THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF

SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 AND

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating Revenues	$ 245,175	$ 234,344	$ 681,843	$ 662,815
Operating Expenses				
Purchased power	40,798	44,260	125,644	149,674
Operation and maintenance	99,830	94,916	279,926	267,260
Depreciation and amortization	19,351	20,186	58,320	59,306
Taxes other than income taxes	29,223	28,397	80,380	74,330
Total Operating Expenses	189,202	187,759	544,270	550,570
Operating Income	55,973	46,585	137,573	112,245
Other Income and (Expense), net				
Other income	692	3,102	4,661	8,038
Other (expense)	-	(3)	(17)	(63)
Total Other Income and (Expense), net	692	3,099	4,644	7,975
Interest Expense, net	10,727	10,824	31,324	31,414
Income from Equity Investments	3,293	3,320	9,532	9,892
Income Before Income Tax	49,231	42,180	120,425	98,698
Income Tax (Note E)	16,759	14,336	39,824	31,268
Net Income	$ 32,472	$ 27,844	$ 80,601	$ 67,430

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	September 30, 2017	December, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ -	$ 2,590
Accounts receivable and unbilled revenues, net	164,469	141,368
Accounts receivable from affiliates	7,072	5,961
Regulatory assets (Note A)	33,135	33,462
Materials and supplies	4,767	7,197
Refundable taxes	4,659	22,518
Derivative assets (Note A), (Note I)	7,386	8,785
Prepayments and other current assets	14,565	3,020
Total Current Assets	236,053	224,901
Other Investments		
Equity investment in GenConn (Note A)	102,281	106,214
Other	10,127	9,979
Total Other Investments	112,408	116,193
Property, Plant and Equipment, at cost	2,666,712	2,615,742
Less accumulated depreciation	577,614	537,736
Net Property, Plant and Equipment in Service	2,089,098	2,078,006
Construction work in progress	176,734	119,879
Total Property, Plant and Equipment	2,265,832	2,197,885
Regulatory Assets (Note A)	513,599	509,627
Deferred Charges and Other Assets		
Derivative assets (Note A), (Note I)	6,206	10,631
Other	5,750	3,490
Total Deferred Charges and Other Assets	11,956	14,121
Total Assets	$ 3,139,848	$ 3,062,727

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Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

LIABILITIES AND CAPITALIZATION

(In Thousands)

(Unaudited)

	September 30, 2017	December 31, 2016
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 30,000	$ 70,000
Accounts payable and accrued liabilities	92,478	107,286
Accounts payable to affiliates	9,419	4,552
Regulatory liabilities (Note A)	5,048	720
Interest accrued	9,741	10,864
Taxes accrued	21,566	25,947
Notes payable to affiliates	159,150	16,500
Derivative liabilities (Note A), (Note I)	17,379	22,917
Other liabilities	16,674	10,100
Total Current Liabilities	361,455	268,886
Deferred Income Taxes	462,247	444,159
Regulatory Liabilities	126,817	122,120
Deferred Income Taxes Regulatory	174,889	171,757
Other Noncurrent Liabilities		
Pension and post-retirement	263,212	251,534
Derivative liabilities (Note A), (Note I)	67,294	71,783
Environmental remediation costs	28,188	29,897
Other	17,823	20,578
Total Other Noncurrent Liabilities	376,517	373,792
Capitalization		
Long-term debt	729,023	728,714
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	199,669	244,068
Net Common Stock Equity	908,900	953,299
Total Capitalization	1,637,923	1,682,013
Total Liabilities and Capitalization	$ 3,139,848	$ 3,062,727

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

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash Flows From Operating Activities		
Net income	$ 80,601	$ 67,430
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	59,394	60,416
Deferred income taxes	16,632	20,999
Uncollectible expense	13,914	11,447
Pension expense	21,618	22,253
Allowance for funds used during construction (AFUDC) - equity	(1,219)	(4,778)
Undistributed (earnings) losses in equity investments	(9,531)	(9,894)
Regulatory assets/liabilities amortization	1,397	10,672
Regulatory assets/liabiities carrying cost	(1,177)	(228)
Other non-cash items, net	(339)	(530)
Changes in:		
Accounts receivable and unbilled revenues, net	(37,926)	(32,438)
Accounts payable and accrued liabilties	(4,798)	(8,946)
Cash distribution received from GenConn	9,412	9,968
Taxes accrued and refundable	18,137	16,075
Pension and post-retirement	(9,940)	(15,702)
Regulatory assets/liabilities	5,444	(28,608)
Environmental liabilities	(5,909)	(270)
Other assets	(15,251)	(11,850)
Other liabilities	(3,521)	4,253
Net Cash provided by Operating Activities	136,938	110,269
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(120,357)	(127,759)
Cash distribution from GenConn	4,043	3,906
Notes receivable from affiliates	-	11,500
Net Cash used in Investing Activities	(116,314)	(112,353)
Cash Flows from Financing Activities		
Payment of common stock dividend	(125,000)	-
Payment of long-term debt	(40,000)	-
Notes payable to affiliates	142,650	-
Other	(30)	(333)
Net Cash used in Financing Activities	(22,380)	(333)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(1,756)	(2,417)
Balance at beginning of period	4,319	7,384
Balance at end of period	2,563	$ 4,967
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 12,708	$ 9,060

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

THE UNITED ILLUMINATING COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2017

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained Earnings (Accumulated	
	Shares	Amount	Capital	Deficit)	Total
Balance as of December 31, 2016	100	$ 1	$ 709,230	$ 244,068	$ 953,299
Net income				80,601	80,601
Payment of common stock dividend				(125,000)	(125,000)
Balance as of September 30, 2017	100	$ 1	$ 709,230	199,669	908,900

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS – UNAUDITED

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

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

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

Accounting Records

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

Basis of Presentation

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

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

UI has evaluated subsequent events through the date its financial statements were available to be issued, November 13, 2017.

Derivatives

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

Contracts for Differences (CfDs)

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of September 30, 2017, UI has recorded a gross derivative asset of $13.6 million, a regulatory asset of $71.1 million and a gross derivative liability of $84.7 million ($67.7 million of which is related to UI's portion of the CfD signed by CL&P). See Note (I) "Fair Value of Financial Instruments" for additional CfD information.

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

	September 30, 2017	December 31, 2016
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 7,386	$ 8,785
Deferred Charges and Other Assets	$ 6,206	$ 10,631
Gross derivative liabilties:		
Current Liabilities	$ 17,379	$ 22,917
Noncurrent Liabilities	$ 67,294	$ 71,783

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, for the three and nine-month periods ended September 30, 2017 and 2016, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In Thousands)		(In Thousands)	
Regulatory Assets - Derivative liabilities	$ (2,378)	$ (4,351)	$ (4,203)	$ 15,815
Regulatory Liabilities - Derivative assets	$ -	$ (485)	$ -	$ (467)

Equity Investments

UI is party to a 50-50 joint venture with the NRG affiliates in GenConn, which operates two peaking generation plants in Connecticut. UI's investment in GenConn is being accounted for as an equity investment, the carrying value of which was $102.3 million and $106.2 million as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017, there was $0.1 million of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $3.3 million for each of the three-month periods ended September 30, 2017 and 2016. UI's pre-tax income from its equity investment in GenConn was $9.5 million and $9.9 million for the nine-month periods ended September 30, 2017 and 2016, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections of the Statement of Cash Flows, respectively. UI received cash distributions from GenConn of $ 5.3 million during each of the three-month periods ended September 30, 2017 and 2016. UI received cash distributions from GenConn of $13.5 million and $13.9 million in the nine-month periods ended September 30, 2017 and 2016, respectively.

Regulatory Accounting

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

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

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

	Remaining Period	September 30, 2017	December 31, 2016
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	5 to 17 years	$ 8,322	$ 8,907
Pension and other post-retirement benefit plans	(a)	236,688	236,688
Unfunded future income taxes	(b)	181,019	179,204
Contracts for differences	(c)	71,081	75,284
Excess generation service charge	(d)	-	1,536
Deferred transmission expense	(e)	12,951	8,465
Other	(f)	36,673	33,005
Total regulatory assets		546,734	543,089
Less current portion of regulatory assets		33,135	33,462
Regulatory Assets, Net		$ 513,599	$ 509,627
Regulatory Liabilities:			
Accumulated deferred investment tax credits	28 years	$ 14,209	$ 14,738
Excess generation service charge	(d)	4,330	-
Middletown/Norwalk local transmission network service collections	34 years	19,252	19,682
Pension and other post-retirement benefit plans	(a)	10,177	10,177
Asset removal costs	(f)	68,199	67,019
Deferred income taxes	(b)	174,889	171,757
Other	(e)	15,698	11,224
Total regulatory liabilities		306,754	294,597
Less current portion of regulatory liabilities		5,048	720
Regulatory Liabilities, Net		$ 301,706	$ 293,877

(a) Life is dependent upon timing of final pension plan distribution; balance, which is fully offset by a corresponding asset/liability, is recalculated each year in accordance with ASC 715 "Compensation-Retirement Benefits." See Note (F) "Pension and Other Benefits" for additional information.

(b) The balance will be extinguished when the asset, which is fully offset by a corresponding liability; or liability has been realized or settled, respectively.

(c) Asset life is equal to delivery term of related contracts (which vary from approximately 2 - 9 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note I); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "-Contracts for Differences" discussion above for additional information.

(d) Regulatory asset or liability which defers generation-related and nonbypassable federally mandated congestion costs or revenues for future recovery from or return to customers. Amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

(e) Regulatory asset or liability which defers transmission income or expense and fluctuates based upon actual revenues and revenue requirements.

(f) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; asset amount as of September 30, 2017 includes decoupling ($6.5 million) and certain other amounts that are not currently earning a return.

Variable Interest Entities

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

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

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

New Accounting Pronouncements

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

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging". The ASU contains targeted amendments with the objective to better align hedge accounting with an entity's risk management activities in the financial statements, and to simplify the application of hedge accounting. The amendments address concerns of financial statement preparers over difficulties with applying hedge accounting and limitations for hedging both nonfinancial and financial risks and concerns of financial statement users over how hedging activities are reported in financial statements. Changes to the hedge accounting guidance to address those concerns will: 1) expand hedge accounting for nonfinancial and financial risk components and amend measurement methodologies to more closely align hedge accounting with an entity's risk management activities; 2) eliminate the separate measurement and reporting of hedge ineffectiveness, to reduce the complexity of preparing and understanding hedge results; 3) enhance disclosures and change the presentation of hedge results to align the effects of the hedging instrument and the hedged item in order to enhance transparency, comparability, and understandability of hedge results; and 4) simplify the way assessments of hedge effectiveness may be performed to reduce the cost and complexity of applying hedge accounting. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of the amendments. UI does not expect to early adopt. For cash flow and net investment hedges existing at the date of adoption, a company must apply a cumulative-effect adjustment related to the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year of adoption. The amended presentation and disclosure guidance is required only prospectively. An entity may make certain elections upon adoption to allow for existing hedging relationships to transition to newly allowable alternatives. UI expects the adoption of the guidance will not materially affect its results of operations, financial position, or cash flows, but does expect the amendments will ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness.

In May 2014, the FASB issued ASC 606 replacing the existing accounting standard and industry specific guidance for revenue recognition with a five-step model for recognizing and measuring revenue from contracts with customers. ASC 606 was further amended through various updates the FASB issued thereafter. The core principle is for an entity to recognize revenue to represent the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers. The amended effective date for public entities is for annual reporting periods beginning after December 15, 2017, and interim periods therein, with early adoption as of the original effective date of December 15, 2016 permitted. Entities may apply the standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with a cumulative effect adjustment to retained earnings for initial application of the guidance at the date of initial adoption (modified retrospective method). UI will adopt the new standard effective January 1, 2018 and apply the modified retrospective method. Under the new standard, UI will recognize revenue from tariff based sales, representing the majority of its revenues, in an amount derived from the commodities delivered, which is equivalent to the amount it has a right to invoice the customer and consistent with its current policies. UI continues to evaluate other individual contracts to determine the effects, if any, the new standard will have on its financial statements. Notably, a number of industry-specific implementation issues were published for public informal comment during the third quarter 2017 which are applicable to UI's business. UI will monitor the final resolution of certain of those issues to determine if any changes to the current plan for implementing the new standard are warranted. UI is currently finalizing how the adoption of the amendments will affect its results of operations, financial position, and cash flows, if any.

(B) CAPITALIZATION

Common Stock

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

(C) REGULATORY PROCEEDINGS

Rates

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

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

Power Supply Arrangements

UI has wholesale power supply agreements in place for its entire standard service load for the second half of 2017, for 80% of its standard service load for the first half of 2018 and for 20% of its standard service for the second half of 2018. Supplier of last resort service is procured on a quarterly basis, however, from time to time there are no bidders in the procurement process for supplier of last resort service and in such cases UI manages the load directly.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 "Derivatives and Hedging" and elected the "normal purchase, normal sale" exception under ASC 815 "Derivatives and Hedging." UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI's credit rating on senior debt were to fall below investment grade. If UI's credit rating were to decline one rating at Standard & Poor's or two ratings at Moody's and UI were to be placed on negative credit watch, monthly amounts due and payable to the power suppliers would be accelerated to semi-monthly payments. UI's credit rating would have to decline two ratings at Standard & Poor's and three ratings at Moody's to fall below investment grade. If this were to occur, UI would have to deliver collateral security in an amount equal to the receivables due to the sellers for the thirty-day period immediately preceding the default notice. If such an event had occurred as of September 30, 2017 UI would have had to post an aggregate of approximately $10.3 million in collateral. UI would have been and remains able to provide that collateral.

New Renewable Source Generation

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

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

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

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

On June 20, 2017, UI entered into 22 20-year PPAs totaling approximately 70 MW with developers of wind and solar generation. These PPAs originated from the Connecticut Department of Energy and Environmental Protection's PA 15-107 1(b) RFP, and were entered into pursuant to PA 15-107, Section 1(b) PA 15-107 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were approved by PURA on September 7, 2017.

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE. UI's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets. For 2017, UI is using an estimated overall allowed weighted-average ROE for its transmission business of 11.3% as of September 30, 2017. This includes the impact of the FERC order issued on October 16, 2014 and excludes any impacts of the reserve adjustment, both of which are discussed below.

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

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

On June 19, 2014, the FERC issued its decision in Complaint I, establishing an ROE methodology and setting an issue for a paper hearing. On October 16, 2014, FERC issued its final decision in Complaint I setting the base ROE at 10.57% and a maximum total ROE of 11.74% (base plus incentive ROEs) for the October 2011 – December 2012 period as well as prospectively from October 16, 2014, and ordered the NETOs to file a refund report. On November 17, 2014 the NETOs filed the requested refund report.

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 16, 2014 decision. The March order upheld the FERC's June 19, 2014 decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total average transmission return. In June 2015 the NETOs and complainants both filed an appeal in the U.S. Court of Appeals for the District of Columbia of the FERC's final order.

On April 14, 2017, the Court of Appeals (the Court) vacated the FERC's decision on Complaint I and remanded it back to the FERC. The Court held that the FERC, as directed by statute, did not determine first that the existing ROE was unjust and unreasonable before determining a new ROE. The Court ruled that the FERC should have first determined that the then existing 11.14% base ROE was unjust and unreasonable before selecting the 10.57% as the new base ROE. The Court also found that the FERC did not provide reasoned judgment as to why 10.57%, the point ROE at the midpoint of the upper end of the zone of reasonableness, is a just and reasonable ROE. Instead, the FERC had only explained in its order that the midpoint of 9.39% was not just and reasonable and a higher base ROE was warranted. On June 5, 2017, the NETOs made a filing with the FERC seeking to reinstate transmission rates to the status quo ante (effect of the Court vacating order is to return the parties to the rates in effect prior to the FERC Final decision) as of June 8, 2017, the date the Court decision became effective. In that filing, the NETOs state that they will not begin billing at the higher rates until 60 days after the FERC has a quorum of commissioners. On October 6, 2017, the FERC issued an order rejecting the NETOs request to collect transmission revenue requirements at the higher ROE of 11.14%, pending the FERC order on remand. In reaching this decision, the FERC stated that it has broad remedial authority to make whatever ROE it eventually determines to be just and reasonable effective for the Complaint I refund period and prospectively from October 2014, the effective date of the Complaint I Order. Therefore the NETOs will not be harmed financially by not immediately returning to their pre-Complaint I ROE. UI anticipates the FERC to address the Court decision during 2018. UI cannot predict the outcome of action by FERC.

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

On July 31, 2014, a third, ROE complaint (Complaint III) was filed for a subsequent rate period requesting the ROE be reduced to 8.84%. On November 24, 2014, the FERC accepted the Complaint III, established a 15-month refund effective date of July 31, 2014, and set this matter consolidated with Complaint II for hearing in June 2015. Hearings were held in June 2015 on Complaints II and III before a FERC Administrative Law Judge, relating to the refund periods and going forward period. On July 29, 2015, post-hearing briefs were filed by parties and on August 26, 2015 reply briefs were filed by parties. On July 13, 2015, the NETOs filed a petition for review of the FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the U.S. Court of Appeals. The FERC Administrative Law Judge issued an Initial Decision on March 22, 2016. The Initial Decision determined that: (1) for the 15-month refund period in Complaint II, the base ROE should be 9.59% and that the ROE Cap (base ROE plus incentive ROEs) should be 10.42% and (2) for the 15 month refund period in Complaint III and prospectively, the base ROE should be 10.90% and that the ROE Cap should be 12.19%. The Initial Decision is the Administrative Law Judge's recommendation to the FERC Commissioners. The FERC is expected to make its final decision later in 2018.

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

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

Equity Investment in Peaking Generation

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

(D) SHORT-TERM CREDIT ARRANGEMENTS

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

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The annualized effective income tax rates for the nine-month periods ended September 30, 2017 and 2016 were 32.8% and 31.8%, respectively.

(F) PENSION AND OTHER BENEFITS

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

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

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

	Nine Months Ended September 30,			
	Pension Benefits		Other Post-Retirement Benefits	
	2017	2016	2017	2016
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 4,208	$ 5,865	$ 706	$ 770
Interest cost	17,240	16,626	2,025	2,361
Expected return on plan assets	(18,872)	(21,570)	(1,088)	(1,255)
Amortization of:			-	
Prior service costs	(5)	(3)	(1,154)	(1,145)
Actuarial (gain) loss	18,556	13,416	11	1,224
Net periodic benefit cost	$ 21,126	$ 14,334	$ 500	$ 1,955
Discount rate	4.24%	4.20%-4.30%	4.24%	4.24%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.50%	7.75%	6.25%	7.75%
Health care trend rate (current year - pre/post-65)	N/A	N/A	6.75%/6.00%	7.00%
Health care trend rate (2026/2024 - pre/post-65)	N/A	N/A	4.50%/4.50%	4.50%

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

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

Inter-company Transactions

UI receives various administrative and management services from and enters into certain inter-company transactions with Avangrid Inc. and its subsidiaries. For the nine-month periods ended September 30, 2017 and 2016, UI recorded inter-company expenses of $39.2 million and $30.9 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of Avangrid's regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers and are included in Accounts receivable from affiliates and Accounts payable to affiliates in the accompanying balance sheets.

Dividends/Capital Contributions

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

(H) COMMITMENTS AND CONTINGENCIES

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

Connecticut Yankee Atomic Power Company

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

DOE Spent Fuel Litigation

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

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

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

In May 2017, Connecticut Yankee filed a fourth set of complaints (Phase IV) with the United States Court of Federal Claims against the DOE seeking an unspecified amount of damages incurred since January 1, 2013 for the DOE's failure to remove Connecticut Yankee's spent fuel.

Environmental Matters

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

Site Decontamination, Demolition and Remediation Costs

English Station

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

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

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

In connection with the consent order, on August 4, 2016, DEEP also issued a consent order to Evergreen Power, Asnat, and certain related parties that provides UI access to investigate and remediate the English Station site consistent with the consent order. UI has initiated its process to investigate and remediate the environmental conditions within the perimeter of the English Station site pursuant to the consent order. As a result, UI established a reserve of $30 million for this matter the balance of which is $28.4 million, net of payments, as of September 30, 2017. UI cannot predict the outcome of this matter.

Other

UI owns property located at 801 Bridgeport Avenue in Shelton, Connecticut where there are existing environmental matters requiring remediation prior to UI selling the building and land. An environmental analysis was completed indicating $4.2 million in estimated remediation expenses. As of September 30, 2017, UI has recorded a reserve of $4.2 million. Actual remediation costs may be higher or lower than what is currently estimated. UI believes it is probable that such costs will be recovered through the regulatory process. UI cannot predict the outcome of this matter.

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

(I) FAIR VALUE MEASUREMENTS

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

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

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2017		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	13,592	$ 13,592
Supplemental retirement benefit trust life insurance policies	-	9,953	-	9,953
	-	9,953	13,592	23,545
Liabilities:				
Derivative liabilities	-	-	84,673	84,673
	-	-	84,673	84,673
Net fair value assets/(liabilities), September 30, 2017	$ -	$ 9,953	$ (71,081)	$ (61,128)
December 31, 2016				
Assets:				
Derivative assets	$ -	$ -	$ 19,416	$ 19,416
Supplemental retirement benefit trust life insurance policies	-	9,646	-	9,646
	-	9,646	19,416	29,062
Liabilities:				
Derivative liabilities	-	-	94,700	94,700
	-	-	94,700	94,700
Net fair value assets/(liabilities), December 31, 2016	$ -	$ 9,646	$ (75,284)	$ (65,638)

Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The derivative assets consist primarily of

CfDs. The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at the September 30, 2017 or December 31, 2016 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

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

	Unobservable Input	Range at September 30, 2017	Range at December 31, 2016
Contracts for differences	Risk of non-performance	0.37% - 0.56%	0.68% - 0.81%
	Discount rate	1.47% - 2.33%	1.47% - 2.45%
	Forward pricing ($ per MW)	$5.30 - $9.55	$3.15 - $9.55

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

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

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

	Nine Months Ended September 30, 2017 (In Thousands)	
Net derivative assets/(liabilities), December 31, 2016	$	(75,284)
Unrealized gains and (losses), net		4,203
Net derivative assets/(liabilities), September 30, 2017	$	(71,081)
Change in unrealized gains (losses), net relating to net derivative assets/(liabilities), still held as of September 30, 2017	$	4,203

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Operating Revenues	$ 54,654	$ 61,919	$ 256,934	$ 249,462
Operating Expenses				
Natural gas purchased	22,146	29,764	117,610	108,930
Operation and maintenance	21,900	20,320	70,519	67,301
Depreciation and amortization	6,636	6,445	19,296	19,292
Taxes other than income taxes	5,526	5,227	19,935	18,467
Total Operating Expenses	56,208	61,756	227,360	213,990
Operating Income (Loss)	(1,554)	163	29,574	35,472
Other Income and (Expense), net				
Other income	264	40	3,429	701
Other (expense)	(120)	(246)	(573)	(634)
Total Other Income and (Expense), net	144	(206)	2,856	67
Interest Expense, net	3,497	3,521	10,012	10,542
Income (Loss) Before Income Tax	(4,907)	(3,564)	22,418	24,997
Income Tax	(1,820)	(1,709)	7,541	8,948
Net Income (Loss)	$ (3,087)	$ (1,855)	$ 14,877	$ 16,049

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net Income (Loss)	$ (3,087)	$ (1,855)	$ 14,877	$ 16,049
Other Comprehensive Income (Loss), net of income tax				
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	218	41	647	253
Comprehensive Income (Loss)	$ (2,869)	$ (1,814)	$ 15,524	$ 16,302

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

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

	September 30, 2017	December 31, 2016
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 209	$ 794
Accounts receivable and unbilled revenues, net	50,808	78,570
Accounts receivable from affiliates	2,612	5,541
Notes receivable from affiliates	4,584	2,880
Regulatory assets	19,926	22,886
Gas in storage	33,177	26,489
Materials and supplies	1,856	2,115
Prepayments and other current assets	9,666	9,990
Total Current Assets	122,838	149,265
Other Investments	10,712	9,657
Property, Plant and Equipment, at cost	914,322	889,871
Less accumulated depreciation	229,144	221,864
Net Property, Plant and Equipment in Service	685,178	668,007
Construction work in progress	12,339	7,425
Total Property, Plant and Equipment	697,517	675,432
Regulatory Assets	146,351	153,415
Deferred Income Taxes Regulatory	6,850	-
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	834	170
Total Deferred Charges and Other Assets	135,765	135,101
Total Assets	$ 1,120,033	$ 1,122,870

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

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

	September 30, 2017	December 31, 2016
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 2,626	$ 2,517
Accounts payable and accrued liabilities	38,459	55,254
Accounts payable to affiliates	6,660	-
Regulatory liabilities	3,257	2,759
Other current liabilities	8,711	6,592
Interest accrued	2,034	2,819
Taxes accrued	3,335	18,474
Notes payable to affiliates	29,248	19,698
Total Current Liabilities	94,330	108,113
Deferred Income Taxes	56,138	42,366
Regulatory Liabilities	180,198	172,897
Deferred Income Taxes Regulatory	-	218
Other Noncurrent Liabilities		
Pension and other post-retirement	73,320	70,589
Asset retirement obligations	12,376	11,910
Environmental remediation costs	46,893	46,916
Other	8,630	8,473
Total Other Noncurrent Liabilities	141,219	137,888
Capitalization		
Long-term debt, net of unamortized premium	220,759	222,523
Noncontrolling interest	16,869	16,869
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	21,518	33,641
Accumulated other comprehensive income (loss)	504	(143)
Net Common Stock Equity	410,520	421,996
Total Capitalization	648,148	661,388
Total Liabilities and Capitalization	$ 1,120,033	$ 1,122,870

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

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash Flows From Operating Activities		
Net income	$ 14,877	$ 16,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,436	19,687
Uncollectible expense	4,758	4,697
Deferred income taxes	6,590	12,465
Pension expense	3,492	3,256
Regulatory assets/liabilities amortization	10,251	10,251
Regulatory assets/liabiities carrying cost	174	-
Other non-cash items, net	(305)	(313)
Changes in:		
Accounts receivable and unbilled revenue, net	25,833	8,991
Natural gas in storage	(6,688)	4,043
Accounts payable and accrued liabilities	(8,164)	(4,348)
Taxes accrued/refundable, net	(6,127)	(3,190)
Interest accrued	(785)	(285)
Accrued pension and other post-retirement	(761)	(4,137)
Regulatory assets/liabilities	1,030	3,876
Other assets	(6,448)	749
Other liabilities	232	407
Total Adjustments	42,518	56,149
Net Cash provided by Operating Activities	57,395	72,198
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(38,826)	(41,735)
Notes receivable from affiliates	(1,704)	-
Net Cash used in Investing Activities	(40,530)	(41,735)
Cash Flows from Financing Activities		
Payment of common stock dividend	(27,000)	-
Notes payable to affililiates	9,550	(31,600)
Net Cash used in Financing Activities	(17,450)	(31,600)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(585)	(1,137)
Balance at beginning of period	794	6,946
Balance at end of period	$ 209	$ 5,809
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 5,749	$ 3,430

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

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
September 30, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2016	1,407,072	$ 18,761	$ 369,737	$ 33,641	$ (143)	$ 421,996
Net income				14,877		14,877
Other comprehensive loss, net of income taxes					647	647
Payment of common stock dividend				(27,000)		(27,000)
Balance as of September 30, 2017	1,407,072	$ 18,761	$ 369,737	$ 21,518	$ 504	$ 410,520

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

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating Revenues	$ 53,465	$ 51,880	$ 256,640	$ 227,567
Operating Expenses				
Natural gas purchased	21,053	22,459	118,579	95,127
Operation and maintenance	24,691	20,794	73,059	60,930
Depreciation and amortization	8,512	7,965	24,963	23,506
Taxes other than income taxes	4,947	4,586	18,889	17,176
Total Operating Expenses	59,203	55,804	235,490	196,739
Operating Income (Loss)	(5,738)	(3,924)	21,150	30,828
Other Income and (Expense), net				
Other income	10	146	600	906
Other (expemse)	(118)	(188)	(262)	(288)
Total Other Income and (Expense), net	(108)	(42)	338	618
Interest Expense, net	1,644	2,357	5,254	7,064
Income (Loss) Before Income Tax	(7,490)	(6,323)	16,234	24,382
Income Tax	(2,379)	(1,918)	5,517	8,380
Net Income (Loss)	(5,111)	(4,405)	10,717	16,002
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	6	6	20	20
Net Income (Loss) attributable to Connecticut Natural Gas Corporation	$ (5,117)	$ (4,411)	$ 10,697	$ 15,982

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

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net Income (Loss)	$ (5,111)	$ (4,405)	$ 10,717	$ 16,002
Other Comprehensive Income (Loss), net of income tax				
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	-	-	-	-
Total Other Comprehensive Income (Loss), net of income taxes	(5,111)	(4,405)	10,717	16,002
Comprehensive Income				
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	6	6	20	20
Comprehensive Income (Loss)	$ (5,117)	$ (4,411)	$ 10,697	$ 15,982

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

	September 30, 2017	December 31, 2016
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 349	$ 714
Accounts receivable and unbilled revenues, net	54,375	80,503
Accounts receivable from affiliates	1,669	1,547
Regulatory assets	11,953	14,461
Gas in storage	29,711	22,748
Materials and supplies	1,678	1,663
Prepayments and other current assets	3,426	1,502
Total Current Assets	103,161	123,138
Other Investments	1,170	1,375
Property, Plant and Equipment, at cost	886,952	857,533
Less accumulated depreciation	288,914	280,731
Net Property, Plant and Equipment in Service	598,038	576,802
Construction work in progress	43,404	23,348
Total Property, Plant and Equipment	641,442	600,150
Regulatory Assets	137,814	138,460
Deferred Income Taxes Regulatory	25,323	21,749
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	672	170
Total Deferred Charges and Other Assets	80,013	79,511
Total Assets	$ 988,923	$ 964,383

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

	September 30, 2017	December 31, 2016
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ -	$ 20,310
Accounts payable and accrued liabilities	43,411	62,476
Accounts payable to affiliates	4,447	11,349
Other current liabilities	4,325	3,666
Regulatory liabilities	5,378	11,471
Interest accrued	1,480	1,905
Notes payable to affiliates	81,162	22,000
Taxes accrued	8,280	9,567
Total Current Liabilities	148,483	142,744
Deferred Income Taxes	53,774	40,474
Regulatory Liabilities	207,896	195,993
Other Noncurrent Liabilities		
Pension and other post-retirement	101,382	99,933
Asset retirement obligations	6,979	6,716
Other	1,410	1,257
Total Other Noncurrent Liabilities	109,771	107,906
Capitalization		
Long-term debt, net of unamortized premium	109,279	109,243
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,304	315,304
Retained earnings	10,870	19,173
Accumulated other comprehensive income	(27)	(27)
Net Common Stock Equity	359,380	367,683
Total Capitalization	468,999	477,266
Total Liabilities and Capitalization	$ 988,923	$ 964,383

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash Flows From Operating Activities		
Net Income	$ 10,717	$ 16,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,020	23,870
Deferred income taxes	7,853	11,947
Uncollectible expense	5,138	3,656
Pension expense	4,896	4,087
Regulatory assets/liabilities amortization	1,442	1,673
Regulatory assets/liabiities carrying cost	362	258
Other non-cash items, net	99	(478)
Changes in:		
Accounts receivable and unbilled revenues, net	20,968	10,468
Natural gas in storage	(6,963)	4,480
Accounts payable and accrued liabilities	(19,153)	(10,598)
Interest accrued	(425)	846
Taxes accrued/refundable, net	(4,372)	(861)
Accrued pension and other post-retirement	(3,447)	(4,872)
Regulatory assets/liabilities	(3,025)	(10,684)
Other assets	(2,495)	(3,996)
Other liabilities	887	6
Total Adjustments	26,785	29,802
Net Cash provided by Operating Activities	37,502	45,804
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(58,009)	(40,540)
Net Cash used in Investing Activities	(58,009)	(40,540)
Cash Flows from Financing Activities		
Payment of common stock dividend	(19,000)	-
Payment of long-term debt	(20,000)	-
Payment of preferred stock dividend	(20)	(20)
Notes payable to affiliates	59,162	(7,468)
Other	-	(200)
Net Cash provided by (used in) Financing Activities	20,143	(7,688)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(365)	(2,424)
Balance at beginning of period	714	2,835
Balance at end of period	$ 349	$ 411
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 8,385	$ 6,675

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

	Common Stock			Paid-in		Retained Earnings (Accumulated		Accumulated Other Comprehensive		
	Shares		Amount		Capital		Deficit)		Income (Loss)		Total
Balance as of December 31, 2016	10,634,436	$	33,233	$	315,304	$	19,173	$	(27)	$	367,683
Net income							10,717				10,717
Payment of commom stock dividend							(19,000)				(19,000)
Payment of preferred stock dividend							(20)				(20)
Balance as of September 30, 2017	10,634,436	$	33,233	$	315,304	$	10,870	$	(27)	$	359,380

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Operating Revenues	$ 6,876	$ 7,418	$ 52,134	$ 48,162
Operating Expenses				
Natural gas purchased	574	1,433	18,210	14,801
Operation and maintenance	6,507	5,710	20,118	18,995
Depreciation and amortization	2,147	1,855	6,036	5,458
Taxes other than income taxes	891	703	2,993	2,519
Total Operating Expenses	10,119	9,701	47,357	41,773
Operating Income (loss)	(3,243)	(2,283)	4,777	6,389
Other Income and (Expense), net				
Other income	68	115	115	274
Other (expemse)	(20)	(7)	(85)	(87)
Total Other Income and (Expense), net	48	108	30	187
Interest Expense, net	812	840	2,434	2,527
Income (Loss) Before Income Tax	(4,007)	(3,015)	2,373	4,049
Income Tax	(1,653)	(1,252)	995	1,506
Net Income (Loss)	$ (2,354)	$ (1,763)	$ 1,378	$ 2,543

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net Income (Loss)	$ (2,354)	$ (1,763)	$ 1,378	$ 2,543
Other Comprehensive Income (Loss), net of income tax	2	(2)	9	17
Comprehensive Income (Loss)	$ (2,352)	$ (1,765)	$ 1,387	$ 2,560

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

	September 30, 2017	December 31, 2016
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 56	$ 78
Accounts receivable and unbilled revenues, net	5,403	14,427
Accounts receivable from affiliates	214	292
Regulatory assets	4,152	7,149
Gas in storage	2,241	1,898
Materials and supplies	945	764
Other current assets	304	300
Total Current Assets	13,315	24,908
Other Investments	2,367	2,450
Property, Plant and Equipment, at cost	231,132	222,525
Less accumulated depreciation	75,967	72,618
Net Property, Plant and Equipment in Service	155,165	149,907
Construction work in progress	7,031	3,407
Total Property, Plant and Equipment	162,196	153,314
Regulatory Assets	35,856	35,409
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	356	28
Total Deferred Charges and Other Assets	52,289	51,961
Total Assets	$ 266,023	$ 268,042

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

	September 30, 2017	December 31, 2016
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 2,393	$ 2,393
Accounts payable and accrued liabilities	6,188	11,140
Accounts payable to affiliates	567	8,021
Other current liabilities	1,439	971
Interest accrued	610	848
Notes payable to affiliates	9,300	8,300
Regulatory liabilities	3,116	2,312
Taxes accrued	7,583	81
Total Current Liabilities	31,196	34,066
Deferred Income Taxes	26,614	24,591
Regulatory Liabilities	33,454	33,725
Deferred Income Taxes Regulatory	1,382	2,622
Other Noncurrent Liabilities		
Pension	18,995	18,113
Environmental remediation costs	3,950	2,950
Other	3,326	5,630
Total Other Noncurrent Liabilities	26,271	26,693
Capitalization		
Long-term debt	39,674	40,300
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	1,336	(42)
Accumulated other comprehensive income (loss)	1	(8)
Net Common Stock Equity	107,432	106,045
Total Capitalization	147,106	146,345
Total Liabilities and Capitalization	$ 266,023	$ 268,042

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

	Nine Months Ended September 30, 2017	
	2017	**2016**
Cash Flows From Operating Activities		
Net income	$ 1,378	$ 2,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,857	5,558
Deferred income taxes	692	498
Uncollectible expense	152	511
Pension expense	945	546
Regulatory assets/liabilities amortization	1,202	1,325
Other non-cash items, net	211	(265)
Changes in:		
Accounts receivable and unbilled revenue, net	8,831	5,522
Natural gas in storage	(343)	323
Accounts payable and accrued liabilities	(12,681)	(5,138)
Taxes accrued/refundable, net	7,502	876
Pension accrued	(63)	(846)
Environmental liabilities	1,000	350
Regulatory assets/liabilities	300	861
Other assets	(518)	455
Other liabilities	(1,959)	162
Total Adjustments	11,128	10,738
Net Cash provided by Operating Activities	12,506	13,281
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(13,528)	(10,354)
Net Cash used in Investing Activities	(13,528)	(10,354)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(7,500)
Notes payable to affiliates	1,000	1,800
Other	-	33
Net Cash provided by (used in) Financing Activities	1,000	(5,667)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(22)	(2,740)
Balance at beginning of period	78	2,950
Balance at end of period	$ 56	$ 210
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,075	$ 864

THE BERKSHIRE GAS COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2017

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained Earnings (Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit)	Income (Loss)	Total
Balance as of December 31, 2016	100	$ -	$ 106,095	$ (42)	$ (8)	$ 106,045
Net income				1,378		1,378
Other comprehensive income, net of income taxes					9	9
Balance as of September 30, 2017	100	$ -	$ 106,095	$ 1,336	$ 1	$ 107,432

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the nine months ended September 30, 2017 and 2016

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September 30, 2017 and 2016

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

	Three Months		Nine Months	
Periods ended September 30,	**2017**	2016	**2017**	2016
(Thousands)				
Operating Revenues				
Sales and services	**$ 228,415**	$ 235,252	**$ 634,098**	$ 641,835
Operating Expenses				
Electricity purchased	**2,664**	16,330	**9,034**	43,444
Operating expenses and Maintenance Expenses	**97,942**	93,825	**285,751**	292,805
Depreciation and amortization	**13,732**	25,944	**66,675**	77,923
Other taxes	**15,571**	14,527	**45,116**	40,668
Total Operating Expenses	**129,909**	150,626	**406,576**	454,840
Operating Income	**98,506**	84,626	**227,522**	186,995
Other Income	**4,437**	1,211	**8,728**	4,105
Other Deductions	**(632)**	(52)	**(791)**	(293)
Interest Charges, Net	**(12,940)**	(13,264)	**(38,794)**	(39,970)
Income Before Income Taxes	**89,371**	72,521	**196,665**	150,837
Income Taxes	**34,204**	29,731	**75,106**	61,058
Net Income	**55,167**	42,790	**121,559**	89,779
Less: Net Income Attributable to Noncontrolling Interest	**480**	87	**818**	211
Net Income Attributable to CMP	**54,687**	42,703	**120,741**	89,568
Preferred Stock Dividends	**-**	-	**-**	-
Earnings Available for CMP Common Stock	**$ 54,687**	$ 42,703	**$ 120,741**	$ 89,568

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

	Three Months		Nine Months	
Periods ended September 30,	**2017**	2016	**2017**	2016
(Thousands)				
Net Income	**$ 55,167**	$ 42,790	**$ 121,559**	$ 89,779
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain on derivatives qualifed as hedges:				
Unrealized (loss) gain during period on derivatives qualified as hedges	**(231)**	(19)	**(149)**	17
Reclassification adjustment for loss included in net income	**323**	90	**124**	311
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	**321**	321	**964**	966
Net unrealized gain on derivatives qualified as hedges	**413**	392	**939**	1,294
Other Comprehensive Income, Net of Tax	**413**	392	**939**	1,294
Comprehensive Income	**55,580**	43,182	**122,498**	91,073
Less:				
Comprehensive Income Attributable to Other Noncontrolling Interests	**480**	87	**818**	211
Comprehensive Income Attributable to Central Maine Power Company	**$ 55,100**	$ 43,095	**$ 121,680**	$ 90,862

Central Maine Power Company and Subsidiaries

Consolidated Balance Sheets (Unaudited)

	September 30, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 11,848**	$ 7,968
Accounts receivable and unbilled revenues, net	**168,024**	161,725
Accounts receivable from affiliates	**6,030**	1,671
Notes receivable from affiliates	**99,999**	32,100
Materials and supplies	**14,771**	15,018
Prepayments and other current assets	**20,703**	79,170
Regulatory assets	**28,320**	18,198
Total Current Assets	**349,695**	315,850
Utility Plant, at Original Cost	**3,913,691**	3,828,993
Less accumulated depreciation	**(961,560)**	(893,117)
Net Utility Plant in Service	**2,952,131**	2,935,876
Construction work in progress	**193,691**	160,459
Total Utility Plant	**3,145,822**	3,096,335
Other Property and Investments	**1,276**	1,297
Regulatory and Other Assets		
Regulatory assets	**485,964**	489,765
Goodwill	**324,938**	324,938
Other	**32,020**	19,027
Total Regulatory and Other Assets	**842,922**	833,730
Total Assets	**$ 4,339,715**	$ 4,247,212

Central Maine Power Company and Subsidiaries

Consolidated Balance Sheets (Unaudited)

	September 30, 2017	December 31, 2016
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	**$ 1,433**	$ 5,154
Accounts payable and accrued liabilities	**108,959**	145,653
Accounts payable to affiliates	**34,329**	35,844
Interest accrued	**10,122**	17,851
Taxes accrued	**2,772**	3,154
Regulatory liabilities	**43,714**	54,008
Other current liabilities	**68,898**	36,801
Total Current Liabilities	**270,227**	298,465
Regulatory and Other Liabilities		
Regulatory liabilities	**106,027**	109,941
Deferred income taxes regulatory	**146,781**	149,232
Other Non-current liabilities		
Deferred income taxes	**681,618**	660,090
Pension and other postretirement benefits	**178,703**	194,716
Other	**56,081**	56,096
Total Regulatory and Other liabilities	**1,169,210**	1,170,075
Long-term debt	**1,041,224**	1,042,310
Total Liabilities	**2,480,661**	2,510,850
Commitments		
Preferred Stock		
Preferred stock	**571**	571
Common Stock Equity		
Common stock	**156,057**	156,057
Capital in excess of par value	**764,208**	764,014
Retained earnings	**932,862**	812,121
Accumulated other comprehensive loss	**(5,708)**	(6,647)
Total CMP Common Stock Equity	**1,847,419**	1,725,545
Noncontrolling Interest	**11,064**	10,246
Total Equity	**1,858,483**	1,735,791
Total Liabilities and Equity	**$ 4,339,715**	$ 4,247,212

Central Maine Power Company and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

For the Nine Months Ended September 30,		**2017**		2016
(Thousands)				
Operating Activities				
Net income	**$**	**121,559**	$	89,779
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization		**66,675**		77,923
Amortization of regulatory and other assets and liabilities		**7,458**		(1,852)
Carrying costs of regulatory assets and liabilities		**(1,823)**		696
Amortization of debt issuance costs		**428**		494
Deferred taxes		**36,219**		(2,886)
Pension cost		**14,139**		16,825
Stock-based compensation		**332**		56
Accretion expenses		**31**		30
Gain on disposal of property, plant and equipment		**(135)**		(275)
Other non-cash Items		**(919)**		4,024
Changes in operating assets and liabilities				
Accounts receivable and unbilled revenues, net		**(10,658)**		(15,971)
Materials and supplies		**248**		641
Accounts payable and accrued liabilities		**(33,696)**		(16,934)
Accrued taxes		**(382)**		20,278
Other assets/liabilities		**69,962**		(13,654)
Regulatory assets/liabilities		**(48,683)**		6,771
Net Cash Provided by Operating Activities		**220,755**		165,945
Investing Activities				
Utility plant additions		**(153,885)**		(120,759)
Contributions in aid of construction		**9,332**		19,344
Grants received from governmental entities		**-**		107
Proceeds from sale of property, plant and equipment		**803**		317
Notes receivable from affiliates		**(67,899)**		23,437
Investments, net		**21**		26
Net Cash Used in Investing Activities		**(211,628)**		(77,528)
Financing Activities				
Repayment of capital leases		**(4,360)**		(433)
Repayments of non-current debt		**(887)**		(40,880)
Proceeds from other short term debt- affiliates		**-**		51,502
Dividends paid on common and preferred stocks		**-**		(100,000)
Net Cash Used in Financing Activities		**(5,247)**		(89,811)
Net Increase (Decrease) in Cash and Cash Equivalents		**3,880**		(1,394)
Cash and Cash Equivalents, Beginning of Period		**7,968**		5,360
Cash and Cash Equivalents, End of Period	**$**	**11,848**	$	3,966

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

(Thousands)	Common Stock Outstanding $5 Par Value Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Noncon-trolling interest	Total
Balance, January 1, 2017	31,211	$ 156,057	$ 764,014	$ 812,121	$ (6,647)	$ 1,725,545	$ 10,246	$ 1,735,791
Net income attributable to CMP				120,741		120,741	818	121,559
Other comprehensive income, net of tax					939	939		939
Comprehensive income								122,498
Stock-based compensation			194			194		194
Balance, September 30, 2017	31,211	$ 156,057	$ 764,208	$ 932,862	$ (5,708)	$ 1,847,419	$ 11,064	$ 1,858,483

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2017 and 2016

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September 30, 2017 and 2016

New York State Electric & Gas Corporation

Statements of Income (Unaudited)

Periods ended September 30,	Three Months 2017	Three Months 2016	Nine Months 2017	Nine Months 2016
(Thousands)				
Operating Revenues				
Electric	**$ 309,247**	$ 324,000	**$ 933,345**	$ 912,354
Natural gas	**33,479**	38,755	**206,715**	215,993
Total Operating Revenues	**342,726**	362,755	**1,140,060**	1,128,347
Operating Expenses				
Electricity purchased	**$ 78,996**	110,435	**241,079**	269,495
Natural gas purchased	**4,137**	5,132	**60,603**	51,277
Other operating expenses	**157,804**	147,257	**456,217**	446,010
Depreciation and amortization	**45,822**	27,840	**102,636**	92,944
Other taxes	**35,877**	34,920	**108,871**	106,398
Total Operating Expenses	**322,636**	325,584	**969,406**	966,124
Operating Income	**20,090**	37,171	**170,654**	162,223
Other Income	**3,536**	480	**10,998**	10,993
Other Deductions	**(1,057)**	(110)	**(1,547)**	(745)
Interest Charges, Net	**(15,932)**	(11,060)	**(46,179)**	(48,611)
Income Before Income Taxes	**6,637**	26,481	**133,926**	123,860
Income Taxes	**2,518**	10,311	**60,681**	49,461
Net Income	**$ 4,119**	$ 16,170	**$ 73,245**	$ 74,399

New York State Electric & Gas Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended September 30,	Three Months 2017	Three Months 2016	Nine Months 2017	Nine Months 2016
(Thousands)				
Net Income	**$ 4,119**	$ 16,170	**$ 73,245**	$ 74,399
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gain (loss) on derivatives qualified as hedges				
Unrealized gain (loss) during period on derivatives qualified as hedges	**145**	(44)	**(198)**	12
Reclassificiation adjustment for loss included in net income	**23**	147	**148**	517
Reclassification adjustment for loss on settled cash flow treasury included in net income	**5**	16	**37**	48
Net unrealized gain (loss) on derivatives qualified as hedges	**173**	119	**(13)**	577
Other Comprehensive Income (Loss), Net of Tax	**173**	119	**(13)**	577
Comprehensive Income	**$ 4,292**	$ 16,289	**$ 73,232**	$ 74,976

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	September 30, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 3,847**	$ 3,646
Accounts receivable and unbilled revenues, net	**212,981**	246,902
Accounts receivable from affiliates	**25,121**	13,246
Fuel and natural gas in storage, at average cost	**19,751**	11,751
Materials and supplies, at average cost	**16,122**	16,490
Broker margin accounts	**4,175**	11,968
Prepaid property taxes	**60,150**	35,224
Other current assets	**54,605**	41,284
Regulatory assets	**122,532**	121,697
Total Current Assets	**519,284**	502,208
Utility Plant, at Original Cost	**5,478,065**	5,248,018
Less accumulated depreciation	**(2,091,389)**	(2,043,588)
Net Utility Plant in Service	**3,386,676**	3,204,430
Construction work in progress	**240,405**	252,044
Total Utility Plant	**3,627,081**	3,456,474
Other Property and Investments	**10,410**	10,385
Regulatory and Other Assets		
Regulatory assets	**948,786**	1,045,706
Other	**764**	215
Total Regulatory and Other Assets	**949,550**	1,045,921
Total Assets	**$ 5,106,325**	$ 5,014,988

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

		September 30, 2017		December 31, 2016
(Thousands)				
Liabilities				
Current Liabilities				
Current portion of long-term debt	$	200,244	$	219,325
Notes payable to affiliates		77,839		5,900
Accounts payable and accrued liabilities		280,166		205,771
Accounts payable to affiliates		68,495		74,310
Interest accrued		18,091		8,381
Taxes accrued		6,464		1,209
Derivative liabilities		252		145
Environmental remediation costs		50,751		27,151
Customer deposits		12,937		13,230
Regulatory liabilities		80,133		108,139
Other		60,549		66,599
Total Current Liabilities		855,921		730,160
Regulatory and Other Liabilities				
Regulatory liabilities		721,499		710,101
Deferred income taxes		113,835		138,973
Other non-current liabilities				
Deferred income taxes		805,054		745,538
Other postretirement benefits		238,377		263,172
Asset retirement obligation		15,055		14,478
Environmental remediation costs		107,072		135,118
Other		42,324		43,352
Total Regulatory and Other Liabilities		2,043,216		2,050,732
Long-term debt		1,041,609		1,041,815
Total Liabilities		3,940,746		3,822,707
Commitments and Contingencies				
Preferred Stock				
Common Stock Equity				
Common stock		430,057		430,057
Capital in excess of par value		268,471		268,405
Retained earnings		468,022		494,777
Accumulated other comprehensive loss		(971)		(958)
Total NYSEG Common Stock Equity		1,165,579		1,192,281
Total Liabilities and Equity	$	5,106,325	$	5,014,988

New York State Electric & Gas Corporation

Statements of Cash Flows (Unaudited)

For the Nine Months Ended September 30,	**2017**	2016
(Thousands)		
Operating Activities		
Net income	**$ 73,245**	$ 74,399
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**102,636**	92,944
Amortization of regulatory and other assets and liabilities	**51,696**	64,462
Carrying costs of regulatory assets and liabilities	**556**	3,739
Amortization of debt issuance costs	**1,303**	407
Stock-based compensation	**146**	19
Accretion expenses	**577**	594
Deferred taxes	**36,219**	13,799
Pension expense	**45,619**	46,824
Gain on disposal of property, plant and equipment	**(1,070)**	(219)
Other non-cash items	**(17,485)**	(5,709)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	**22,046**	22,089
Inventories	**(7,632)**	(3,186)
Accounts payable and accrued liabilities	**65,739**	34,543
Taxes accrued	**5,255**	(19,069)
Other assets/liabilities	**(96,201)**	(67,197)
Regulatory assets/liabilities	**(2,709)**	(20,679)
Net Cash Provided by Operating Activities	**279,940**	237,760
Investing Activities		
Utility plant additions	**(248,258)**	(198,208)
Contribution in aid of construction	**15,439**	31,539
Proceeds from sale of property, plant and equipment	**1,756**	44,403
Investments, net	**(26)**	16
Net Cash Used in Investing Activities	**(231,089)**	(122,250)
Financing Activities		
Bank Overdraft	**-**	4,432
Long-term note repayments	**-**	31
Repayment of capital leases	**(20,590)**	(1,566)
Proceeds (repayments) of short term debt-affiliates	**71,940**	(121,800)
Dividends paid on common and preferred stocks	**(100,000)**	-
Net Cash Used in Financing Activities	**(48,650)**	(118,903)
Net Increase (Decrease) in Cash and Cash Equivalents	**201**	(3,393)
Cash and Cash Equivalents, Beginning of Period	**3,646**	3,408
Cash and Cash Equivalents, End of Period	**$ 3,847**	$ 15

New York State Electric & Gas Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $6.66 2/3 Par Value					
	Shares	Amount	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2017	**64,508**	**$ 430,057**	**$ 268,405**	**494,777**	**$ (958)**	**$ 1,192,281**
Net income				**73,245**		**73,245**
Other comprehensive loss, net of tax					**(13)**	**(13)**
Comprehensive income						**73,232**
Common stock dividends				**(100,000)**		**(100,000)**
Stock-based compensation			**66**			**66**
Balance, September 30, 2017	**64,508**	**$ 430,057**	**$ 268,471**	**$ 468,022**	**$ (971)**	**$ 1,165,579**

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2017 and 2016

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September 30, 2017 and 2016

Rochester Gas and Electric Corporation

Statements of Income (Unaudited)

Periods ended September 30,	Three Months 2017	Three Months 2016	Nine Months 2017	Nine Months 2016
(Thousands)				
Operating Revenues				
Electric	**$ 157,853**	$ 174,322	**$ 436,913**	$ 616,324
Natural gas	**30,433**	30,866	**181,439**	182,627
Total Operating Revenues	**188,286**	205,188	**618,352**	798,951
Operating Expenses				
Electricity purchased and fuel used in generation	**29,898**	36,232	**78,934**	83,718
Natural gas purchased	**3,393**	4,870	**56,467**	49,555
Operations and maintenance expense	**74,444**	81,967	**206,576**	274,259
Depreciation and amortization	**13,005**	19,714	**51,700**	62,348
Other taxes	**29,623**	28,461	**91,099**	82,019
Total Operating Expenses	**150,363**	171,244	**484,776**	551,899
Operating Income	**37,923**	33,944	**133,576**	247,052
Other Income	**5,077**	3,649	**11,267**	12,189
Other Deductions	**(466)**	(193)	**(750)**	(571)
Interest Charges, Net	**(15,464)**	(11,102)	**(48,395)**	(46,657)
Income Before Income Taxes	**27,070**	26,298	**95,698**	212,013
Income Tax Expense	**10,658**	10,321	**37,584**	160,577
Net Income	**$ 16,412**	$ 15,977	**$ 58,114**	$ 51,436

Rochester Gas and Electric Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended September 30,	Three Months 2017	Three Months 2016	Nine Months 2017	Nine Months 2016
(Thousands)				
Net Income	**$ 16,412**	$ 15,977	**$ 58,114**	$ 51,436
Other Comprehensive Income, Net of Tax				
Net unrealized holding gain (loss) on investments	**-**	4	**-**	9
Unrealized (loss) gain on derivatives qualified as hedges:				
Unrealized loss during period on derivatives qualified as hedges	**31**	(13)	**(125)**	(24)
Reclassification adjustment for loss included in net income	**26**	51	**79**	181
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	**880**	875	**2,633**	2,626
Net unrealized gain on derivatives qualified as hedges	**937**	913	**2,587**	2,783
Other Comprehensive Income, net of Tax	**937**	917	**2,587**	2,792
Comprehensive Income	**$ 17,349**	$ 16,894	**$ 60,701**	$ 54,228

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

	September 30, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 620**	$ 9
Accounts receivable and unbilled revenues, net	**127,269**	147,337
Accounts receivable from affiliates	**8,036**	4,743
Notes receivable from affiliates	**51,190**	-
Natural gas in storage	**12,679**	6,170
Materials and supplies	**11,236**	10,173
Income tax receivable	**-**	39,932
Broker margin accounts	**2,523**	3,417
Prepaid property taxes	**60,689**	35,056
Other current assets	**5,995**	6,500
Regulatory assets	**66,147**	63,117
Total Current Assets	**346,384**	316,454
Property, Plant and Equipment, at Original Cost	**3,342,510**	3,088,882
Less accumulated depreciation	**(945,098)**	(905,434)
Net Utility Plant in Service	**2,397,412**	2,183,448
Construction work in progress	**335,054**	395,665
Total Utility Plant in Service	**2,732,466**	2,579,113
Other Property and Investments	**3,757**	3,764
Regulatory and Other Assets		
Regulatory assets	**511,239**	513,712
Other	**482**	438
Total regulatory and Other assets	**511,721**	514,150
Total Assets	**$ 3,594,328**	$ 3,413,481

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

	September 30, 2017	December 31, 2016
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	**$ 1,414**	$ 529
Notes payable	**-**	784
Notes payable to affiliates	**-**	249,167
Accounts payable and accrued liabilities	**162,395**	206,446
Accounts payable to affiliates	**48,594**	38,306
Interest accrued	**11,640**	11,948
Taxes accrued	**15,746**	1,920
Environmental remediation costs	**8,588**	5,269
Other	**29,148**	37,068
Regulatory liabilities	**34,707**	29,733
Total Current Liabilities	**312,232**	581,170
Regulatory and Other Liabilities		
Regulatory liabilities	**424,711**	430,336
Deferred income taxes	**48,841**	51,876
Other Non-current liabilities		
Deferred income taxes	**475,855**	434,937
Nuclear plant obligations	**123,310**	122,579
Pension and other postretirement benefits	**173,073**	180,078
Asset retirement obligation	**3,122**	3,004
Environmental remediation costs	**128,611**	133,463
Other	**23,880**	25,620
Total Regulary and Other Liabilities	**1,401,403**	1,381,893
Long-term debt	**958,877**	664,424
Total Liabilities	**2,672,512**	2,627,487
Commitments and Contingencies		
Common Stock Equity		
Common stock	**194,429**	194,429
Capital in excess of par value	**605,139**	530,018
Retained earnings	**279,705**	221,591
Accumulated other comprehensive loss	**(40,219)**	(42,806)
Treasury stock	**(117,238)**	(117,238)
Total Common Stock Equity	**921,816**	785,994
Total Liabilities and Equity	**$ 3,594,328**	$ 3,413,481

Rochester Gas and Electric Corporation

Statements of Cash Flows (Unaudited)

For the Nine Months Ended September 30,	2017	2016
(Thousands)		
Operating Activities		
Net income	$ 58,114	$ 51,436
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	51,700	62,348
Amortization of regulatory and other assets and liabilities, net	9,278	27,606
Carrying cost of regulatory assets and liabilities	5,787	7,784
Amortization of debt costs	875	918
Pension expense	18,117	15,811
Gain on disposal of property, plant and equipment	(20)	(19)
Stock-based compensation	255	35
Accretion expenses	118	124
Deferred income taxes	36,219	160,115
Other non-cash Items	(6,021)	(888)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	16,775	9,032
Inventory	(7,571)	(2,845)
Accounts payable and accrued liabilities	(35,785)	34,330
Taxes accrued	13,826	(2,673)
Regulatory assets/liabilities	(20,928)	(58,310)
Other assets/liabilities	(11,820)	(184,494)
Net Cash Provided by Operating Activities	128,919	120,310
Investing Activities		
Utility plant additions	(199,271)	(166,674)
Contribution in aid of construction	3,511	4,497
Proceeds from sale of property, plant and equipment	582	5,153
Notes receivable from affiliates	(51,190)	-
Investments, net	7	607
Net Cash Used in Investing Activities	(246,361)	(156,417)
Financing Activities		
Proceeds from non-current issuance	294,012	-
Repayments of long-term debt	-	(39,850)
Repayment of short term debt-affiliates	(249,167)	75,801
Repayment of other short term debt, net	(784)	(15)
Repayment of capital leases	(1,008)	(952)
Capital contributions from Parent	75,000	-
Net Cash Provided by Financing Activities	118,053	34,984
Net Increase (Decrease) in Cash and Cash Equivalents	611	(1,123)
Cash and Cash Equivalents, Beginning of Period	9	1,136
Cash and Cash Equivalents, End of Period	$ 620	$ 13

Rochester Gas and Electric Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $5.00 Par Value Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, January 1, 2017	**38,886**	**$ 194,429**	**$ 530,018**	**$ 221,591**	**$ (42,806)**	**$ (117,238)**	**$ 785,994**
Net income				**58,114**			**58,114**
Other comprehensive income, net of tax					**2,587**		**2,587**
Comprehensive income							**60,701**
Capital Contribution			**75,000**				**75,000**
Stock-based compensation			**121**				**121**
Balance, September 30, 2017	**38,886**	**$ 194,429**	**$ 605,139**	**$ 279,705**	**$ (40,219)**	**$ (117,238)**	**$ 921,816**