Connecticut Natural Gas Corporation

Financial Statements

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

Connecticut Natural Gas Corporation

Index

Page

Financial Statements as of and for the Years Ended December 31, 2024 and 2023

Independent Auditors’ Report	
Statements of Income	1
Statements of Comprehensive Income	1
Balance Sheets	2
Statements of Cash Flows	4
Statements of Changes in Common Stock Equity	5
Notes to Financial Statements	6

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Stockholder and Board of Directors
Connecticut Natural Gas Corporation:

Opinion

We have audited the financial statements of Connecticut Natural Gas Corporation (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, comprehensive income, changes in common stock equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

New York, New York
March 28, 2025

Connecticut Natural Gas Corporation
Statements of Income

Years Ended December 31,		2024		2023
(Thousands)				
Operating Revenues	$	**419,988**	$	**428,699**
Operating Expenses				
Natural gas purchased		178,452		194,191
Operations and maintenance		103,795		108,846
Depreciation and amortization		51,169		49,784
Taxes other than income taxes, net		31,893		32,492
Total Operating Expenses		**365,309**		**385,313**
Operating Income		**54,679**		**43,386**
Other income		4,250		2,822
Other (deductions) income, net		(699)		964
Interest expense, net of capitalization		(14,035)		(9,732)
Income Before Income Tax		**44,195**		**37,440**
Income tax expense		10,863		8,249
Net Income	$	**33,332**	$	**29,191**

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

Connecticut Natural Gas Corporation
Statements of Comprehensive Income

Years Ended December 31,		2024		2023
(Thousands)				
Net Income	$	**33,332**	$	**29,191**
Other Comprehensive Income (Loss), Net of Tax				
Amortization of pension cost for nonqualified plans and current year actuarial gain (loss), net of income tax expense (benefit) of $17 for 2024 and ($22) for 2023		46		(59)
Total Other Comprehensive Income (Loss), Net of Tax		**46**		**(59)**
Comprehensive Income	$	**33,378**	$	**29,132**

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

Connecticut Natural Gas Corporation
Balance Sheets

As of December 31,		2024		2023
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	220	$	421
Accounts receivable and unbilled revenues, net		114,156		107,260
Accounts receivable from affiliates		482		154
Notes receivable from affiliates		21,400		26,600
Gas in storage		33,463		41,998
Materials and supplies		6,027		5,603
Other current assets		4,911		4,130
Regulatory assets		60,170		50,255
Total Current Assets		**240,829**		**236,421**
Utility plant, at original cost		1,339,327		1,271,264
Less accumulated depreciation		(448,552)		(424,187)
Net Utility Plant in Service		**890,775**		**847,077**
Construction work in progress		25,424		21,284
Total Utility Plant		**916,199**		**868,361**
Operating lease right-of-use assets		2,882		2,746
Other property and investments		683		727
Regulatory and Other Assets				
Regulatory assets		79,741		75,711
Goodwill		79,341		79,341
Other		348		188
Total Regulatory and Other Assets		**159,430**		**155,240**
Total Assets	**$**	**1,320,023**	**$**	**1,263,495**

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

Connecticut Natural Gas Corporation
Balance Sheets

As of December 31,	2024	2023
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	71,537	63,158
Accounts payable to affiliates	20,717	19,077
Interest accrued	2,674	2,674
Taxes accrued	15,228	8,702
Operating lease liabilities	508	429
Regulatory liabilities	9,528	5,386
Other	18,838	18,538
Total Current Liabilities	**139,030**	**117,964**
Regulatory and Other Liabilities		
Regulatory liabilities	318,984	309,536
Other Non-current Liabilities		
Deferred income taxes	60,544	56,111
Pension and other postretirement	50,691	62,813
Operating lease liabilities	2,653	2,364
Asset retirement obligation	5,981	6,140
Other	1,591	1,448
Total Regulatory and Other Liabilities	**440,444**	**438,412**
Non-current debt	244,085	243,923
Total Liabilities	**823,559**	**800,299**
Commitments and Contingencies		
Preferred Stock	**340**	**340**
Common Stock Equity		
Common stock ($3.125 par value, 20,000,000 shares authorized and 10,634,436 shares outstanding at December 31, 2024 and 2023)	33,233	33,233
Additional paid-in capital	396,675	396,758
Retained earnings	66,477	33,172
Accumulated other comprehensive loss	(261)	(307)
Total Common Stock Equity	**496,124**	**462,856**
Total Liabilities and Equity	**$ 1,320,023**	**$ 1,263,495**

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

Connecticut Natural Gas Corporation
Statements of Cash Flows

Years Ended December 31,	2024	2023
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 33,332**	**$ 29,191**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,169	49,784
Regulatory assets/liabilities amortization	14,030	12,087
Regulatory assets/liabilities carrying cost	1,193	87
Amortization of debt issuance costs	162	134
Deferred taxes	2,939	6,988
Pension cost	(193)	196
Stock-based compensation	10	24
Accretion expenses	316	322
Gain on disposal of assets	(3)	(57)
Other non-cash items	368	276
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(7,224)	42,519
Inventories	8,111	12,011
Accounts payable, to affiliates, and accrued liabilities	13,498	(43,928)
Taxes accrued	6,527	(4,463)
Other assets/liabilities	6,794	14,035
Regulatory assets/liabilities	(52,920)	(27,684)
Net Cash Provided by Operating Activities	**78,109**	**91,522**
Cash Flow from Investing Activities:		
Capital expenditures	(85,886)	(62,638)
Contributions in aid of construction	2,379	2,643
Proceeds from sale of utility plant	24	214
Notes receivable from affiliates	5,200	(26,600)
Net Cash Used in Investing Activities	**(78,283)**	**(86,381)**
Cash Flow from Financing Activities:		
Non-current debt issuance	—	54,687
Notes payable to affiliates	—	(25,450)
Dividends paid	(27)	(35,027)
Net Cash Used in Financing Activities	**(27)**	**(5,790)**
Net Decrease in Cash and Cash Equivalents	**(201)**	**(649)**
Cash and Cash Equivalents, Beginning of Period	**421**	**1,070**
Cash and Cash Equivalents, End of Period	**$ 220**	**$ 421**

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

Connecticut Natural Gas Corporation
Statements of Changes in Common Stock Equity

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balances, December 31, 2022	**10,634,436**	**$ 33,233**	**$ 396,791**	**$ 39,008**	**$ (248)**	**$ 468,784**
Net income	—	—	—	29,191	—	29,191
Other comprehensive loss, net of tax	—	—	—	—	(59)	(59)
Comprehensive income						29,132
Stock-based compensation	—	—	(33)	—	—	(33)
Common stock dividends	—	—	—	(35,000)	—	(35,000)
Preferred stock dividends	—	—	—	(27)	—	(27)
Balances, December 31, 2023	**10,634,436**	**33,233**	**396,758**	**33,172**	**(307)**	**462,856**
Net income	—	—	—	33,332	—	33,332
Other comprehensive income, net of tax	—	—	—	—	46	46
Comprehensive income						33,378
Stock-based compensation	—	—	(83)	—	—	(83)
Preferred stock dividends	—	—	—	(27)	—	(27)
Balances, December 31, 2024	**10,634,436**	**$ 33,233**	**$ 396,675**	**$ 66,477**	**$ (261)**	**$ 496,124**

(*) Par value of share amounts is $3.125

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

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

Background and nature of operations: Connecticut Natural Gas Corporation (CNG) engages in natural gas transportation, distribution and sales operations in Connecticut serving approximately 188,400 customers as of December 31, 2024, in service areas totaling approximately 724 square miles. CNG is regulated by the Connecticut Public Utilities Regulatory Authority (PURA).

CNG is the principal operating utility of CTG Resources, Inc. (CTG), a wholly-owned subsidiary of UIL Holdings Corporation (UIL Holdings). CTG is a holding company whose sole business is ownership of its operating regulated gas utility. UIL Holdings, whose primary business is ownership of its operating regulated utility businesses, is a wholly-owned subsidiary of Avangrid Networks, Inc. (Networks), which is a wholly-owned subsidiary of Avangrid, Inc. (AGR), which is a wholly-owned subsidiary of Iberdrola, S.A. (Iberdrola), a corporation organized under the laws of the Kingdom of Spain.

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

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

Basis of presentation: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The accounting records of CNG are also maintained in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC).

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

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

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

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

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

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

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

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

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

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

We determine depreciation expense for utility plant in service using the straight-line method, based on the average service lives of groups of depreciable property, which include estimated cost of removal. Consistent with FERC accounting requirements, we charge the original cost of utility plant retired or otherwise disposed of to accumulated depreciation. Our composite rates for depreciation were 3.7% and 3.8% of average depreciable property for 2024 and 2023. We amortize our capitalized software cost using the straight line method, based on useful lives of 3 to 10 years. Depreciation expense was $48.3 million in 2024 and $47.1 million in 2023. Amortization of capitalized software was $2.9 million in 2024 and $2.7 million in 2023.

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

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

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

Utility Plant	**Estimated useful life range (years)**	**2024**	**2023**
(Thousands)			
Gas distribution plant	5-75	$ 1,181,534	$ 1,116,388
Software	3-10	47,173	46,002
Land		1,618	1,618
Building and improvements	35-50	40,717	40,376
Other plant	45-90	68,285	66,880
Total Utility Plant in Service		**1,339,327**	**1,271,264**
Total accumulated depreciation		(448,552)	(424,187)
Total Net Utility Plant in Service		**890,775**	**847,077**
Construction work in progress		25,424	21,284
Total Utility Plant		**$ 916,199**	**$ 868,361**

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

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize lease ROU assets and liabilities at commencement of an arrangement based on the present value of lease payments over the lease term. We use the incremental borrowing rate based on information available at the lease commencement date to determine the present value of future payments, except when the rate implicit in the lease is determinable. A lease ROU asset also includes any

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

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

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

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

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

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

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

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

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

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

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

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

Statements of cash flows: Supplemental disclosure of cash flow information is as follows:

(Thousands)		2024		2023
Cash paid during the year ended December 31:				
Interest, net of amounts capitalized	$	12,170	$	8,840
Income taxes paid, net	$	673	$	3,340

Of the income taxes paid, substantially all was paid to AGR under the tax sharing agreement. Interest capitalized was $0.3 million in 2024 and $0.4 million in 2023. Accrued liabilities for utility plant additions were $11.5 million and $14.9 million as of December 31, 2024 and 2023, respectively.

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

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

susceptible to change from period to period, could significantly affect the allowance for credit losses estimates.

Trade receivables at December 31 include unbilled revenues of $35.8 million for 2024 and $30.6 million for 2023, and are shown net of an allowance for credit losses at December 31 of $5.9 million for 2024 and $6.0 million for 2023. Trade receivables do not bear interest, although late fees may be assessed. Credit loss expense was $6.8 million in 2024 and $8.5 million in 2023.

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

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

Gas in storage: Natural gas in storage is stored in both self-owned and third-party owned underground storage facilities. This gas is recorded as inventory. Injections of inventory into storage are priced at the market purchase cost at the time of injection, and withdrawals of working gas from storage are priced at the weighted-average cost in storage. We continuously monitor the weighted-average cost of gas value to ensure it remains at the lower of cost and net realizable value.

Materials and supplies: Materials and supplies inventories are used for construction of new facilities and repairs of existing facilities. These inventories are carried and withdrawn at the lower of cost and net realizable value and reported on the balance sheets within “Materials and supplies.” We combine inventory items for the statement of cash flows presentation purposes.

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

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

There were no government grants recorded as of December 31, 2024 and 2023.

Deferred income: Apart from government grants, we occasionally receive payments from transactions in advance of the resulting performance obligations arising from the transaction. It is our policy to defer such payments on our balance sheets and amortize them into earnings when revenue recognition criteria are met.

Asset retirement obligations**:** We record the fair value of the liability for an asset retirement obligation (ARO) and a conditional ARO in the period in which it is incurred, capitalizing the cost

by increasing the carrying amount of the related long-lived asset. The ARO is associated with our long-lived assets and primarily consists of obligations related to removal or retirement of asbestos, polychlorinated biphenyl contaminated equipment, gas pipeline and cast iron gas main. We adjust the liability periodically to reflect revisions to either the timing or amount of the original estimated undiscounted cash flows over time. We accrete the liability to its present value each period and depreciate the capitalized cost over the useful life of the related asset. Upon settlement we will either settle the obligation at its recorded amount or incur a gain or a loss. We defer any timing differences between rate recovery and depreciation expense and accretion as either a regulatory asset or a regulatory liability.

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

The following table reconciles the beginning and ending aggregate carrying amount of the ARO, including our conditional ARO, which is recorded in Other Non-current Liabilities for the years ended December 31, 2024 and 2023.

Years Ended December 31,	**2024**	**2023**
(Thousands)		
ARO, beginning of year	$ 6,140	$ 6,279
Liabilities settled during the year	(475)	(461)
Accretion expenses	316	322
ARO, end of year	**$ 5,981**	**$ 6,140**

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

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

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

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

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

We account for defined benefit pension or other postretirement plans, recognizing an asset or liability for the overfunded or underfunded plan status. For a pension plan, the asset or liability is

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

We amortize prior service costs for both the pension and other postretirement benefits plans on a straight-line basis over the average remaining service period of employees active on the date of the amendment. Effective March 31, 2022, the amortization period for prior service cost changes for the CNG Pension Plan was updated from average remaining service to future expected lifetime as the plan was frozen, or predominantly frozen, to future accruals. Effective April 1, 2022, the amortization period for prior service cost changes for CNG Pension Plan B was updated from average remaining service to future expected lifetime as the plan was frozen to future accruals. Effective December 10, 2022, the amortization period for prior service cost changes for the CNG Retirement Plan was updated from average remaining service to future expected lifetime as the plan was frozen to future accruals. We amortize unrecognized actuarial gains and losses related to the pension and other postretirement benefits plans in excess of 10% of the greater of periodic benefit obligation or market-related value of assets on a straight-line basis over future working lifetime. Effective March 31, 2022, the amortization period for the CNG Pension Plan was updated from future working lifetime to future expected lifetime as the plan was frozen, or predominantly frozen, to future accruals. Effective April 1, 2022, the amortization period for CNG Pension Plan B was updated from future working lifetime to future expected lifetime as the plan was frozen to future accruals. Effective December 10, 2022, the amortization period for the CNG Retirement Plan was updated from future working lifetime to future expected lifetime as the plan was frozen to future accruals. Our policy is to calculate the expected return on plan assets using the market-related value of assets. We determine that value by recognizing the difference between actual returns and expected returns over a five-year period.

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

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

The aggregate amount of the related party income tax payable balance due to AGR was $9.9 million and $2.8 million at December 31, 2024 and 2023, respectively.

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities reflect the expected future tax consequences, based on enacted tax laws, of temporary

differences between the tax basis of assets and liabilities and their financial reporting amounts. In accordance with U.S. GAAP for regulated industries, we have established regulatory assets and liabilities for the net revenue requirements to be recovered from or refunded to customers for the related future tax expense or benefit associated with certain of these temporary differences. We defer investment tax credits when earned and amortize them over the estimated lives of the related assets. We also recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs.

Deferred tax assets and liabilities are measured at the expected tax rate for the period in which the asset or liability will be realized or settled, based on legislation enacted as of the balance sheet date. We charge or credit changes in deferred income tax assets and liabilities that are associated with components of OCI directly to OCI. Significant judgment is required in determining income tax provisions and evaluating tax positions. Our tax positions are evaluated under a more-likely-than-not recognition threshold before they are recognized for financial reporting purposes. We record valuation allowances to reduce deferred tax assets when it is more likely than not that we will not realize all or a portion of a tax benefit. Deferred tax assets and liabilities are netted and classified as non-current on our balance sheets. We had no intra-entity transfers of assets other than inventory during the years ended December 31, 2024 and 2023.

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

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

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

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

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

Adoption of New Accounting Pronouncements

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

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

Accounting Pronouncements Issued But Not Yet Adopted

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

(a) Improvements to Income Tax Disclosures

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

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

Union collective bargaining agreements: Approximately 77% of our employees are covered by a collective bargaining agreement. We have no agreements that will expire within the coming year.

Note 2. Industry Regulation

Rates

Utilities are entitled by Connecticut statute 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, 2018, PURA approved new tariffs for CNG effective January 1, 2019 for a three-year rate plan with rate increases of $9.9 million, $4.6 million and $5.2 million in 2019, 2020 and 2021, respectively. The new tariffs, which are based on an ROE of 9.30% and an equity ratio of 54% in 2019, 54.50% in 2020, and 55% in 2021, continued, among other things, two separate ratemaking mechanisms that reconcile actual revenue requirements related to CNG's cast iron and bare steel replacement program and system expansion as well as a revenue decoupling mechanism and CNG's earnings sharing mechanism whereby CNG is required to return to customers 50% of any earnings over the allowed ROE in a calendar year and tariff increases. Given the expiration of the rate plan, CNG has been operating under the 2019 approved rate schedules for the years ended December 31, 2023.

Additionally, CNG has a purchased gas adjustment clause, approved by PURA, which enables reasonably incurred cost of gas purchases to be passed through to customers. This clause allows CNG to recover costs associated with changes in the market price of purchased natural gas, substantially eliminating exposure to natural gas price risk.

On November 3, 2023, CNG filed a distribution revenue requirement case proposing a one-year rate plan commencing November 1, 2024 through October 31, 2025. The filing was based on a test year ending December 31, 2023. CNG requested that PURA approve new distribution rates to recover an increase in revenue requirements of approximately $19.8 million. CNG's Rate Plan also included several measures to moderate the impact of the proposed rate update for all customers, including, the adoption of a low-income discount rate and seeks to maintain its current revenue decoupling and earning sharing mechanisms.

On November 19, 2024, PURA released a final Decision, which decreased CNG's rates by $24.5 million. The Decision approved an allowed ROE of 9.15% and an equity ratio of 53%. The Decision maintained CNG's distribution management program, but instituted a cap of $26 million. The Decision also established a low-income discount rate along with revenue decoupling and earning sharing mechanisms. On December 19, 2024, CNG filed an appeal of the Decision in the Connecticut Superior Court. We cannot predict the outcome of this matter.

Gas Supply Arrangements

CNG satisfies its natural gas supply requirements through purchases from various producer/suppliers, withdrawals from natural gas storage capacity contracts and winter peaking supplies and resources. CNG operates diverse portfolios of gas supply, firm transportation capacity, gas storage and peaking resources. Actual reasonable gas costs incurred by CNG are passed through to customers through state regulated purchased gas adjustment mechanisms, subject to regulatory review.

CNG purchases the majority of our natural gas supply at market prices under seasonal, monthly or mid-term supply contracts and the remainder is acquired on the spot market. CNG diversifies its sources of supply by amount purchased and location and primarily acquires gas at various locations in the US Gulf of Mexico region, in the Appalachia region and in Canada.

CNG acquires firm transportation capacity on interstate pipelines under long-term contracts and utilizes that capacity to transport both natural gas supply purchased and natural gas withdrawn from storage to the local distribution system. Tennessee Gas Pipeline and Algonquin Gas

Transmission interconnect with CNG's distribution system and the other pipelines provide indirect services upstream of the city gates. The prices and terms and conditions of the long-term contracts for firm transportation capacity are regulated by the FERC. The actual reasonable cost of such contracts is passed through to customers through state regulated purchased gas adjustment mechanisms.

CNG acquires firm underground natural gas storage capacity using long-term contracts and fills the storage facilities with gas in the summer months for subsequent withdrawal in the winter months. The storage facilities are located in Pennsylvania, New York, West Virginia and Ontario, Canada.

CNG owns 100% of the Liquefied Natural Gas (LNG) stored in an LNG facility which is directly attached to its distribution system. CNG uses the LNG capacity as a winter peaking resource.

Minimum Equity Requirements for Regulated Subsidiaries

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

Note 3. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future regulated rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately $71.7 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

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

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

As of December 31,		2024		2023
(Thousands)				
Deferred purchased gas	$	8,563	$	6,579
Distribution integrity management program		13,169		—
Hardship programs		3,197		—
Pension and other postretirement benefit plan		60,121		61,337
Revenue decoupling mechanism		29,882		26,524
System expansion reconciliation		8,333		9,535
Unfunded future income taxes		11,624		10,473
Other		5,022		11,518
Total regulatory assets		**139,911**		**125,966**
Less: current portion		60,170		50,255
Total non-current regulatory assets	**$**	**79,741**	**$**	**75,711**

Deferred purchased gas represents the difference between actual gas costs and gas costs collected in rates. Balances at the end of the rate year are normally recorded/returned in the following year.

Distribution integrity management program (DIMP) represents deferred expenses related to pipeline replacement for cast iron and bare steel mains and services. Balances at the end of each rate year are normally received/returned in the next year.

Hardship programs represent customer accounts deferred for recovery to the extent they exceed the amount in rates. A portion of this balance is amortized through current rates, the remaining portion will be refunded in future periods through future rate cases.

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

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

System expansion reconciliation represents expenses not covered by system expansion rates related to expanding the natural gas system and converting customers to natural gas.

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

Other includes items such as rate case costs and Environmental Defense Fund legal fees.

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

As of December 31,	2024	2023
(Thousands)		
Asset removal costs	$ 282,088	$ 265,552
Asset retirement obligation	10,642	10,514
Hardship programs	—	2,558
Non-firm margin sharing credits	16,682	17,107
Rate credits	3,750	5,000
Tax reform	12,519	12,845
Other	2,831	1,346
Total regulatory liabilities	**328,512**	**314,922**
Less: current portion	9,528	5,386
Total non-current regulatory liabilities	**$ 318,984**	**$ 309,536**

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

Asset retirement obligation represents the fair value of the liability for an asset retirement which we are legally committed to remove.

Non-firm margin sharing credits represents the portion of interruptible and off-system sales revenue set aside to fund gas expansion projects. This balance is amortized through current rates.

Rate credits resulted from the acquisition of UIL by Iberdrola. This is being used to moderate increases in rates.

Tax reform represents the impact from re-measurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. A portion of this balance is amortized through current rates; the remaining portion will be refunded in future periods through future rate cases.

Other includes items such as energy efficiency programs and Geographic Information System (GIS) data conversion.

Note 4. Revenue

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

authorities. We do not have any material significant payment terms because we receive payment at or shortly after the point of sale.

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

CNG derives its revenue primarily from tariff-based sales of natural gas delivered to customers. For such revenues, we recognize revenues in an amount derived from the commodities delivered to customers. Another major source of revenue is wholesale sales of natural gas.

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

The performance obligation in all arrangements is satisfied over time because the customer simultaneously receives and consumes the benefits as CNG delivers or sells the natural gas.

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

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

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

Years Ended December 31,		**2024**		**2023**
(Thousands)				
Regulated operations – natural gas	$	396,624	$	406,904
Other (a)		2,240		910
Revenue from contracts with customers		**398,864**		**407,814**
Alternative revenue programs		21,510		19,712
Other revenue		(386)		1,173
Total operating revenues	**$**	**419,988**	**$**	**428,699**

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

Note 5. Goodwill

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

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

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

The carrying amount of goodwill, which resulted from the purchase of CNG by UIL Holdings in 2010, was $79.3 million at both December 31, 2024 and 2023, with no accumulated impairment losses and no changes during 2024 and 2023.

Note 6. Income Taxes

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

Years Ended December 31,	2024	2023
(Thousands)		
Current		
Federal	$ 8,268	$ 435
State	(344)	826
Current taxes charged to expense	**7,924**	**1,261**
Deferred		
Federal	289	6,977
State	2,650	11
Deferred taxes charged to expense	**2,939**	**6,988**
Total Income Tax Expense	**$ 10,863**	**$ 8,249**

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

Years Ended December 31,	2024	2023
(Thousands)		
Tax expense at federal statutory rate	$ 9,281	$ 7,862
State taxes, net of federal income tax	1,821	661
Other, net	(239)	(274)
Total Income Tax Expense	**$ 10,863**	**$ 8,249**

Income tax expense for the year ended December 31, 2024 was $1.6 million higher than it would have been at the statutory federal income tax rate of 21% due predominately to state income taxes, which are partially offset by tax benefits from Excess Accumulated Deferred Income Tax (ADIT) amortization and AFUDC flow through adjustments. This resulted in an effective tax rate of 24.6%. Income tax expense for the year ended December 31, 2023 was $0.4 million higher than it would have been at the statutory federal income tax rate of 21% due predominately to state income taxes, which were partially offset by tax benefits from Excess ADIT amortization and AFUDC flow through adjustments. This resulted in an effective tax rate of 22.0%.

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

December 31,		2024		2023
(Thousands)				
Non-current Deferred Income Tax Liabilities (Assets)				
CT credit carryforward	$	(13,872)	$	(7,397)
Valuation allowance - State Credits		5,590		4,139
Deferred tax liability on 2017 Tax Act remeasurement		(3,371)		(3,459)
Property related		55,018		51,294
Unfunded future income taxes		3,040		2,761
Goodwill		6,665		6,196
Pension (net)		1,675		(240)
Other		5,799		2,817
Total Non-current Deferred Income Tax Liabilities	**$**	**60,544**	**$**	**56,111**
Deferred tax assets	$	17,243	$	11,096
Deferred tax liabilities		77,787		67,207
Net Accumulated Deferred Income Tax Liabilities	**$**	**60,544**	**$**	**56,111**

As of December 31, 2024, CNG had a state net credit carry forward of $13.9 million and a net state net operating loss carry forward of $1.9 million. As of December 31, 2023, CNG had a state net credit carry forward of $7.4 million and a net state net operating loss carry forward of $1.7 million. CNG's state tax credit carry forwards will begin to expire for the 2024 tax year.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that all or a portion of a tax benefit will not be realized. At December 31, 2024, CNG has recorded a valuation allowance of $5.6 million against its CT tax credits. The company also recorded a regulatory asset of $6.5 million to recover the associated tax expense of the valuation allowance against the state credits whose tax benefits were previously shared with customers. As of December 31, 2023, CNG had recorded a valuation allowance on its state credit carryforwards of $4.1 million. The company also recorded a regulatory asset of $5.7 million to recover the associated tax expense of the valuation allowance against the state credits whose tax benefits were previously shared with customers.

Uncertain tax positions are classified as non-current unless expected to be paid within one year. We net our liability for uncertain tax positions against all same jurisdiction deferred tax assets, net operating losses and tax credit carryforwards. Our policy is to recognize interest and penalties on uncertain tax positions as a component of interest expense in the statements of income. As of December 31, 2024 and 2023, CNG did not have any gross income tax reserves for uncertain tax positions.

Unrecognized income tax benefits represent income tax positions taken on income tax returns but not yet recognized in the financial statements. The accounting guidance for uncertainty in income taxes provides that the financial effects of a tax position shall initially be recognized in the financial statements when it is more likely than not based on the technical merits that the position will be sustained upon examination, assuming the position will be audited and the taxing authority has full knowledge of all relevant information. CNG had no unrecognized income tax benefits as of December 31, 2024 or 2023.

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

Note 7. Non-current Debt

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

As of December 31,		2024		2023	
(Thousands, except interest rates)	Maturity Dates	Balances	Interest Rates	Balances	Interest Rates
Senior unsecured debt	2028-2049	$ 245,000	2.02%-6.66%	$ 245,000	2.02%-6.66%
Unamortized debt issuance costs and discount		(915)		(1,077)	
Total Debt		**244,085**		**243,923**	
Less: debt due within one year, included in current liabilities		—		—	
Total Non-current Debt		**$ 244,085**		**$ 243,923**	

On December 13, 2023, CNG issued $36 million aggregate principal amount of Senior Series unsecured debt maturing in 2032 at an interest rate of 6.20% and $19 million aggregate principal amount of Senior Series unsecured debt maturing in 2038 at an interest rate of 6.49%.

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

2025	2026	2027	2028	2029	Total
(Thousands)					
$ —	$ —	$ —	$ 25,000	$ —	$ 25,000

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

Note 8. Bank Loans and Other Borrowings

CNG had no outstanding balance under this agreement at December 31, 2024 and December 31, 2023. CNG funds short-term liquidity needs through an agreement among Avangrid’s regulated utility subsidiaries (the “Virtual Money Pool Agreement”), a bi-lateral intercompany credit agreement with Avangrid (the “Bi-Lateral Intercompany Facility”) and a bank provided credit facility to which CNG is a party (the “AGR Credit Facility”), each of which are described below.

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

The Bi-Lateral Intercompany Facility provides for borrowing of up to $250 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. CNG had no debt outstanding under this agreement at December 31, 2024 and December 31, 2023.

On November 23, 2021, AGR and its investment-grade rated utility subsidiaries (New York State Electric & Gas Corporation (“NYSEG”), Rochester Gas and Electric Corporation (“RG&E”), Central Maine Power Company ("CMP"), The United Illuminating Company (“UI”), CNG, The Southern

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

In the AGR Credit Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of indebtedness to total capitalization, the facility excludes from net worth the balance of accumulated other comprehensive loss as it appears on the balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued un-remedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was 0.33 to 1.00 at December 31, 2024. We are not in default as of December 31, 2024.

Note 9. Redeemable Preferred Stock

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

						Amount (Thousands)			
Series		**Par Value per Share**		**Redemption Price per Share**	**Shares Authorized and Outstanding(1)**		**2024**		**2023**
CNG, 8% Non-callable	$	3.125	$	—	108,706	$	340	$	340
Total						**$**	**340**	**$**	**340**

(1) At December 31, 2024 CNG had 884,315 shares of $3.125 par value preferred stock authorized.

Note 10. Leases

We have operating leases for land, office buildings, facilities, and certain equipment. CNG does not have any finance leases. Certain of our lease agreements include rental payments adjusted periodically for inflation or are based on other periodic input measures. Our leases do not contain any material residual value guarantees or material restrictive covenants. Our leases have remaining lease terms of 1 year to 8 years, some of which may include options to extend the leases for up to 10 years, and some of which may include options to terminate the leases within one year. We consider extension or termination options in the lease term if it is reasonably certain we will exercise the option.

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

For the Years Ended December 31,		2024		2023
(Thousands)				
Lease cost				
Operating lease cost	$	1,133	$	11
Short-term lease cost		64		88
Variable lease cost		25		14
Total lease cost	**$**	**1,222**	**$**	**113**

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

As of December 31,		2024		2023
(Thousands, except lease term and discount rate)				
Operating Leases				
Operating lease right-of-use assets	$	2,882	$	2,746
Operating lease liabilities, current		508		429
Operating lease liabilities, long-term		2,653		2,364
Total operating lease liabilities	**$**	**3,161**	**$**	**2,793**
Weighted-average Remaining Lease Term (years)				
Operating leases		6.60		7.14
Weighted-average Discount Rate				
Operating leases		4.89 %		3.66 %

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

For the Years Ended December 31,		2024		2023
(Thousands)				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	503	$	410
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$	726	$	689

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

	Operating Leases
(Thousands)	
Year ending December 31,	
2025	$ 576
2026	459
2027	454
2028	451
2029	443
Thereafter	1,378
Total lease payments	**3,761**
Less: imputed interest	(600)
Total	**$ 3,161**

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

Note 11. Environmental Liability

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

Site Decontamination, Demolition and Remediation Costs

CNG owns or has previously owned properties where Manufactured Gas Plants (MGPs) had historically operated. MGP operations have led to contamination of soil and groundwater with petroleum hydrocarbons, benzene and metals, among other things, at these properties, the regulation and cleanup of which is regulated by the Federal Resource Conservation and Recovery Act as well as other federal and state statutes and regulations. CNG has or had an ownership interest in one or more such properties contaminated as a result of MGP-related activities. Under the existing regulations, the cleanup of such sites requires state and at times, federal, regulators' involvement and approval before cleanup can commence. In certain cases, such contamination has been evaluated, characterized and remediated. In other cases, the sites have been evaluated and characterized, but not yet remediated. Finally, at some of these sites, the scope of the contamination has not yet been fully characterized; no liability was recorded in respect of these sites as of December 31, 2024 and no amount of loss, if any, can be reasonably estimated at this time. In the past, CNG has received approval for the recovery of MGP-related remediation expenses from customers through rates and will seek recovery in rates for ongoing MGP-related remediation expenses for all of their MGP sites.

CNG owns a property located on Columbus Boulevard in Hartford which is a former MGP site. Costs associated with the remediation of the site could be significant and will be subject to a review by PURA as to whether these costs are recoverable in rates. As of December 31, 2024, CNG has determined that remediation of the property in Hartford is not probable and therefore no amounts have been reserved.

Note 12. Fair Value of Financial Instruments and Fair Value Measurements

The estimated fair value of debt amounted to $237 million and $246 million as of December 31, 2024 and 2023, respectively. The estimated fair value was determined, in most cases, by discounting the future cash flows at market interest rates. The interest rate curve used to make

these calculations takes into account the risks associated with the natural gas industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

Assets and liabilities measured at fair value on a recurring basis

The financial instruments measured at fair value as of December 31, 2024 and 2023 consist of:

		Fair Value Measurements at December 31, Using		
Description	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
(Thousands)				
2024				
Assets				
Noncurrent investments	$ 683	$ 683	$ —	$ —
Total	**$ 683**	**$ 683**	**$ —**	**$ —**
2023				
Assets				
Noncurrent investments	$ 727	$ 727	$ —	$ —
Total	**$ 727**	**$ 727**	**$ —**	**$ —**

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

Valuation techniques: We measure the fair value of our non-current investments available for sale using quoted market prices in active markets for identical assets and include the measurements in Level 1. The investments primarily consist of money market funds.

Note 13. Post-Retirement and Similar Obligations

CNG has multiple qualified pension plans covering eligible union and management employees and retirees. The union plans are all closed to new hires, and the non-union plans were closed as of December 31, 2017. The plans are traditional defined benefit plans or cash balance plans depending on date of hire and are closed to new employees hired on or after specified dates. Employees not participating in a defined benefit plan are eligible to receive an enhanced or core 401(k) Company matching contribution.

CNG non-union employees are eligible to participate in the UIL Holdings Corporation 401(k) Employee Stock Ownership Plan and union employees are eligible to participate in the Connecticut Natural Gas Corporation Union Employee 401(k) Plan. Employees may defer a portion of the compensation and invest in various investment alternatives. Matching contributions are made in the form of cash which is subsequently invested in various investment alternatives offered to employees. The matching expenses under the Plan for the Company totaled approximately $3.3 million for 2024 and $3.2 million for 2023.

CNG also has plans providing other postretirement benefits for eligible employees and retirees. The plans were closed to newly-hired CNG union employees by end of March 2011. These benefits consist primarily of health care, prescription drug and life insurance benefits for retired employees and their dependents. For Medicare eligible non-union retirees, CNG provides a subsidy through an HRA for retirees to purchase coverage on the individual market. Medicare

eligible union retirees have the option of receiving a subsidy through an HRA or paying contributions and participating in company-sponsored retiree health plans.

Non-Qualified Retirement Benefit Plans

We also sponsor various unfunded non-qualified pension plans for certain current employees, former employees and former directors. The total liability for these plans, which is included in Other current and Other non-current liabilities on our balance sheets, was $1.0 million at December 31, 2024 and 2023.

Qualified Retirement Benefit Plans

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

	Pension Benefits		Postretirement Benefits	
As of December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Change in benefit obligation				
Benefit obligation as of January 1,	**$ 210,074**	**$ 201,847**	**$ 20,198**	**$ 17,397**
Service cost	—	282	84	62
Interest cost	9,608	10,120	908	853
Actuarial (gain) loss	(11,695)	15,529	1,058	3,755
Benefits paid	(14,750)	(17,704)	(2,924)	(1,869)
Benefit obligation as of December 31,	**$ 193,237**	**$ 210,074**	**$ 19,324**	**$ 20,198**
Change in plan assets				
Fair value of plan assets at January 1,	**$ 155,681**	**$ 154,490**	**$ 11,778**	**$ 11,325**
Actual return on plan assets	4,135	18,895	269	453
Employer contributions	5,457	—	2,224	1,869
Benefits paid	(14,750)	(17,704)	(2,924)	(1,869)
Fair value of plan assets at December 31,	**$ 150,523**	**$ 155,681**	**$ 11,347**	**$ 11,778**
Funded status at December 31,	**$ (42,714)**	**$ (54,393)**	**$ (7,977)**	**$ (8,420)**

During 2024, the pension benefit obligation had an actuarial gain of $11.7 million, primarily due to $14.8 million gain from increase in discount rate. During 2024, the postretirement benefit obligation had an actuarial loss of $1.1 million. This loss was primarily driven by $1.4 million gain from increase in discount rates offset by $1.3 million loss from assumption changes in health care trend rates.

During 2023, the pension benefit obligation had an actuarial loss of $15.5 million, primarily due to $9.8 million loss from decrease in discount rates. During 2023, the postretirement benefit obligation had an actuarial loss of $3.8 million.This loss was primarily driven by $2.6 million loss from assumption changes in health care trend rates and $0.8 million loss from decrease in discount rates.

Amounts recognized as of December 31, 2024 and 2023 consisted of:

	Pension Benefits		Postretirement Benefits	
As of December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Non-current liabilities	$ (42,714)	$ (54,393)	$ (7,977)	$ (8,420)

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

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

	Pension Benefits		Postretirement Benefits	
Years Ended December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Net loss (gain)	$ 11,595	$ 17,623	$ 5,442	$ 4,709

Our accumulated benefit obligation (ABO) for all qualified defined benefit pension plans was $193.2 million and $210.1 million as of December 31, 2024 and 2023. Our postretirement benefits were partially funded at December 31, 2024 and 2023.

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

As of December 31,	**2024**	**2023**
(Thousands)		
Projected benefit obligation	$ 193,237	$ 210,074
Accumulated benefit obligation	$ 193,237	$ 210,074
Fair value of plan assets	$ 150,523	$ 155,681

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

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

	Pension Benefits		Postretirement Benefits	
For the years ended December 31,	**2024**	**2023**	**2024**	**2023**
(Thousands)				
Net Periodic Benefit Cost:				
Service cost	$ —	$ 282	$ 84	$ 62
Interest cost	9,608	10,120	908	853
Expected return on plan assets	(10,513)	(10,283)	(414)	(447)
Amortization of net loss	712	77	471	110
Net Periodic Benefit Cost	**$ (193)**	**$ 196**	**$ 1,049**	**$ 578**

Other changes in plan assets and benefit obligations recognized in regulatory assets and regulatory liabilities:				
Net (gain) loss	$ (5,316)	$ 6,917	$ 1,204	$ 3,749
Amortization of net loss	(712)	(77)	(471)	(110)
Total Other Changes	**(6,028)**	**6,840**	**733**	**3,639**
Total Recognized	**$ (6,221)**	**$ 7,036**	**$ 1,782**	**$ 4,217**

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

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

	Pension Benefits		**Postretirement Benefits**	
	2024	**2023**	**2024**	**2023**
Discount rate	5.49%	4.75%	5.41%	4.69%
Rate of compensation increase	N/A	N/A	N/A	N/A
Interest crediting rate	3.57%	3.47%	N/A	N/A

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

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

	Pension Benefits		**Postretirement Benefits**	
Years Ended December 31,	**2024**	**2023**	**2024**	**2023**
Discount rate	4.75 %	5.21 %	4.69 %	5.13 %
Expected long-term return on plan assets	7.50 %	7.50 %	4.10 %	3.95 %
Rate of compensation increase (Union/Non-Union)	N/A	N/A	N/A	N/A

CNG utilizes an alternative method to amortize prior service costs and unrecognized gains and losses. Prior service costs for both the pension and other postretirement benefits plans are amortized on a straight-line basis over the average remaining service period of participants expected to receive benefits.

We developed our expected long-term rate of return on plan assets assumption based on a review of long-term historical returns for the major asset classes, the target asset allocations, and the effect of rebalancing of plan assets discussed below. Our analysis considered current capital market conditions and projected conditions. Our policy is to calculate the expected return on plan assets using the market related value of assets. We amortize unrecognized actuarial gains and losses related to the pension and other postretirement benefits plans in excess of 10% of the greater of periodic benefit obligation or market-related value of assets on a straight-line basis over future working lifetime. Effective March 31, 2022, the amortization period for the CNG Pension Plan was updated from future working lifetime to future expected lifetime as the plan was frozen,

or predominantly frozen, to future accruals. Effective April 1, 2022, the amortization period for CNG Pension Plan B was updated from future working lifetime to future expected lifetime as the plan was frozen to future accruals. Effective December 10, 2022, the amortization period for the CNG Retirement Plan was updated from future working lifetime to future expected lifetime as the plan was frozen to future accruals.

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

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

Contributions

We make annual contributions in accordance with our funding policy of not less than the minimum amounts as required by applicable regulations. We expect to contribute $4.4 million to our pension plans during 2025. We do not expect to contribute to our other postretirement benefit plans during 2025.

Estimated future benefit payments

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

(Thousands)	Pension Benefits	Postretirement Benefits	Medicare Act Subsidy Receipts
2025	$ 17,542	$ 1,597	$ 136
2026	$ 16,660	$ 1,574	$ 138
2027	$ 16,380	$ 1,522	$ 143
2028	$ 16,929	$ 1,499	$ 146
2029	$ 16,599	$ 1,576	$ 31
2030 - 2034	$ 77,890	$ 7,461	$ 162

Plan assets

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

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

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

As of December 31, 2024		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 6,927	$ 353	$ 6,574	$ —
U.S. government securities	19,659	19,659	—	—
Common stocks	6,508	6,508	—	—
Registered investment companies	12,128	12,128	—	—
Corporate bonds	24,446	—	24,446	—
Common collective trusts	49,765	—	49,765	—
Other, principally annuity, fixed income	127	—	127	—
	$ 119,560	**$ 38,648**	**$ 80,912**	**$ —**
Other investments measured at net asset value	30,963			
Total	**$ 150,523**			

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

As of December 31, 2023		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 3,710	$ 125	$ 3,585	$ —
U.S. government securities	16,629	16,629	—	—
Common stocks	7,295	7,295	—	—
Registered investment companies	8,245	8,245	—	—
Corporate bonds	40,943	—	40,943	—
Common collective trusts	59,627	—	59,627	—
Other, principally annuity, fixed income	(5,122)	(3)	(5,119)	—
	$ 131,327	**$ 32,291**	**$ 99,036**	**$ —**
Other investments measured at net asset value	24,354			
Total	**$ 155,681**			

Valuation Techniques

We value our pension benefits plan assets as follows:

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

Our postretirement benefits plan assets are held with trustees in multiple voluntary employees' beneficiary association (VEBA) and 401(h) arrangements and are invested among and within various asset classes to achieve sufficient diversification in accordance with our risk tolerance. This is achieved for our postretirement benefits plan assets through the utilization of multiple institutional mutual and money market funds, providing exposure to different segments of the fixed income, equity and short-term cash markets. Approximately 23% of the postretirement benefits plan assets are invested in VEBA and 401(h) arrangements that are not subject to income taxes with the remainder being invested in arrangements subject to income taxes.

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

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

As of December 31, 2024		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 347	$ (1)	$ 348	$ —
U.S. government securities	37	37	—	—
Common stocks	124	124	—	—
Registered investment companies	223	223	—	—
Corporate bonds	618	—	618	—
Common collective trusts	900	—	900	—
Other, principally annuity, fixed income	8,555	—	8,555	—
	$ 10,804	**$ 383**	**$ 10,421**	**$ —**
Other investments measured at net asset value	543			
Total	**$ 11,347**			

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

As of December 31, 2023		Fair Value Measurements		
(Thousands)	Total	Level 1	Level 2	Level 3
Asset Category				
Cash and cash equivalents	$ 109	$ 2	$ 107	$ —
U.S. government securities	325	325	—	—
Common stocks	122	122	—	—
Registered investment companies	191	191	—	—
Corporate bonds	771	—	771	—
Common collective trusts	1,271	—	1,271	—
Other, principally annuity, fixed income	8,558	—	8,558	—
	$ 11,347	**$ 640**	**$ 10,707**	**$ —**
Other investments measured at net asset value	431			
Total	**$ 11,778**			

Valuation techniques

We value our postretirement benefits plan assets as follows:

- Cash and cash equivalents - Level 1: at cost, plus accrued interest, which approximates fair value. Level 2: proprietary cash associated with other investments, based on yields currently available on comparable securities of issuers with similar credit ratings.
- U.S. government securities - at the closing price reported in the active market in which the security is traded.
- Common stocks and registered investment companies - at the closing price reported in the active market in which the individual investment is traded.
- Corporate bonds - based on yields currently available on comparable securities of issuers with similar credit ratings.
- Common collective trusts – the fair value is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market.
- Other investments, principally annuity and fixed income – based on yields currently available on comparable securities of issuers with similar credit ratings.

- Other investments measured at net asset value (NAV) – fund shares offered to a limited group of investors and alternative investments, such as private equity and real estate oriented investments, partnership/joint ventures and hedge funds are valued using the NAV as a practical expedient.

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

Note 14. Other Income and Other Deductions

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

Years Ended December 31,		2024		2023
(Thousands)				
Interest and dividends income	$	1,895	$	—
Allowance for funds used during construction		985		2,026
Carrying costs on regulatory assets		1,245		753
Miscellaneous		125		43
Total other income	**$**	**4,250**	**$**	**2,822**
Pension non-service components	$	1,651	$	2,403
Miscellaneous		(2,350)		(1,439)
Total other (deductions) income, net	**$**	**(699)**	**$**	**964**

Note 15. Related Party Transactions

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

Avangrid Service Company provides administrative and management services to Networks operating utilities, including CNG, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating services provided to CNG by AGR and its affiliates was approximately $26.2 million and $20.3 million for the years ended December 31, 2024 and 2023, respectively. Cost for services includes amounts capitalized in utility plant, which was approximately $1.5 million in 2024 and $0.9 million in 2023. The remainder was primarily recorded as operations and maintenance expense. The charge for services provided by CNG to AGR and its subsidiaries were approximately $7.0 million for 2024 and $4.7 million for 2023. All charges for services are at cost. All of the charges associated with services provided are recorded as revenues to offset other operating expenses on the financial statements.

The balance in accounts payable to affiliates of $20.7 million at December 31, 2024 and $19.1 million at December 31, 2023 is mostly payable to UIL Holdings Corporation. The balance in accounts receivable from affiliates of $0.5 million at December 31, 2024 and $0.2 million at December 31, 2023 is mostly receivable from SCG.

There were $21.4 million in notes receivable from CMP at December 31, 2024, $26.6 million from NYSEG and BGC at December 31, 2023. Notes receivable from affiliates relate to the Virtual Money Pool Agreement as discussed in Note 8 of these financial statements.

Note 16. Subsequent Events

The company has performed a review of subsequent events through March 28, 2025, which is the date these financial statements were available to be issued.