003
Other Non-current Liabilities				
Deferred income taxes		42,166		38,702
Pension and other postretirement		54,727		71,389
Operating lease liabilities		462		100
Asset retirement obligation		6,398		6,398
Other		2,354		2,429
Total Regulatory and Other Liabilities		**398,212**		**395,021**
Non-current debt		189,038		188,939
Total Liabilities		**704,282**		**720,259**
Commitments and Contingencies				
Preferred Stock		**340**		**340**
Common Stock Equity				
Common stock ($3.125 par value, 20,000,000 shares authorized and 10,634,436 shares outstanding at September 30, 2022 and December 31, 2021)		33,233		33,233
Additional paid-in capital		396,764		366,698
Retained earnings		24,753		29,922
Accumulated other comprehensive loss		(460)		(460)
Total Common Stock Equity		**454,290**		**429,393**
Total Liabilities and Equity	**$**	**1,158,912**	**$**	**1,149,992**

Connecticut Natural Gas Corporation
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 19,851**	**$ 18,217**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,332	34,759
Regulatory assets/liabilities amortization	15,497	24,530
Regulatory assets/liabilities carrying cost	(172)	376
Amortization of debt issuance costs	50	185
Deferred taxes	2,757	11,531
Pension cost	(367)	612
Stock-based compensation	96	68
Other non-cash items	346	71
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	30,477	19,582
Inventories	(30,362)	(8,458)
Accounts payable, to affiliates, and accrued liabilities	(19,556)	(12,073)
Taxes accrued	(22,819)	(2,409)
Other assets/liabilities	(68)	(1,969)
Regulatory assets/liabilities	(2,791)	(16,452)
Net Cash Provided by Operating Activities	**28,271**	**68,570**
Cash Flow from Investing Activities:		
Capital expenditures	(48,333)	(40,890)
Contributions in aid of construction	375	323
Proceeds from sale of utility plant	107	—
Notes receivable from affiliates	—	5,050
Net Cash Used in Investing Activities	**(47,851)**	**(35,517)**
Cash Flow from Financing Activities:		
Return of capital	—	(40,000)
Notes payable to affiliates	14,600	—
Capital contribution	30,000	20,000
Dividends paid	(25,020)	(20)
Net Cash Provided by (Used in) Financing Activities	**19,580**	**(20,020)**
Net Increase in Cash and Cash Equivalents	**—**	**13,033**
Cash and Cash Equivalents, Beginning of Period	**—**	**831**
Cash and Cash Equivalents, End of Period	**$ —**	**$ 13,864**

Connecticut Natural Gas Corporation
Statements of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, December 31, 2020	**10,634,436**	**$ 33,233**	**$ 386,302**	**$ 7,086**	**$ (332)**	**$ 426,289**
Net income	—	—	—	18,217	—	18,217
Stock-based compensation	—	—	371	—	—	371
Preferred stock dividends	—	—	—	(20)	—	(20)
Capital contributions	—	—	20,000	—	—	20,000
Return of capital	—	—	(40,000)	—	—	(40,000)
Balance, September 30, 2021	**10,634,436**	**$ 33,233**	**$ 366,673**	**$ 25,283**	**$ (332)**	**$ 424,857**
Balance, December 31, 2021	**10,634,436**	**$ 33,233**	**$ 366,698**	**$ 29,922**	**$ (460)**	**$ 429,393**
Net income	—	—	—	19,851	—	19,851
Stock-based compensation	—	—	66	—	—	66
Common stock dividends	—	—	—	(25,000)	—	(25,000)
Preferred stock dividends	—	—	—	(20)	—	(20)
Capital contributions	—	—	30,000	—	—	30,000
Balance September 30, 2022	**10,634,436**	**$ 33,233**	**$ 396,764**	**$ 24,753**	**$ (460)**	**$ 454,290**

(*) Par value of share amounts is $3.125

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The Southern Connecticut Gas Company
Consolidated Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 82,105**	**$ 67,906**	**$ 357,613**	**$ 292,338**
Operating Expenses				
Natural gas purchased	35,386	21,314	183,653	115,115
Operations and maintenance	24,254	32,433	76,252	86,411
Depreciation and amortization	9,771	9,470	28,983	28,166
Taxes other than income taxes, net	7,254	6,637	26,156	24,099
Total Operating Expenses	**76,665**	**69,854**	**315,044**	**253,791**
Operating Income (Loss)	**5,440**	**(1,948)**	**42,569**	**38,547**
Other income	742	552	1,928	1,424
Other deductions	(629)	(1,966)	(4,060)	(832)
Interest expense, net of capitalization	(4,461)	(3,883)	(13,926)	(9,567)
Income (Loss) Before Income Tax	**1,092**	**(7,245)**	**26,511**	**29,572**
Income tax (benefit) expense	(402)	(1,673)	(2,413)	5,964
Net Income (Loss)	**1,494**	**(5,572)**	**28,924**	**23,608**
Less: net income attributable to noncontrolling interest	675	667	2,142	2,499
Net Income (Loss) Attributable to SCG	**$ 819**	**$ (6,239)**	**$ 26,782**	**$ 21,109**

The Southern Connecticut Gas Company
Consolidated Statements of Comprehensive Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Net Income (Loss)	**$ 1,494**	**$ (5,572)**	**$ 28,924**	**$ 23,608**
Other Comprehensive Income, Net of Tax				
Gain on non-qualified plans, net of tax	—	—	388	—
Total Other Comprehensive Income, Net of Tax	**—**	**—**	**388**	**—**
Comprehensive Income (Loss)	**1,494**	**(5,572)**	**29,312**	**23,608**
Less: Comprehensive income attributable to noncontrolling interest	675	667	2,142	2,499
Comprehensive Income (Loss) Attributable to SCG	**$ 819**	**$ (6,239)**	**$ 27,170**	**$ 21,109**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 473
Accounts receivable and unbilled revenues, net	72,665	103,731
Accounts receivable from affiliates	361	1,529
Notes receivable from affiliates	1,243	28,956
Gas in storage	66,071	34,535
Materials and supplies	3,696	3,072
Income tax receivable	4,892	—
Other current assets	4,329	389
Regulatory assets	35,138	38,738
Total Current Assets	**188,395**	**211,423**
Utility plant, at original cost	1,303,037	1,230,436
Less accumulated depreciation	(375,080)	(347,760)
Net Utility Plant in Service	**927,957**	**882,676**
Construction work in progress	28,360	36,753
Total Utility Plant	**956,317**	**919,429**
Operating lease right-of-use assets	7,087	8,197
Other property and investments	8,866	11,787
Regulatory and Other Assets		
Regulatory assets	149,125	141,733
Goodwill	134,931	134,931
Other	371	372
Total Regulatory and Other Assets	**284,427**	**277,036**
Total Assets	**$ 1,445,092**	**$ 1,427,872**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 7,800	$ 3,580
Accounts payable and accrued liabilities	51,252	66,704
Accounts payable to affiliates	14,380	20,005
Interest accrued	2,548	3,828
Taxes accrued	3,712	30,376
Operating lease liabilities	666	644
Regulatory liabilities	13,426	9,893
Other	23,163	23,011
Total Current Liabilities	**116,947**	**158,041**
Regulatory and Other Liabilities		
Regulatory liabilities	231,016	220,140
Other Non-current Liabilities		
Deferred income taxes	94,516	85,996
Pension and other postretirement	45,525	50,637
Operating lease liabilities	7,194	7,682
Asset retirement obligation	12,654	12,654
Environmental remediation costs	60,014	60,714
Other	6,810	6,885
Total Regulatory and Other Liabilities	**457,729**	**444,708**
Non-current debt	305,031	305,316
Total Liabilities	**879,707**	**908,065**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($13.33 par value, 2,650,000 shares authorized and 1,407,072 shares outstanding at September 30, 2022 and December 31, 2021)	18,761	18,761
Additional paid-in capital	462,737	412,737
Retained earnings	49,580	52,798
Accumulated other comprehensive loss	(5,939)	(6,327)
Total SCG Common Stock Equity	**525,139**	**477,969**
Noncontrolling interest	40,246	41,838
Total Equity	**565,385**	**519,807**
Total Liabilities and Equity	**$ 1,445,092**	**$ 1,427,872**

The Southern Connecticut Gas Company
Consolidated Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 28,924**	**$ 23,608**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,983	28,166
Regulatory assets/liabilities amortization	12,043	11,967
Regulatory assets/liabilities carrying cost	2,945	1,763
Amortization of debt issuance costs	(370)	(2,518)
Deferred taxes	(1,053)	33,963
Pension cost	(1,231)	(372)
Other non-cash items	3,282	320
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	32,234	30,127
Inventories	(32,160)	(9,532)
Accounts payable, to affiliates, and accrued liabilities	(15,434)	(10,512)
Taxes accrued	(31,557)	(6,154)
Other assets/liabilities	5,981	15,428
Regulatory assets/liabilities	(11,998)	(29,928)
Net Cash Provided by Operating Activities	**20,589**	**86,326**
Cash Flow from Investing Activities:		
Capital expenditures	(71,939)	(54,423)
Contributions in aid of construction	2,629	1,454
Proceeds from sale of utility plant	49	11
Notes receivable from affiliates	27,713	1,919
Net Cash Used in Investing Activities	**(41,548)**	**(51,039)**
Cash Flow from Financing Activities:		
Repayment of non-current debt	—	(25,000)
Return of capital	—	(40,000)
Notes payable to affiliates	4,220	(13,939)
Capital contributions	50,000	25,000
Contributions from noncontrolling interest	707	19,431
Dividends paid	(30,000)	—
Payment of noncontrolling interest dividend	(4,441)	(3,798)
Net Cash Provided by (Used in) Financing Activities	**20,486**	**(38,306)**
Net Decrease in Cash and Cash Equivalents	**(473)**	**(3,019)**
Cash and Cash Equivalents, Beginning of Period	**473**	**3,019**
Cash and Cash Equivalents, End of Period	**$ —**	**$ —**

The Southern Connecticut Gas Company
Consolidated Statements of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Common Stock Equity
Balance, December 31, 2020	**1,407,072**	**$ 18,761**	**$ 427,737**	**$ 19,167**	**$ (5,032)**	**$ 22,857**	**$ 483,490**
Net income	—	—	—	21,109	—	—	21,109
Net income attributable to noncontrolling interest	—	—	—	—	—	2,499	2,499
Payment of noncontrolling interest dividend	—	—	—	—	—	(3,798)	(3,798)
Contributions from noncontrolling interest	—	—	—	—	—	19,431	19,431
Capital contributions	—	—	25,000	—	—	—	25,000
Return of capital	—	—	(40,000)	—	—	—	(40,000)
Balance, September 30, 2021	**1,407,072**	**$ 18,761**	**$ 412,737**	**$ 40,276**	**$ (5,032)**	**$ 40,989**	**$ 507,731**
Balance, December 31, 2021	**1,407,072**	**$ 18,761**	**$ 412,737**	**$ 52,798**	**$ (6,327)**	**$ 41,838**	**$ 519,807**
Net income	—	—	—	26,782	—	—	26,782
Other comprehensive income, net of tax	—	—	—	—	388	—	388
Comprehensive income							27,170
Net income attributable to noncontrolling interest	—	—	—	—	—	2,142	2,142
Payment of noncontrolling interest dividend	—	—	—	—	—	(4,441)	(4,441)
Contributions from noncontrolling interest	—	—	—	—	—	707	707
Common stock dividends	—	—	—	(30,000)	—	—	(30,000)
Capital contributions	—	—	50,000	—	—	—	50,000
Balance, September 30, 2022	**1,407,072**	**$ 18,761**	**$ 462,737**	**$ 49,580**	**$ (5,939)**	**$ 40,246**	**$ 565,385**

(*) Par value of share amounts is $13.33

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

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and Subsidiaries

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

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 267,261**	**$ 277,949**	**$ 779,535**	**$ 738,812**
Operating Expenses				
Electricity purchased	13,842	6,229	37,433	21,747
Operations and maintenance	143,292	139,688	418,462	371,586
Depreciation and amortization	33,698	31,984	99,889	95,921
Taxes other than income taxes, net	19,910	19,193	58,766	57,679
Total Operating Expenses	**210,742**	**197,094**	**614,550**	**546,933**
Operating Income	**56,519**	**80,855**	**164,985**	**191,879**
Other income	3,791	4,870	11,572	14,732
Other deductions	(780)	(2,546)	(3,617)	(8,602)
Interest expense, net of capitalization	(11,667)	(11,396)	(35,637)	(35,394)
Income Before Income Tax	**47,863**	**71,783**	**137,303**	**162,615**
Income tax (benefit) expense	(1,253)	9,532	9,541	30,521
Net Income	**49,116**	**62,251**	**127,762**	**132,094**
Less: net income attributable to noncontrolling interest	877	948	2,391	2,340
Net Income Attributable to CMP	**$ 48,239**	**$ 61,303**	**$ 125,371**	**$ 129,754**

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

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Net Income	**$ 49,116**	**$ 62,251**	**$ 127,762**	**$ 132,094**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gain during period on derivatives qualifying as cash flow hedges, net of income tax	1	37	551	296
Reclassification to net income of gain on cash flow hedges, net of income tax	(197)	(62)	(578)	(105)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	33	34	98	108
Other Comprehensive Income (Loss), Net of Tax	**(163)**	**9**	**71**	**299**
Comprehensive Income	**48,953**	**62,260**	**127,833**	**132,393**
Less:				
Comprehensive income attributable to noncontrolling interests	877	948	2,391	2,340
Comprehensive Income Attributable to CMP	**$ 48,076**	**$ 61,312**	**$ 125,442**	**$ 130,053**

Central Maine Power Company and Subsidiaries
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 23,330	$ 24,407
Accounts receivable and unbilled revenues, net	284,812	246,793
Accounts receivable from affiliates	2,010	63,855
Notes receivable from affiliates	238	—
Materials and supplies	41,036	35,726
Prepayments and other current assets	30,735	17,896
Income tax receivable	6,798	—
Regulatory assets	70,390	49,860
Total Current Assets	**459,349**	**438,537**
Utility plant, at original cost	5,093,902	4,949,841
Less accumulated depreciation	(1,454,146)	(1,368,654)
Net Utility Plant in Service	**3,639,756**	**3,581,187**
Construction work in progress	269,120	243,817
Total Utility Plant	**3,908,876**	**3,825,004**
Operating lease right-of-use assets	15,068	14,774
Other property and investments	944	901
Regulatory and Other Assets		
Regulatory assets	330,015	396,121
Goodwill	324,938	324,938
Other	160,962	158,230
Total Regulatory and Other Assets	**815,915**	**879,289**
Total Assets	**$ 5,200,152**	**$ 5,158,505**

Central Maine Power Company and Subsidiaries
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of debt	$ —	$ 124,578
Notes payable to affiliates	13,800	1,146
Accounts payable and accrued liabilities	214,724	192,853
Accounts payable to affiliates	30,159	38,263
Interest accrued	9,097	19,948
Taxes accrued	12,807	15,349
Operating lease liabilities	1,055	1,161
Other current liabilities	99,583	85,151
Regulatory liabilities	85,529	37,912
Total Current Liabilities	**466,754**	**516,361**
Regulatory and Other Liabilities		
Regulatory liabilities	336,740	356,608
Other Non-current liabilities		
Deferred income taxes	675,728	646,330
Pension and other postretirement	55,547	110,920
Operating lease liabilities	14,928	14,791
Other	145,852	163,209
Total Regulatory and Other Liabilities	**1,228,795**	**1,291,858**
Non-current debt	1,160,775	1,161,019
Total Liabilities	**2,856,324**	**2,969,238**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock ($5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at September 30, 2022 and December 31, 2021)	156,057	156,057
Additional paid-in capital	1,027,232	950,478
Retained earnings	1,125,832	1,050,487
Accumulated other comprehensive loss	(3,472)	(3,543)
Total CMP Common Stock Equity	**2,305,649**	**2,153,479**
Noncontrolling interest	37,608	35,217
Total Equity	**2,343,257**	**2,188,696**
Total Liabilities and Equity	**$ 5,200,152**	**$ 5,158,505**

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

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 127,762**	**$ 132,094**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	99,889	95,921
Regulatory assets/liabilities amortization	60	19,539
Regulatory assets/liabilities carrying cost	(1,212)	(3,261)
Amortization of debt issuance costs	(286)	421
Deferred taxes	(19,688)	36,597
Pension cost	2,861	9,028
Stock-based compensation	723	295
Accretion expenses	41	39
Gain on disposal of assets	(42)	(77)
Other non-cash Items	(4,514)	(6,449)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	23,826	(9,455)
Inventories	(5,310)	(9,007)
Accounts payable, to affiliates, and accrued liabilities	17,970	5,809
Taxes accrued	(9,340)	7,474
Other assets/liabilities	18,859	(13,809)
Regulatory assets/liabilities	23,264	(19,406)
Net Cash Provided by Operating Activities	**274,863**	**245,753**
Cash Flow from Investing Activities:		
Utility plant additions	(209,230)	(159,056)
Contributions in aid of construction	19,021	18,636
Notes receivable from affiliates	(238)	—
Proceeds from sale of utility plant	635	763
Net Cash Used in Investing Activities	**(189,812)**	**(139,657)**
Cash Flow from Financing Activities:		
Repayments of non-current debt	(125,000)	(150,000)
Repayments of finance leases	92	(254)
Notes payable to affiliates	12,654	(59,129)
Capital contribution	76,152	126,076
Dividends paid	(50,026)	(35,000)
Net Cash Used in Financing Activities	**(86,128)**	**(118,307)**
Net Decrease in Cash and Cash Equivalents	**(1,077)**	**(12,211)**
Cash and Cash Equivalents, Beginning of Period	**24,407**	**23,855**
Cash and Cash Equivalents, End of Period	**$ 23,330**	**$ 11,644**

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

(Thousands, except per share amounts)	CMP Stockholder: Number of shares (*)	CMP Stockholder: Common stock	CMP Stockholder: Capital in Excess of Par Value	CMP Stockholder: Retained Earnings	CMP Stockholder: Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Non-controlling Interest	Total Common Stock Equity
As of December 31, 2020	**31,211,471**	**$ 156,057**	**$ 824,039**	**$1,125,689**	**$ (3,793)**	**$2,101,992**	**$ 32,162**	**$2,134,154**
Net income	—	—	—	129,754	—	129,754	2,340	132,094
Other comprehensive income, net of tax	—	—	—	—	299	299	—	299
Comprehensive income								132,393
Stock-based compensation	—	—	232	—	—	232	—	232
Capital contribution from parent	—	—	126,076	—	—	126,076	—	126,076
Preferred stock dividends				(26)		(26)		(26)
Common stock dividends	—	—	—	(35,000)	—	(35,000)	—	(35,000)
As of September 30, 2021	**31,211,471**	**$ 156,057**	**$ 950,347**	**$1,220,417**	**$ (3,494)**	**$2,323,327**	**$ 34,502**	**$2,357,829**
As of December 31, 2021	**31,211,471**	**$ 156,057**	**$ 950,478**	**$1,050,487**	**$ (3,543)**	**$2,153,479**	**$ 35,217**	**$2,188,696**
Net income	—	—	—	125,371	—	125,371	2,391	127,762
Other comprehensive income, net of tax	—	—	—	—	71	71	—	71
Comprehensive income								127,833
Stock-based compensation	—	—	602	—	—	602	—	602
Capital contribution from parent	—	—	76,152	—	—	76,152	—	76,152
Preferred stock dividends	—	—	—	(26)	—	(26)	—	(26)
Common stock dividends	—	—	—	(50,000)	—	(50,000)	—	(50,000)
As of September 30, 2022	**31,211,471**	**$ 156,057**	**$1,027,232**	**$1,125,832**	**$ (3,472)**	**$2,305,649**	**$ 37,608**	**$2,343,257**

(*) Par value of share amounts is $5

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

New York State Electric & Gas Corporation

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Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

New York State Electric & Gas Corporation
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 531,805**	**$ 431,712**	**$ 1,642,261**	**$ 1,303,063**
Operating Expenses				
Electricity purchased	197,520	119,448	509,861	279,097
Natural gas purchased	13,278	9,018	118,788	71,657
Operations and maintenance	204,697	195,585	579,241	577,305
Depreciation and amortization	48,089	43,100	141,935	128,997
Taxes other than income taxes, net	40,010	39,063	128,755	119,560
Total Operating Expenses	**503,594**	**406,214**	**1,478,580**	**1,176,616**
Operating Income	**28,211**	**25,498**	**163,681**	**126,447**
Other income	11,156	9,154	28,119	25,009
Other deductions	(2,611)	(3,832)	(8,942)	(11,348)
Interest expense, net of capitalization	(15,812)	(12,928)	(46,149)	(39,773)
Income Before Income Tax	**20,944**	**17,892**	**136,709**	**100,335**
Income tax expense (benefit)	2,266	(1,482)	13,872	6,379
Net Income	**$ 18,678**	**$ 19,374**	**$ 122,837**	**$ 93,956**

New York State Electric & Gas Corporation
Statements of Comprehensive Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Net Income	**$ 18,678**	**$ 19,374**	**$ 122,837**	**$ 93,956**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized (loss) gain during the period on derivatives qualifying as cash flow hedges, net of income tax	(813)	26	128	455
Reclassification to net income of loss (gain) on settled cash flow hedges, net of income tax	460	(96)	(138)	(155)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	(30)	17	8	51
Total Other Comprehensive Income (Loss), Net of Tax	**(383)**	**(53)**	**(2)**	**351**
Comprehensive Income	**$ 18,295**	**$ 19,321**	**$ 122,835**	**$ 94,307**

New York State Electric & Gas Corporation
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable and unbilled revenues, net	332,504	301,099
Accounts receivable from affiliates	1,815	2,415
Fuel and natural gas in storage, at average cost	63,067	22,100
Materials and supplies	29,660	25,031
Derivative assets	47,857	12,043
Broker margin accounts	3,907	7,977
Income tax receivable	26,886	—
Prepaid property taxes	59,850	38,090
Other current assets	14,100	3,318
Regulatory assets	122,933	112,422
Total Current Assets	**702,580**	**524,496**
Utility plant, at original cost	7,707,257	7,383,849
Less accumulated depreciation	(2,392,605)	(2,339,717)
Net Utility Plant in Service	**5,314,652**	**5,044,132**
Construction work in progress	681,457	597,562
Total Utility Plant	**5,996,109**	**5,641,694**
Operating lease right-of-use assets	9,218	8,345
Other property and investments	7,835	10,561
Regulatory and Other Assets		
Regulatory assets	722,007	742,160
Other	46,154	42,947
Total Regulatory and Other Assets	**768,161**	**785,107**
Total Assets	**$ 7,483,903**	**$ 6,970,203**

New York State Electric & Gas Corporation
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 298,511	$ 73,083
Notes payable to affiliates	83,301	79,800
Accounts payable and accrued liabilities	457,426	445,640
Accounts payable to affiliates	81,864	100,067
Interest accrued	19,657	13,171
Taxes accrued	6,871	39,508
Operating lease liabilities	1,125	915
Derivative liabilities	61	27
Environmental remediation costs	26,806	27,657
Customer deposits	11,298	19,810
Regulatory liabilities	135,329	106,440
Other	102,898	100,883
Total Current Liabilities	**1,225,147**	**1,007,001**
Regulatory and Other Liabilities		
Regulatory liabilities	1,002,224	1,074,886
Other Non-current Liabilities		
Deferred income taxes	757,285	664,095
Pension and other postretirement	53,858	143,562
Operating lease liabilities	8,897	8,294
Asset retirement obligation	12,036	11,583
Environmental remediation costs	57,281	64,832
Other	30,494	27,577
Total Regulatory and Other Liabilities	**1,922,075**	**1,994,829**
Non-current debt	1,767,478	1,997,311
Total Liabilities	**4,914,700**	**4,999,141**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($6.66 2/3 par value, 90,000,000 shares authorized and 64,508,477 shares outstanding at September 30, 2022 and December 31, 2021)	430,057	430,057
Additional paid-in capital	1,529,348	1,054,042
Retained earnings	610,969	488,132
Accumulated other comprehensive loss	(1,171)	(1,169)
Total Common Stock Equity	**2,569,203**	**1,971,062**
Total Liabilities and Equity	**$ 7,483,903**	**$ 6,970,203**

New York State Electric & Gas Corporation
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 122,837**	**$ 93,956**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	141,935	128,997
Regulatory assets/liabilities amortization	(1,401)	15,588
Regulatory assets/liabilities carrying cost	(4,107)	(38)
Amortization of debt issuance costs	3,384	1,552
Deferred taxes	61,311	45,612
Pension cost	16,551	25,346
Stock-based compensation	399	328
Accretion expenses	453	483
Gain on disposal of assets	(3,167)	(1,196)
Other non-cash items	(50,148)	(40,292)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(30,805)	13,188
Inventories	(45,596)	(15,209)
Accounts payable, to affiliates, and accrued liabilities	(4,524)	71,068
Taxes accrued	(59,523)	(18,627)
Other assets/liabilities	(14,906)	(39,477)
Regulatory assets/liabilities	(142,855)	(50,332)
Net Cash (Used in) Provided by Operating Activities	**(10,162)**	**230,947**
Cash Flow from Investing Activities:		
Capital expenditures	(497,509)	(493,714)
Contributions in aid of construction	33,680	21,277
Proceeds from sale of utility plant	6,323	2,503
Notes receivable from affiliates	—	(7,850)
Net Cash Used in Investing Activities	**(457,506)**	**(477,784)**
Cash Flow from Financing Activities:		
Non-current debt issuance	67,210	346,807
Repayments of non-current debt	(75,000)	—
Repayments of finance leases	(3,043)	(235)
Notes payable to affiliates	3,501	—
Capital contributions	475,000	185,000
Dividends paid	—	(170,000)
Net Cash Provided by Financing Activities	**467,668**	**361,572**
Net Increase in Cash and Cash Equivalents	**—**	**114,735**
Cash and Cash Equivalents, Beginning of Period	**1**	**266**
Cash and Cash Equivalents, End of Period	**$ 1**	**$ 115,001**

New York State Electric & Gas Corporation
Statements of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Number of Shares (*)		Common Stock		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Total Common Stock Equity
As of December 31, 2020	**64,508,477**	**$**	**430,057**	**$**	**868,686**	**$**	**603,995**	**$**	**(1,522)**	**$**	**1,901,216**
Net income	—		—		—		93,956		—		93,956
Other comprehensive income, net of tax	—		—		—		—		351		351
Comprehensive income											94,307
Stock-based compensation	—		—		234		—		—		234
Common stock dividends	—		—		—		(170,000)		—		(170,000)
Capital contributions	—		—		185,000		—		—		185,000
As of September 30, 2021	**64,508,477**	**$**	**430,057**	**$**	**1,053,920**	**$**	**527,951**	**$**	**(1,171)**	**$**	**2,010,757**
As of December 31, 2021	**64,508,477**	**$**	**430,057**	**$**	**1,054,042**	**$**	**488,132**	**$**	**(1,169)**	**$**	**1,971,062**
Net income	—		—		—		122,837		—		122,837
Other comprehensive loss, net of tax	—		—		—		—		(2)		(2)
Comprehensive income											122,835
Stock-based compensation	—		—		306		—		—		306
Capital contributions	—		—		475,000		—		—		475,000
As of September 30, 2022	**64,508,477**	**$**	**430,057**	**$**	**1,529,348**	**$**	**610,969**	**$**	**(1,171)**	**$**	**2,569,203**

(*) Par value of share amounts is 6.66 2/3

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

Rochester Gas and Electric Corporation

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Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 277,494**	**$ 224,197**	**$ 869,546**	**$ 692,548**
Operating Expenses				
Electricity purchased and fuel used in generation	72,555	45,715	156,600	102,262
Natural gas purchased	10,618	7,898	112,871	64,950
Operations and maintenance	101,114	79,868	252,858	227,146
Depreciation and amortization	30,208	27,538	89,260	78,834
Taxes other than income taxes, net	36,603	35,853	112,547	107,475
Total Operating Expenses	**251,098**	**196,872**	**724,136**	**580,667**
Operating Income	**26,396**	**27,325**	**145,410**	**111,881**
Other income	4,990	4,874	13,388	13,320
Other deductions	(2,454)	(1,916)	(7,129)	(5,134)
Interest expense, net of capitalization	(10,493)	(11,005)	(32,318)	(33,442)
Income Before Tax	**18,439**	**19,278**	**119,351**	**86,625**
Income tax expense (benefit)	4,351	(144)	23,128	12,675
Net Income	**$ 14,088**	**$ 19,422**	**$ 96,223**	**$ 73,950**

Rochester Gas and Electric Corporation
Statements of Comprehensive Income (Unaudited)

Periods ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Net Income	**$ 14,088**	**$ 19,422**	**$ 96,223**	**$ 73,950**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain during the period on derivatives qualifying as cash flow hedges, net of income tax	(29)	16	266	160
Reclassification to net income of gain on settled cash flow commodity hedges, net of income tax	(119)	(40)	(315)	(69)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	678	681	2,037	2,039
Other Comprehensive Income, Net of Tax	**530**	**657**	**1,988**	**2,130**
Comprehensive Income	**$ 14,618**	**$ 20,079**	**$ 98,211**	**$ 76,080**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 3	$ 3
Accounts receivable and unbilled revenues, net	179,286	171,416
Accounts receivable from affiliates	2,530	2,893
Notes receivable from affiliates	1	—
Fuel and gas in storage	42,683	13,903
Materials and supplies	18,282	16,871
Income tax receivable	15,734	3,646
Prepaid property taxes	71,990	41,747
Regulatory assets	67,597	77,459
Other current assets	46,133	12,895
Total Current Assets	**444,239**	**340,833**
Utility plant, at original cost	4,920,758	4,762,539
Less accumulated depreciation	(1,271,689)	(1,202,628)
Net Utility Plant in Service	**3,649,069**	**3,559,911**
Construction work in progress	377,752	332,901
Total Utility Plant	**4,026,821**	**3,892,812**
Operating lease right-of-use assets	675	1,124
Regulatory and Other Assets		
Regulatory assets	385,965	377,240
Other	50,862	51,506
Total Regulatory and Other Assets	**436,827**	**428,746**
Total Assets	**$ 4,908,562**	**$ 4,663,515**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 4,000	$ 53,500
Accounts payable and accrued liabilities	223,978	238,380
Accounts payable to affiliates	39,664	48,383
Interest accrued	14,304	7,902
Taxes accrued	1,789	3,967
Operating lease liabilities	168	287
Environmental remediation costs	15,084	4,030
Regulatory liabilities	128,954	101,801
Other	57,375	52,376
Total Current Liabilities	**485,316**	**510,626**
Regulatory and Other Liabilities		
Regulatory liabilities	615,271	695,703
Other Non-current Liabilities		
Deferred income taxes	469,829	416,223
Nuclear plant obligations	130,224	129,414
Pension and other postretirement	94,223	109,979
Operating lease liabilities	2,147	2,253
Asset retirement obligations	2,525	2,430
Environmental remediation costs	87,055	95,604
Other	55,732	58,891
Total Regulatory and Other Liabilities	**1,457,006**	**1,510,497**
Non-current debt	1,366,509	1,366,168
Total Liabilities	**3,308,831**	**3,387,291**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($5 par value, 50,000,000 shares authorized, 38,885,813 shares outstanding at September 30, 2022 and December 31, 2021)	194,429	194,429
Additional paid-in capital	1,080,608	855,312
Retained earnings	475,086	378,863
Accumulated other comprehensive loss	(33,154)	(35,142)
Treasury stock, at cost (4,379,300 shares at September 30, 2022 and December 31, 2021)	(117,238)	(117,238)
Total Common Stock Equity	**1,599,731**	**1,276,224**
Total Liabilities and Equity	**$ 4,908,562**	**$ 4,663,515**

Rochester Gas and Electric Corporation
Statements of Cash Flows (Unaudited)

Periods ended September 30,	2022	2021
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 96,223**	**$ 73,950**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89,260	78,834
Regulatory assets/liabilities amortization	(36,255)	(33,589)
Regulatory assets/liabilities carrying cost	1,151	2,231
Amortization of debt issuance costs	279	1,081
Deferred taxes	40,105	19,702
Pension cost	6,236	6,546
Stock-based compensation	325	167
Accretion expenses	96	101
Loss (gain) on disposal of assets	150	(259)
Other non-cash items	(6,927)	(7,267)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(7,507)	7,266
Inventories	(30,191)	(10,954)
Accounts payable, to affiliates, and accrued liabilities	(15,699)	(4,984)
Taxes accrued	(14,266)	11,873
Other assets/liabilities	(15,565)	4,644
Regulatory assets/liabilities	(54,549)	4,014
Net Cash Provided by Operating Activities	**52,866**	**153,356**
Cash Flow From Investing Activities:		
Capital expenditures	(256,708)	(248,983)
Contributions in aid of construction	32,281	10,306
Proceeds from sale of utility plant	643	1,286
Notes receivable from affiliates	(1)	19,200
Net Cash Used in Investing Activities	**(223,785)**	**(218,191)**
Cash Flow From Financing Activities:		
Repayments of non-current debt	—	(125,000)
Repayments of finance leases	(4,581)	(2,675)
Notes payable to affiliates	(49,500)	—
Capital contributions	225,000	200,000
Net Cash Provided by Financing Activities	**170,919**	**72,325**
Net Increase in Cash and Cash Equivalents	**—**	**7,490**
Cash and Cash Equivalents, Beginning of Period	**3**	**1**
Cash and Cash Equivalents, End of Period	**$ 3**	**$ 7,491**

Rochester Gas and Electric Corporation
Statements of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Stock Equity
Balance, December 31, 2020	**38,885,813**	**$ 194,429**	**$ 655,111**	**$ 525,979**	**$ (38,391)**	**$ (117,238)**	**$ 1,219,890**
Net income	—	—	—	73,950	—	—	73,950
Other comprehensive income, net of tax	—	—	—	—	2,130	—	2,130
Comprehensive income							76,080
Stock-based compensation	—	—	138	—	—	—	138
Capital contributions	—	—	200,000	—	—	—	200,000
Balance, September 30, 2021	**38,885,813**	**$ 194,429**	**$ 855,249**	**$ 599,929**	**$ (36,261)**	**$ (117,238)**	**$ 1,496,108**
Balance, December 31, 2021	**38,885,813**	**$ 194,429**	**$ 855,312**	**$ 378,863**	**$ (35,142)**	**$ (117,238)**	**$ 1,276,224**
Net income	—	—	—	96,223	—	—	96,223
Other comprehensive income, net of tax	—	—	—	—	1,988	—	1,988
Comprehensive income							98,211
Stock-based compensation	—	—	296	—	—	—	296
Capital contributions	—	—	225,000	—	—	—	225,000
Balance, September 30, 2022	**38,885,813**	**$ 194,429**	**$ 1,080,608**	**$ 475,086**	**$ (33,154)**	**$ (117,238)**	**$ 1,599,731**

(*) Par value of share amounts is $5

The United Illuminating Company

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

The United Illuminating Company

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Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

The United Illuminating Company
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Operating Revenues	**$ 305,922**	**$ 279,022**	**$ 848,061**	**$ 757,085**
Operating Expenses				
Electricity purchased	104,805	58,529	280,889	174,351
Operations and maintenance	114,245	128,101	288,038	300,936
Depreciation and amortization	28,371	28,201	84,696	83,347
Taxes other than income taxes, net	28,848	26,549	79,384	78,169
Total Operating Expenses	**276,269**	**241,380**	**733,007**	**636,803**
Operating Income	**29,653**	**37,642**	**115,054**	**120,282**
Other income	4,877	3,688	14,355	8,937
Other deductions	842	1,226	(1,930)	(2,130)
Earnings from equity method investments	1,203	1,858	2,609	5,849
Interest expense, net of capitalization	(10,181)	(10,039)	(31,085)	(30,417)
Income Before Income Tax	**26,394**	**34,375**	**99,003**	**102,521**
Income tax expense	377	7,518	10,956	20,909
Net Income	**$ 26,017**	**$ 26,857**	**$ 88,047**	**$ 81,612**

The United Illuminating Company
Statements of Comprehensive Income (Unaudited)

Periods Ended September 30,	Three Months 2022	Three Months 2021	Nine Months 2022	Nine Months 2021
(Thousands)				
Net Income	**$ 26,017**	**$ 26,857**	**$ 88,047**	**$ 81,612**
Other Comprehensive Income (Loss), Net of Tax				
Gain on non-qualified plans, net of tax	—	—	2,985	—
Unrealized loss during the period on derivatives qualifying as cash flow hedges, net of tax	(43)	(8)	(58)	(9)
Reclassification to net income of loss on settled cash flow hedges, net of tax	—	—	19	—
Other Comprehensive Income (Loss), Net of Tax	**(43)**	**(8)**	**2,946**	**(9)**
Comprehensive Income	**$ 25,974**	**$ 26,849**	**$ 90,993**	**$ 81,603**

The United Illuminating Company
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 3,923	$ —
Accounts receivable and unbilled revenues, net	184,105	147,782
Accounts receivable from affiliates	1,321	1,165
Notes receivable from affiliates	46,600	64,600
Materials and supplies	8,911	9,792
Derivative assets	465	427
Prepayments and other current assets	17,710	3,822
Regulatory assets	28,331	44,318
Total Current Assets	**291,366**	**271,906**
Utility plant, at original cost	3,581,688	3,485,699
Less accumulated depreciation	(1,037,963)	(958,844)
Net Utility Plant in Service	**2,543,725**	**2,526,855**
Construction work in progress	271,537	216,553
Total Utility Plant	**2,815,262**	**2,743,408**
Operating lease right-of-use assets	11,131	11,339
Equity method investments	82,378	86,557
Other property and investments	13,390	15,655
Regulatory and Other Assets		
Regulatory assets	318,005	370,194
Derivative assets	974	1,284
Other	24,277	22,378
Total Regulatory and Other Assets	**343,256**	**393,856**
Total Assets	**$ 3,556,783**	**$ 3,522,721**

The United Illuminating Company
Balance Sheets (Unaudited)

As of	September 30, 2022	December 31, 2021
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 32,565	$ 162,137
Accounts payable and accrued liabilities	108,470	140,732
Accounts payable to affiliates	51,149	69,991
Interest accrued	9,805	11,166
Taxes accrued	41,779	26,975
Operating lease liabilities	570	1,002
Derivative liabilities	15,809	14,586
Other current liabilities	40,490	37,701
Regulatory liabilities	109,015	45,113
Total Current Liabilities	**409,652**	**509,403**
Regulatory and Other Liabilities		
Regulatory liabilities	339,858	352,021
Other Non-current Liabilities		
Deferred income taxes	397,065	389,550
Pension and other postretirement	129,779	162,445
Operating lease liabilities	14,869	14,644
Derivative liabilities	33,223	45,820
Environmental remediation costs	17,601	22,134
Other	28,354	30,987
Total Regulatory and Other Liabilities	**960,749**	**1,017,601**
Non-current debt	874,759	725,071
Total Liabilities	**2,245,160**	**2,252,075**
Commitments and Contingencies		
Common Stock Equity		
Common stock (no par value, 30,000,000 shares authorized and 100 shares outstanding at September 30, 2022 and December 31, 2021)	1	1
Additional paid-in capital	806,643	806,659
Retained earnings	512,475	474,428
Accumulated other comprehensive loss	(7,496)	(10,442)
Total Common Stock Equity	**1,311,623**	**1,270,646**
Total Liabilities and Equity	**$ 3,556,783**	**$ 3,522,721**

The United Illuminating Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2022	2021
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 88,047**	**$ 81,612**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,696	83,347
Regulatory assets/liabilities amortization	(18,274)	16,235
Regulatory assets/liabilities carrying cost	(5,867)	872
Amortization of debt issuance costs	325	655
Deferred taxes	(12,202)	3,170
Pension cost	2,702	8,992
Stock-based compensation	36	32
Earnings from equity method investments	(2,601)	(5,849)
Cash distribution from equity method investments	2,648	5,282
Other non-cash items	(2,469)	(5,273)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(36,479)	2,496
Inventories	881	(1,880)
Accounts payable, to affiliates, and accrued liabilities	(51,676)	3,916
Taxes accrued	14,804	17,079
Other assets/liabilities	(1,658)	(22,676)
Regulatory assets/liabilities	96,999	(5,151)
Net Cash Provided by Operating Activities	**159,912**	**182,859**
Cash Flow from Investing Activities:		
Capital expenditures	(149,798)	(113,161)
Contributions in aid of construction	1,830	874
Notes receivable from affiliates	18,000	14,975
Proceeds from sale of utility plant	138	17
Cash distribution from equity method investments	4,132	4,333
Net Cash Used in Investing Activities	**(125,698)**	**(92,962)**
Cash Flow from Financing Activities:		
Non-current debt issuance	149,209	—
Repayments of non-current debt	(129,500)	—
Dividends paid	(50,000)	(40,000)
Net Cash Used in Financing Activities	**(30,291)**	**(40,000)**
Net Increase in Cash and Cash Equivalents	**3,923**	**49,897**
Cash and Cash Equivalents, Beginning of Period	**—**	**169**
Cash and Cash Equivalents, End of Period	**$ 3,923**	**$ 50,066**

The United Illuminating Company
Statements of Changes in Equity (Unaudited)

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, December 31, 2020	**100**	**$ 1**	**$ 806,230**	**$ 454,051**	**$ (6,589)**	**$ 1,253,693**
Net income	—	—	—	81,612	—	81,612
Other comprehensive loss, net of tax	—	—	—	—	(9)	(9)
Comprehensive income						81,603
Stock-based compensation	—	—	418	—	—	418
Common stock dividends	—	—	—	(40,000)	—	(40,000)
Balance, September 30, 2021	**100**	**$ 1**	**$ 806,648**	**$ 495,663**	**$ (6,598)**	**$ 1,295,714**
Balance, December 31, 2021	**100**	**$ 1**	**$ 806,659**	**$ 474,428**	**$ (10,442)**	**$ 1,270,646**
Net income	—	—	—	88,047	—	88,047
Other comprehensive income, net of tax	—	—	—	—	2,946	2,946
Comprehensive income						90,993
Stock-based compensation	—	—	(16)	—	—	(16)
Common stock dividends	—	—	—	(50,000)	—	(50,000)
Balance, September 30, 2022	**100**	**$ 1**	**$ 806,643**	**$ 512,475**	**$ (7,496)**	**$ 1,311,623**

(*) No par value.

Notes to Financial Statements

Note 1. Significant Accounting Policies

Background and nature of operations: The United Illuminating Company (UI) is a regulated operating electric public utility engaged 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 serves approximately 343,400 customers as of September 30, 2022 in its service territory of approximately 335 square miles in southwestern Connecticut.

UI is a wholly owned subsidiary of UIL Holdings Corporation (UIL Holdings). UIL Holdings, whose primary business is ownership of its operating regulated utility businesses, is a wholly-owned subsidiary of Avangrid Networks, Inc. (Networks), which is a wholly-owned subsidiary of Avangrid, Inc., which is a 81.5% owned subsidiary of Iberdrola, S.A., a corporation organized under the law of the Kingdom of Spain.

UI is also a party to a joint venture with Clearway Energy, Inc., a subsidiary of Global Infrastructure Partners (GIP), pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly-owned subsidiary, GenConn Energy LLC, or GenConn, operates peaking generation plants in Devon, Connecticut (GenConn Devon) and Middletown, Connecticut (GenConn Middletown).

***Basis of presentation*:** The accompanying unaudited condensed financial statements for the interim periods have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information. Accordingly, the interim condensed financial statements do not include all the information and note disclosures required by U.S. GAAP for complete financial statements.

In the opinion of management, the accompanying condensed financial statements contain all adjustments necessary to present fairly our condensed financial statements for the interim periods described herein. All such adjustments are of a normal and recurring nature, except as otherwise disclosed. The results for the nine months ended September 30, 2022, are not necessarily indicative of the results for the entire fiscal year ending December 31, 2022.

Significant Accounting Policies and New Accounting Pronouncements: The new accounting pronouncements we have adopted as of January 1, 2022, and reflected in our condensed financial statements are described below. There have been no other material changes to the significant accounting policies described in our financial statements and FERC Form No.1 for the fiscal year ended December 31, 2021, except for those described below resulting from the adoption of new authoritative accounting guidance issued by Financial Accounting Standards Board (FASB).

Adoption of New Accounting Pronouncements

Although we are not a public business entity, our parent company is a public business entity; therefore, we adopt new accounting standards based on the effective date for public entities as permitted.

(a) Facilitation of the effects of reference rate reform on financial reporting, and subsequent scope clarification

In March 2020, the FASB issued amendments and created ASC 848 to provide temporary optional guidance to entities to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The amendments respond to concerns about structural risks of interbank offered rates, and particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). The guidance is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform, around the end of 2021. The guidance applies to contracts that have modified terms that affect, or have the potential to affect, the amount or timing of contractual cash flows resulting from the discontinuance of the reference rate reform. The amendments are effective for all entities as of March 12, 2020, through December 31, 2022, although the FASB has indicated it will monitor developments in the marketplace and consider whether developments warrant an extension.

In January 2021, the FASB issued amendments to clarify the scope of ASC 848 and respond to questions from stakeholders about whether ASC 848 can be applied to derivative instruments that do not reference a rate that is expected to be discontinued but that use an interest rate for margining, discounting, or contract price alignment that is modified because of reference rate reform. The modification, commonly referred to as the “discounting transition,” may have accounting implications, raising concerns about the need to reassess previous accounting determinations related to those derivatives and about the possible hedge accounting consequences of the discounting transition. The amendments clarify that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition, capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments were effective immediately, and may be elected retrospectively to eligible modifications as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications made on or after any date within the interim period that includes January 7, 2021.

Our prospective adoption of reference rate reform and the subsequent scope clarifications on January 1, 2022 did not materially affect our results of operations, financial position and cash flows.

(b) Disclosures by business entities about government assistance

In November 2021, the FASB issued amendments that apply to business entities (all entities except specified not-for-profit entities and employee benefit plans) that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance (such as a grant model within International Accounting Standards 20 Accounting for Government Grants and Disclosure of Government Assistance, or ASC Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition). Government assistance can include tax credits (excluding transactions within the scope of Topic 740, Income Taxes), cash grants, grants of other assets, and project grants. Often, government assistance is provided to an entity for a particular purpose, and the entity promises to take specific actions. Transactions with a government, as used in ASC 832, Government Assistance, include assistance administered by domestic, foreign, local (city, town, county, municipal), regional (state, provincial, territorial), and national (federal) governments and entities related to those governments. The amendments require annual disclosures in notes to financial statements about transactions with a government as follows: (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the balance sheet and income statement affected by the transactions, and the amounts applicable to each financial statement line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. For entities within scope the amendments are effective for annual periods beginning after December 15, 2021, with early application permitted. The amendments are to be applied either (1) prospectively to transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions. Our adoption of the amendments on January 1, 2022 did not materially affect our disclosures.

Accounting Pronouncements Issued But Not Yet Adopted

The following are new accounting pronouncements not yet adopted, including those issued since December 31, 2021, that we have evaluated or are evaluating to determine their effect on our condensed financial statements.

(a) Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued new disclosure requirements for supplier finance programs. These requirements include key terms of the program, the amount of obligations that remain unpaid at the end of an accounting period, a description of where those obligations are presented in the balance sheet and a roll forward of those obligations during the annual period. The guidance is effective for disclosures starting in 2023, including interim periods, except for the roll forward information, which is effective for annual periods starting in 2024. As this guidance is a change in disclosures only, we do not expect it to have a material impact in the financial results.

Note 2. Industry Regulation

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 previously approved three-year distribution rate schedules became effective January 1, 2017 through December 31, 2019, and included, among other things, annual tariff increases and an ROE of 9.10% based on a 50.00% equity ratio, continuation of UI’s existing earnings sharing mechanism (ESM) pursuant to which UI and its customers share on a 50/50 basis all distribution earnings above the allowed ROE in a calendar year, continuation of the existing decoupling mechanism, and the continuation of a requested storm reserve. Any dollars due to customers from the ESM continue to be first applied against any storm regulatory asset balance (if one exists at that time) or refunded to customers through a bill credit if such storm regulatory asset balance does not exist. Given the expiration of the rate plan, UI has been operating under the 2019 approved rate schedules.

Connecticut Energy Legislation

On October 7, 2020, the Governor of Connecticut signed into law an energy bill that, among other things, instructs PURA to revise the rate-making structure in Connecticut to adopt performance-based rates for each electric distribution company, increases the maximum civil penalties assessable for failures in emergency preparedness, and provides for certain penalties and reimbursements to customers after storm outages greater than 96 hours and extends rate case timelines.

Pursuant to the legislation, on October 30, 2020, PURA re-opened a docket related to new rate designs and review, expanding the scope to consider (a) the implementation of an interim rate decrease; (b) low-income rates; and (c) economic development rates. Separately, UI was due to make its annual RAM filing on March 8, 2021 for the approval of its RAM Rate Components reconciliations: Generation Services Charges, By-passable Federally Mandated Congestion Costs, System Benefits Charge, Transmission Adjustment Charge and RDM.

On March 9, 2021, UI, jointly with the Office of the CT Attorney General, the Office of CT Consumer Counsel, DEEP and PURA's Office of Education, Outreach, and Enforcement entered into a settlement agreement and filed a motion to approve the settlement agreement, which addressed issues in both dockets.

In an order dated June 23, 2021, PURA approved the as amended settlement agreement in its entirety and it was executed by the parties. The settlement agreement includes a contribution by UI of $5 million and provides customers rate credits of $50 million while allowing UI to collect $52 million in RAM, all over a 22-month period ending April 2023 and also includes a distribution base rate freeze through April 2023.

Pursuant to the legislation, PURA opened a docket to consider the implementation of the associated customer compensation and reimbursement provisions in emergency events where customers were without power for more than 96 consecutive hours. On June 30, 2021, PURA issued a final decision implementing the legislative mandate to create a program pursuant to which residential customers will receive $25 for each day without power after 96 hours and also receive reimbursement of $250 for spoiled food and medicine. The decision emphasizes that no costs incurred in connection with this program are recoverable from customers. The Company is reviewing the requirements of this program and evaluating next steps.

Power Supply Arrangements

Under Connecticut law, UI's retail electricity customers can 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 an alternative retail electric supplier and have a maximum demand of less than 500 kilowatts, as well as its customers under supplier of last resort service who are not eligible for standard service rates and do not choose to purchase electric generation service from an alternate retail electric supplier. The cost of the purchased power is a "pass-through" to those customers through the General Services Charge (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 one year from the applicable bid day.

UI has wholesale power supply agreements in place for its entire standard service load for the first and second half of 2022, 100% of the first half of 2023, and 40% of the second half of 2023. Supplier of last resort service is procured on a quarterly basis and UI has wholesale power supply agreement in place for the first, second, third, and fourth quarters of 2022. UI will be managing the last resort service for the first quarter of 2023.

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. As of September 30, 2022, UI did not hold any supplier cash so it would not have had to post collateral.

New Renewable Source Generation

Under Connecticut Public Act (PA) 11-80, Connecticut electric utilities are required to enter into long-term contracts to purchase Connecticut Class I RECs from renewable generators located on customer premises. Under this program, UI was initially required to enter into contracts totaling approximately $200 million in commitments over an approximate 21-year period. The obligations were initially expected to phase in over a six-year solicitation period and peak at an annual commitment level of about $14 million per year after all selected projects are online. PA 17-144, PA 18-50 and PA 19-35 extended the original six-year solicitation period of the program by adding seventh, eighth, ninth, and tenth years, and increased the original funding level of this program by adding up to $64 million in additional commitments by UI. 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.

In October of 2018, UI entered into five PPAs totaling approximately 50 MW from developers of offshore wind and fuel cell generation pursuant to state law that provides the net costs of the PPAs are recoverable through electric rates. On December 19, 2018, PURA approved the PPAs, and approved UI’s use of the non-bypassable federally mandated congestion charges for all customers to recover the net costs of the PPAs.

In 2019, UI entered into PPAs with 11 projects, totaling approximately 12 million MWh, pursuant to state law that provides that the net costs of the PPAs are recoverable through electric rates.

In 2020, Pursuant to Connecticut Act Concerning the Procurement of Energy Derived From Offshore Wind, UI entered into a PPA with Vineyard Wind, an affiliate of UI, to provide 804 MW of offshore wind through the development of its Park City Wind Project. Similar to the case with the zero carbon PPAs discussed above, the net costs of the PPAs are recoverable through electric rates.

Revenues are recorded gross from contracts with customers when UI is a principal if it controls a promised good or service before transferring that good or service to the customer. Revenues are recorded net of expenses and regulatory deferrals from contracts with customers when UI is an agent if it arranges for another entity to provide the goods or services.

Transmission

PURA decisions do not affect the revenue requirements determination for UI’s transmission business, including the applicable ROE. UI’s transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets. For 2021, UI's overall allowed weighted-average ROE for its transmission business was 11.25%.

On December 28, 2015, the FERC issued an order instituting section 206 proceedings and establishing hearing and settlement judgement procedures. Pursuant to section 206 of the FPA, the FERC instituted proceedings because it found that ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. The FERC stated that ISO-NE's Tariff lacks adequate transparency and challenge procedures with regard to the formula rates for ISO-NE Participating Transmission Owners (PTOs), including UI. The FERC also found that the current Regional Network Service (RNS) and Local Network Service (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. On June 15, 2020, the PTOs submitted an uncontested formula rate settlement. The FERC approved the uncontested formula rate settlement on December 28, 2020 which makes the formula rate tariff sheets effective on January 1, 2022.

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

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

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $7.8 million as of September 30, 2022, which has not changed since December 31, 2021, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings.

Following various intermediate hearings, orders and appellate decisions, on October 16, 2018, the FERC issued an order directing briefs and proposing a new methodology to calculate the NETOs ROE that is contained in NETOs' transmission formula rate on file at the FERC (the October 2018

Order). Pursuant to the October 2018 Order, the NETOs filed initial briefs on the proposed methodology in all four Complaints on January 11, 2019 and replied to the initial briefs on March 8, 2019.

On November 21, 2019, the FERC issued rulings on two complaints challenging the base return on equity for Midcontinent Independent System Operator, or MISO transmission owners. These rulings established a new zone of reasonableness based on equal weighting of the DCF and capital-asset pricing model for establishing the base return on equity. This resulted in a base return on equity of 9.88% as the midpoint of the zone of reasonableness. Various parties have requested rehearing on this decision, which was granted. On May 21, 2020, FERC issued a ruling, which, among other things, adjusted the methodology to determine the MISO transmission owners' ROE, resulting in an increase in ROE from 9.88% to 10.02% by utilizing the risk premium model in addition to the DCF model and capital-asset pricing model under both prongs of Section 206 of the FPA, and calculated the zone of reasonableness into equal thirds rather than employing the quartile approach. On November 19, 2020, FERC issued an order addressing arguments raised on rehearing of its May 21, 2020 order making minor adjustments to certain typographical errors with regard to some of the case inputs it included in its Risk Premium model analysis. However, those minor adjustments did not affect the outcome of the case, leaving the 10.02% ROE established by the May 21, 2020 order in place. Parties to these orders affecting the MISO transmission owners' base ROE petitioned for their review at the D.C. Circuit Court of Appeals in January 2021. The NETO's submitted an amici curia brief in support of the MISO transmission owners' on March 17, 2021. On August 9, 2022, the D.C. Circuit Court vacated FERC's orders and remanded the matter back to FERC. The D.C. Circuit Court held that FERC failed to offer a reasoned explanation for its decision to reintroduce the RPM after initially, and forcefully, rejecting it and that because FERC adopted that significant portion of its model in an arbitrary and capricious fashion, the new ROE produced by that model cannot stand. We cannot predict the potential impact the MISO transmission owners' ROE proceeding may have in establishing a precedent for the NETO's pending four Complaints.

On April 15, 2021, the FERC issued a supplemental Notice of Proposed Rulemaking (Supplemental NOPR) that proposes to eliminate the 50 basis-point ROE incentive for utilities who join Regional Transmission Organizations after three years of membership. The NETOs submitted initial comments in opposition to the Supplemental NOPR on June 25, 2021 and reply comments on July 26, 2021. If the elimination of the 50 basis-point ROE incentive adder becomes final, we estimate we would have an approximately $2 million reduction in earnings per year. We cannot predict the outcome of this proceeding.

Equity Investment in Peaking Generation

UI is a party to a joint venture with Clearway Energy, Inc., a subsidiary of Global Infrastructure Partners (GIP), pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly-owned subsidiary, GenConn Energy LLC, or GenConn, operates peaking generation plants in Devon, Connecticut (GenConn Devon) and Middletown, Connecticut (GenConn Middletown). The two peaking generation plants are both participating in the ISO-New England markets.

GenConn filed its annual revenue requirements request with PURA on June 30, 2022, seeking approval of its 2023 revenue requirements for the period commencing January 1, 2023 for both the GenConn Devon and GenConn Middletown facilities. As required by PURA Order 1 in the 2022 Decision GenConn's calculation for revenue requirements totaled $44.7 million. On October 24, 2022 PURA issued a draft decision approving revenue requirement of $43.8 million. PURA disallowed $0.9 million associated with recommended capital and expenses projects and costs associated with Working Captial Facility renewal necessary in 2023. The final decision in this year's revenue requirements request is due on November 30, 2022. The 2022 Decision appeal before CT Superior Court remains open. The 2021 Decision Appeal is awaiting a schedule before CT Supreme Court.

GenConn filed its annual revenue requirements request with PURA on June 15, 2021, seeking approval of its 2022 revenue requirements for the period commencing January 1, 2022 for both the GenConn Devon and GenConn Middletown facilities and totaling $55.8 million. A final decision was received on December 08, 2021, approving 2022 revenue requirements of $44.4 million for GenConn ($19.3 million for GenConn Devon, and $25.1 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2022. PURA disallowed $2.9 million from the original 2021 revenue requirements associated with interest expense associated with GenConn's debt, $0.1 million associated with 2013 refinancing amortization, $6.1 million associated with its equity return and $2.3 million associated with the resulting income tax, totaling $11.4 million. On January 21, 2022, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the $11.4 million.

GenConn filed its annual revenue requirements request with PURA on June 12, 2020, seeking approval of its 2021 revenue requirements for the period commencing January 1, 2021 for both the GenConn Devon and GenConn Middletown facilities. A final decision was received on December 23, 2020, approving 2021 revenue requirements of $49.4 million for GenConn ($22.0 million for GenConn Devon, and $27.4 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2021. PURA disallowed $3.3 million from the original 2021 revenue requirements request which includes a disallowance of $2.9 million of interest expense associated with GenConn's debt, and $0.4 million related to a proposed expense project to paint Exhaust Stacks at GenConn Devon. On February 4, 2021, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the $2.9 million interest expense. The appeal was dismissed on January 28, 2022. On February 16, 2022, GenConn initiated an appeal at the Connecticut Appellate Court, which remains pending.

PURA had approved revenue requirements for the period from January 1, 2020 through December 31, 2020, however, GenConn filed to reopen the related docket with PURA on April 3, 2020, for the purpose of resetting 2020 revenue requirements after a recalculation of excess deferred income taxes. GenConn received a final decision from PURA on December 23, 2020 approving $1.2 million of the additional $2.1 million requested for 2020 revenue requirements. The $0.9 million difference is due to an acceleration of $0.6 million related to Excess Accumulated Deferred Income Tax (ADIT) associated with Intangible Plant that otherwise would have been refunded over a longer period of time, and $0.3 million is related to actual tangible plant timing differences.

Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act significantly changed the federal taxation of business entities including, among other things, implementing a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates will result in amounts previously and currently collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates.

PURA instituted proceedings in Connecticut to review and address the implications associated with the Tax Act on the utilities providing service in the state and rendered a final decision on January 23, 2019. PURA directed UI to establish a regulatory liability in the amount of the income tax expense to be returned to customers and propose a method of returning such amount to customers in its next rate case filing. On June 28, 2021, PURA approved a multi-docket settlement proposal that required UI to flow accumulated Tax Act savings back to customers over a 22-month period, commencing on July 1, 2021 through April 30, 2023.

On December 22, 2021, the FERC issued an order finding that the New England Transmission Owners (NETOs) Regional Network Service proposed revisions partially comply with the requirements of Order 864 and directed the NETOs to submit a further compliance filing within 60 days of the date of the order. The compliance is effective January 27, 2020, consistent with Order 864 and January 1, 2022, to reflect the fact that the NETOs existing transmission formula rates under the ISO-NE Tariff will be replaced by a settled formula rate effective January 1, 2022.

PURA Investigation of the Preparation for and Response to the Tropical Storm Isaias and Connecticut Storm Reimbursement Legislation

On August 6, 2020, PURA opened a docket to investigate the preparation for and response to Tropical Storm Isaias by the electric distribution companies in Connecticut including UI. Following hearings and the submission of testimony, PURA issued a final decision on April 15, 2021, finding that UI “generally met standards of acceptable performance in its preparation and response to Tropical Storm Isaias," subject to certain exceptions noted in the decision, but ordered a 15-basis point reduction to UI's ROE in its next rate case to incentivize better performance and indicated that penalties could be forthcoming in the penalty phase of the proceedings. On June 11, 2021, UI filed an appeal of PURA’s decision with the Connecticut Superior Court.

On May 6, 2021, in connection with its findings in the Tropical Storm Isaias docket, PURA issued a Notice of Violation to UI for allegedly failing to comply with standards of acceptable performance in emergency preparation or restoration of service in an emergency and with orders of the Authority, and for violations of accident reporting requirements. PURA assessed a civil penalty in the total amount of $2 million. PURA held a hearing on this matter and, in an order dated July 14, 2021, reduced the civil penalty to approximately $1 million. UI filed an appeal of PURA’s decision with the Connecticut Superior Court. This appeal and the appeal of PURA’s decision on the Tropical Storm Isaias docket have been consolidated. On October 17, 2022, the court denied UI’s appeal and affirmed PURA’s decisions in their entirety.

Minimum Equity Requirements for Regulated Subsidiaries

Pursuant to agreements with PURA, UI is restricted from paying dividends if paying such dividend would result in a common equity ratio lower than 300 basis points below the equity percentage used to set rates in the most recent distribution rate proceeding as measured using a trailing 13-month average calculated as of the most recent quarter end. In addition, UI is prohibited from paying dividends to their parent if the utility’s credit rating, as rated by any of the three major credit rating agencies, falls below investment grade, or if the utility’s credit rating, as determined by two of the three major credit rating agencies, falls to the lowest investment grade and there is a negative watch or review downgrade notice.

Note 3. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately $271.8 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

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

Regulatory assets as of September 30, 2022 and December 31, 2021 consisted of:

As of	September 30, 2022	December 31, 2021
(Thousands)		
Contracts for differences	$ 47,532	$ 58,672
COVID-19 cost recovery	8,616	10,416
Deferred transmission expense	—	13,507
Environmental remediation costs	6,550	6,311
Excess generation service charge	7,651	11,156
Non-bypassable charges	—	4,600
Pension and other postretirement benefit plans	93,860	125,151
Pension and other postretirement benefits cost deferrals	15,576	13,755
Revenue decoupling mechanism	4,898	16,958
Storm costs	25,520	23,135
Unamortized losses on reacquired debt	5,081	5,455
Unfunded future income taxes	115,793	110,501
Other	15,259	14,895
Total regulatory assets	**346,336**	**414,512**
Less: current portion	28,331	44,318
Total non-current regulatory assets	**$ 318,005**	**$ 370,194**

Contracts for differences represent the deferral of unrealized gains and losses on contracts for differences derivative contracts. The balance fluctuates based upon quarterly market analysis performed on the related derivatives. The amounts, which do not earn a return, are fully offset by a corresponding derivative asset/liability.

COVID-19 cost recovery represents deferred COVID-19-related costs in the state of Connecticut based on the order issued by PURA on April 29, 2020, requiring utilities to track COVID-19-related expenses and lost revenue and create a regulatory asset.

Deferred transmission expense represents deferred transmission income or expense and fluctuates based upon actual revenues and revenue requirements.

Environmental remediation costs includes spending that has occurred and is eligible for future recovery in customer rates. Environmental costs are currently recovered through a reserve mechanism whereby projected spending is included in rates with any variance recorded as a regulatory asset or a regulatory liability. The amortization period will be established in future proceedings and will depend upon the timing of spending for the remediation costs. It also includes the anticipated future rate recovery of costs that are recorded as environmental liabilities since these will be recovered when incurred. Because no funds have yet been expended for the regulatory asset related to future spending, it does not accrue carrying costs and is not included within rate base.

Excess generation service charge represents deferred generation-related and non by-passable federally mandated congestion costs or revenues for future recovery from or return to customers. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

Non-bypassable charges represent non-bypassable federally mandated congestion costs or revenues for future recovery from or return to customers. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

Pension and other postretirement benefit plans represent the actuarial losses on the pension and other postretirement plans that will be reflected in customer rates when they are amortized and recognized in future pension expenses.

Pension and other postretirement benefits cost deferrals include the difference between actual expense for pension and other postretirement benefits and the amount provided for in rates for certain of our regulated utilities. The recovery of these amounts will be determined in future proceedings.

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

Storm costs are allowed in rates based on an estimate of the routine costs of service restoration. UI is also allowed to defer unusually high levels of service restoration costs resulting from major storms when they meet certain criteria for severity and duration. A portion of this balance is amortized through current rates, and the remaining portion will be determined through future rate cases.

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

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

Other includes items such as deferred loss on sale of non-utility property.

Regulatory liabilities as of September 30, 2022 and December 31, 2021 consisted of:

As of	September 30, 2022	December 31, 2021
(Thousands)		
2017 Tax Act	$ 227,308	$ 252,016
Accrued removal obligations	75,452	72,165
Accumulated deferred investment tax credits	10,811	11,358
Conservation and load management	6,662	(156)
Deferred transmission expense	11,383	—
Middletown/Norwalk local transmission network service collections	16,386	16,815
Non-bypassable charges	67,636	5,165
Pension and other postretirement benefit plans	15,017	15,538
Pension and other postretirement benefits cost deferrals	565	—
Rate refund - FERC ROE proceeding	7,796	7,600
System benefit charge	5,632	12,049
Other	4,225	4,584
Total regulatory liabilities	**448,873**	**397,134**
Less: current portion	109,015	45,113
Total non-current regulatory liabilities	**$ 339,858**	**$ 352,021**

2017 Tax Act represents the impact from remeasurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously and currently collected from utility customers for these deferred taxes to be refundable to such customers. UI will be returning the accumulated income tax expense to customers over the 22-month period from July 1, 2021 through April 30, 2023.

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

Accumulated deferred investment tax credits represent investment tax credits related to plant investments that are deferred when earned and amortized over the estimated lives of the related assets.

Middletown/Norwalk local transmission network service collections represents allowance for funds used during construction of the Middletown/Norwalk transmission line, which is being amortized over the useful life of the project.

Pension and other postretirement benefit plans represent the actuarial gains on the pension and other postretirement plans that will be reflected in customer rates when they are amortized and recognized in future pension expenses.

Pension and other postretirement benefits cost deferrals include the difference between actual expense for pension and other postretirement benefits and the amount provided for in rates for certain of our regulated utilities. A portion of this balance is amortized through current rates, the remaining portion will be refunded in future periods through future rate cases.

Rate refund - FERC ROE proceeding represents the reserve associated with the FERC proceeding around the base return on equity (ROE) reflected in ISO-NE's open access transmission tariff.

Systems benefit charge represents various costs or revenues as defined by Connecticut General Statute 16-2451 deferred for future recovery from or return to customers. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

Other includes items such as deferral of CAM gross earnings tax expense collected in base distribution rates for periods subsequent to January 1, 2020.

Note 4. Revenue

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

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

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

Tariff-based sales are subject to PURA, which determines prices and other terms of service through the ratemaking process. Customers have the option to obtain the electricity directly from UI or from another supplier. For customers that receive their electricity from another supplier, UI acts as an agent and delivers the electricity by that supplier. Revenue in those cases is only for providing the service of delivery of the electricity.

Transmission revenue results from others' use of the utility's transmission system to transmit electricity and is subject to FERC regulation, which establishes the prices and other terms of service. Long-term wholesale sales of electricity are based on individual bilateral contracts. Short-term wholesale sales of electricity are generally on a daily basis based on market prices and are administered by an independent entity, ISO-New England, Inc.

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

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

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

Revenues disaggregated by major source for the three and nine months ended September 30, 2022 and 2021, are as follows:

Three Months Ended September 30,		**2022**		**2021**
(Thousands)				
Regulated operations – electricity	$	301,866	$	276,800
Other (a)		2,651		553
Revenue from contracts with customers		**304,517**		**277,353**
Leasing revenue		955		779
Other revenue		450		890
Total operating revenues	**$**	**305,922**	**$**	**279,022**

Nine Months Ended September 30,		**2022**		**2021**
(Thousands)				
Regulated operations – electricity	$	826,665	$	720,832
Other (a)		4,664		1,934
Revenue from contracts with customers		**831,329**		**722,766**
Leasing revenue		3,433		2,940
Alternative revenue programs		12,017		29,884
Other revenue		1,282		1,495
Total operating revenues	**$**	**848,061**	**$**	**757,085**

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

As of September 30, 2022 and December 31, 2021, nearly all of the accounts receivable balances included in “Accounts receivable and unbilled revenues, net” on our condensed balance sheets are related to contracts with customers and include unbilled revenues of $41.8 million and $47.5 million, respectively.

Note 5. Income Taxes

The effective tax rate for the nine months ended September 30, 2022 was 11.1%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and property related flow-through tax benefits. The effective tax rate for the nine months ended September 30, 2021 was 20.4%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and property related flow-through tax benefits; partially offset by state taxes.

Note 6. Bank Loans and Other Borrowings

UI had no short-term debt outstanding as of September 30, 2022 and December 31, 2021. UI funds short-term liquidity needs through an agreement among Avangrid’s regulated utility subsidiaries (the Virtual Money Pool Agreement), a bi-lateral intercompany credit agreement with Avangrid (the Bi-Lateral Intercompany Facility), and a bank provided credit facility to which UI is a party (the AGR Credit Facility), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI has a lending/borrowing limit of $100 million under this agreement. UI had no debt outstanding under this agreement at September 30, 2022 and December 31, 2021.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI had no debt outstanding under this agreement at September 30, 2022 and December 31, 2021.

On November 23, 2021, AGR and its investment-grade rated utility subsidiaries (New York State Electric and Gas Corporation (“NYSEG”), Rochester Gas and Electric Corporation (“RG&E”), Central Maine Power Company (“CMP”), The United Illuminating Company (“UI”), Connecticut Natural Gas Corporation (“CNG”), The Southern Connecticut Gas Company (“SCG”) and The Berkshire Gas Company (“BGC”)) executed a new credit facility with an aggregate limit of $3,575 million and a termination date of November 23, 2026. Under the terms of the Avangrid Credit Facility, each borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit contained in the agreement. NYSEG has a maximum sublimit of $700 million, RG&E has $300 million, CMP has $200 million and UI has a maximum sublimit of $250 million, CNG and SCG have maximum sublimits of $150 million, and BGC has a maximum sublimit of $50 million. Effective on November 23 2021, the AGR Credit Facility was amended to increase AGR’s maximum sublimit to $2,500 million and to establish minimum sublimits of $500 million for NYSEG, $200 million for RG&E, $100 million for CMP, $150 million for UI, $50 million for CNG and SCG, and $25 million for BGC. Under the AGR Credit Facility, each of the borrowers are charged a facility fee that is dependent on their credit rating. The facility fees range from 10.0 to 22.5 basis points. UI had no debt outstanding under this agreement at September 30, 2022 and December 31, 2021.

In the AGR Credit Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of indebtedness to total capitalization, the facility excludes from net worth the balance of accumulated other comprehensive loss as it appears on the balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued un-remedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was 0.41 to 1.00 at September 30, 2022. We are not in default as of September 30, 2022.

Note 7. Preferred Stock

At September 30, 2022, UI had 1,119,612 shares of $100 par value preferred stock, 2,400,000 shares of $25 par value preferred stock, and 5,000,000 shares of $25 par value preference stock authorized but unissued.

Note 8. Environmental Liability

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

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then owners of a former generation site on the Mill River in New Haven (English Station) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut related to environmental remediation at the English Station site. This proceeding was stayed in 2014 pending resolutions of other proceedings before the DEEP concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party.

In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit related to the English Station site. On April 16, 2018, the plaintiffs filed a revised complaint alleging fraud and unjust enrichment against UIL and UI and adding former UIL officers as named defendants alleging fraud. On February 21, 2019, the court granted our Motion to Strike with respect to all counts except for the count against UI for unjust enrichment. The counts stricken include all counts against the individual defendants as well as against UIL. The plaintiffs have appealed the court's decision to strike and oral arguments have taken place. On May 4, 2021, the Appeals Court affirmed the court's decision striking the counts. The plaintiffs filed a petition to appeal to the Connecticut Supreme Court, which was denied, leaving only the claim against UI for unjust enrichment. We cannot predict the outcome of this matter.

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. This proceeding was stayed while DEEP and UI continue to work through the remediation process pursuant to the consent order described below. Status reports are periodically filed with DEEP.

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

As of September 30, 2022 and December 31, 2021, the amount reserved related to English Station was $21.3 million and $21.7 million, respectively. We cannot predict the outcome of this matter.

Other

In May 2019, UI obtained an updated remediation evaluation of the property adjacent to the New Haven Harbor Generating Station. As a result, UI recorded an additional $6.0 million reserve in June 2019, the minimum of the range of remediation estimates. The amount reserved for this property was $7.9 million as of September 30, 2022 and $7.7 million as of December 31, 2021, respectively.

UI also holds a reserve for remediation of 801 Bridgeport Ave, the site of a former operations center. The amount reserved for this site was $0.4 million as of September 30, 2022 and December 31, 2021.

Our environmental liability accruals are recorded on an undiscounted basis and are expected to be paid through the year 2030.

Note 9. Accounting for Derivative Instruments and Hedging Activities

Our operating and financing activities are exposed to certain risks, which are managed by using derivative instruments. All derivative instruments are recognized as either assets or liabilities at fair value on our condensed balance sheets in accordance with the accounting requirements concerning derivative instruments and hedging activities.

Derivatives not designated as hedging instruments

Pursuant to Connecticut’s 2005 Energy Independence Act, 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 September 30, 2022, UI has recorded a gross derivative asset of $1.4 million ($0 of which is related to UI’s portion of the CfD signed by CL&P), a regulatory asset of $47.5 million, a gross derivative liability of $49.0 million ($47.1 million of which is related to UI’s portion of the CfD signed by CL&P), and a regulatory liability of $0. As of December 31, 2021, UI had recorded a gross derivative asset of $1.7 million ($0 of which is related to UI’s portion of the CfD signed by CL&P), a regulatory asset of $58.7 million, a gross derivative liability of $60.4 million ($58.2 million of which is related to UI’s portion of the CfD signed by CL&P), and a regulatory liability of $0.

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets, for the three and nine months ended September 30, 2022 and 2021, respectively, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(Thousands)				
Derivative assets	$ (83)	$ (102)	$ (272)	$ (221)
Derivative liabilities	$ 4,477	$ 3,421	$ 11,412	$ 7,182

Derivatives designated as hedging instruments

The effect of derivatives in cash flow hedging relationships on Other Comprehensive Income (OCI) and income for the three and nine months ended September 30, 2022 and 2021, respectively, consisted of:

Three Months Ended September 30,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	Gain (Loss) Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2022				
Foreign exchange contracts	$ (43)	Operations and maintenance	$ —	$ 114,245
Total	**$ (43)**		**$ —**	
2021				
Foreign exchange contracts	$ (8)	Operations and maintenance	$ —	$ 128,101
Total	**$ (8)**		**$ —**	

Nine Months Ended September 30,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	Gain (Loss) Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2022				
Foreign exchange contracts	$ (61)	Operations and maintenance	$ (23)	$ 288,038
Total	**$ (61)**		**$ (23)**	
2021				
Foreign exchange contracts	$ (9)	Operations and maintenance	$ —	$ 300,936
Total	**$ (9)**		**$ —**	

Note 10. Fair Value of Financial Instruments and Fair Value Measurements

The estimated fair value of debt amounted to $830 million as of September 30, 2022 and $1,029 million as of December 31, 2021. The estimated fair value was determined, in most cases, by discounting the future cash flows at market interest rates. The interest rate curve used to make these calculations takes into account the risks associated with the electricity industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

Assets and liabilities measured at fair value on a recurring basis

The financial instruments measured at fair value as of September 30, 2022 and December 31, 2021, respectively, consisted of:

As of September 30, 2022	Level 1	Level 2	Level 3	Total
(Thousands)				
Derivative assets				
Contracts for differences	$ —	$ —	$ 1,439	$ 1,439
Equity investments with readily determinable fair values				
Supplemental retirement benefit trust life insurance policies	—	13,158	—	13,158
Total	**$ —**	**$ 13,158**	**$ 1,439**	**$ 14,597**
Derivative liabilities				
Contracts for differences	$ —	$ —	$ (48,971)	$ (48,971)
Foreign exchange contracts	—	(61)	—	(61)
Total	**$ —**	**$ (61)**	**$ (48,971)**	**$ (49,032)**

As of December 31, 2021	Level 1	Level 2	Level 3	Total
(Thousands)				
Derivative assets				
Contracts for differences	$ —	$ —	$ 1,711	$ 1,711
Equity investments with readily determinable fair values				
Supplemental retirement benefit trust life insurance policies	—	15,431	—	15,431
Total	**$ —**	**$ 15,431**	**$ 1,711**	**$ 17,142**
Derivative liabilities				
Contracts for differences	$ —	$ —	$ (60,383)	$ (60,383)
Foreign exchange contracts	—	(23)	—	(23)
Total	**$ —**	**$ (23)**	**$ (60,383)**	**$ (60,406)**

We had no transfers to or from Level 1 and 2 during the periods ended September 30, 2022 and December 31, 2021. Our policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that causes a transfer, if any.

Valuation techniques: We determine the fair value of our derivative assets and liabilities and non-current equity investments utilizing market approach valuation techniques:

- UI enters into CfDs, which are marked-to-market based on a probability-based expected cash flow analysis that is discounted at risk-free interest rates and an adjustment for non-performance risk using credit default swap rates. We include the fair value measurement for these contracts in Level 3 (Refer to Note 11 for further discussion of CfDs).

- We measure the fair value of the supplemental retirement benefit life insurance trust based on quoted prices in the active markets for the various funds within which the assets are held and include the measurement in Level 2.
- We determine the fair value of our foreign currency exchange derivative instruments based on current exchange rates compared to the rates at inception of the hedge. We include the fair value measurement for these contracts in Level 2.

The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at 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 extends over the term of the contracts. We believe this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs. Additionally, on a quarterly basis, we perform analytics to ensure that the fair value of the derivatives is consistent with changes, if any, in the various fair value model inputs. 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. Additional quantitative information about Level 3 fair value measurements of the CfDs is as follows:

Unobservable Input	**Range at September 30, 2022**	**Range at December 31, 2021**
Risk of non-performance	1.08% - 1.46%	0.39% - 0.51%
Discount rate	4.06% - 4.25%	0.97% - 1.26%
Forward pricing ($ per MW)	$2.00 - $3.80	$2.00 - $4.80

The reconciliation of changes in the fair value of financial instruments based on Level 3 inputs for the three and nine months ended September 30, 2022 and 2021, respectively, is as follows:

Three Months Ended September 30,		**2022**		**2021**
(Thousands)				
Beginning balance	$	(51,926)	$	(65,542)
Unrealized gains, net		4,394		3,319
Ending balance	**$**	**(47,532)**	**$**	**(62,223)**

Nine Months Ended September 30,		**2022**		**2021**
(Thousands)				
Beginning balance	$	(58,672)	$	(69,184)
Unrealized gains, net		11,140		6,961
Ending balance	**$**	**(47,532)**	**$**	**(62,223)**

Note 11. Postretirement and Similar Obligations

The components of net periodic benefit cost for pension and postretirement benefits for the three and nine months ended September 30, 2022 and 2021, respectively, consisted of:

Three Months Ended September 30,	Pension Benefits 2022	Pension Benefits 2021	Postretirement Benefits 2022	Postretirement Benefits 2021
(Thousands)				
Net periodic benefit cost				
Service cost	$ 487	$ 932	$ 136	$ 155
Interest cost	4,769	3,758	427	356
Expected return on plan assets	(5,944)	(7,348)	(564)	(488)
Amortization of prior service cost (credit)	292	291	(384)	(384)
Amortization of net loss	1,225	5,365	(246)	(205)
Net periodic benefit cost	**$ 829**	**$ 2,998**	**$ (631)**	**$ (566)**

Nine Months Ended September 30,	Pension Benefits 2022	Pension Benefits 2021	Postretirement Benefits 2022	Postretirement Benefits 2021
(Thousands)				
Net periodic benefit cost				
Service cost	$ 1,891	$ 2,797	$ 407	$ 466
Interest cost	13,430	11,273	1,281	1,068
Expected return on plan assets	(19,359)	(22,045)	(1,692)	(1,465)
Amortization of prior service cost (credit)	874	872	(1,153)	(1,153)
Amortization of net loss	5,866	16,095	(737)	(616)
Net periodic benefit cost	**$ 2,702**	**$ 8,992**	**$ (1,894)**	**$ (1,700)**

Note 12. Equity Method Investments

UI is a party to a 50-50 joint venture with Clearway Energy, Inc. 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 $82.4 million and $86.6 million as of September 30, 2022 and December 31, 2021, respectively.

UI’s pre-tax income from its equity investment in GenConn was $1.2 million and $1.9 million for the three months ended September 30, 2022 and 2021, respectively. UI’s pre-tax income from its equity investment in GenConn was $2.6 million and $5.8 million for the nine months ended September 30, 2022 and 2021, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections, respectively, of the condensed statements of cash flows. UI received cash distributions from GenConn of $3.2 million and $3.9 million during the three months ended September 30, 2022 and 2021, respectively. UI received cash distributions from GenConn of $6.8 million and $9.7 million during the nine months ended September 30, 2022 and 2021, respectively.

Note 13. Other Income and Other Deductions

Other income and deductions for the for the three and nine months ended September 30, 2022 and 2021, respectively, consisted of:

Three Months Ended September 30,		2022		2021
(Thousands)				
Interest and dividends income	$	1,147	$	1,934
Allowance for funds used during construction		2,990		2,792
Carrying costs on regulatory assets		717		(1,046)
Miscellaneous		23		8
Total other income	**$**	**4,877**	**$**	**3,688**
Pension non-service components	$	825	$	2,308
Miscellaneous		17		(1,082)
Total other deductions	**$**	**842**	**$**	**1,226**

Nine Months Ended September 30,		2022		2021
(Thousands)				
Interest and dividends income	$	3,202	$	2,075
Allowance for funds used during construction		7,911		6,805
Carrying costs on regulatory assets		3,216		46
Miscellaneous		26		11
Total other income	**$**	**14,355**	**$**	**8,937**
Pension non-service components	$	(382)	$	(712)
Miscellaneous		(1,548)		(1,418)
Total other deductions	**$**	**(1,930)**	**$**	**(2,130)**

Note 14. Related Party Transactions

Certain Networks subsidiaries, including UI, borrow from AGR, the parent of Networks, through intercompany revolving credit agreements. For UI, the intercompany revolving credit agreements provide access to supplemental liquidity. See Note 6 for further detail on the credit facility with AGR.

AGR, through its affiliates, provides administrative and management services to Networks operating utilities, including UI, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating and capital services provided to UI by AGR and its affiliates was $54.8 million and $54.7 million for the nine months ended September 30, 2022 and 2021, respectively. Charge for services provided by UI to AGR and its subsidiaries was approximately $5.9 million and $4.8 million for the nine months ended September 30, 2022 and 2021, respectively. All charges for services are at cost.

The balance in accounts payable to affiliates of $51.1 million at September 30, 2022 and $70.0 million at December 31, 2021 is primarily due to UIL Holdings. The balance in accounts receivable from affiliates of $1.3 million at September 30, 2022 and $1.2 million at December 31, 2021 is receivable from various companies.

Of the balance in notes receivable from affiliates of $46.6 million at September 30, 2022, $23.3 million was due from CNG, $18.9 million from NYSEG, and $4.4 million from BGC. The balance in notes receivable from affiliates of $64.6 million at December 31, 2021 was due from NYSEG. Notes receivable from affiliates relate to the Virtual Money Pool Agreement as discussed in Note 6 of these condensed financial statements.