The Berkshire Gas Company

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

The Berkshire Gas Company

Index

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

The Berkshire Gas Company
Statements of Income (Unaudited)

	Three Months		Nine Months	
Periods Ended September 30,	**2023**	**2022**	**2023**	**2022**
(Thousands)				
Operating Revenues	**$ 10,851**	**$ 11,335**	**$ 69,205**	**$ 68,689**
Operating Expenses				
Natural gas purchased	1,138	2,761	20,202	26,047
Operations and maintenance	7,759	7,406	27,583	24,366
Depreciation and amortization	2,328	2,290	6,940	6,801
Taxes other than income taxes, net	1,861	1,803	5,648	5,796
Total Operating Expenses	**13,086**	**14,260**	**60,373**	**63,010**
Operating (Loss) Income	**(2,235)**	**(2,925)**	**8,832**	**5,679**
Other income	486	152	806	278
Other deductions	(73)	(32)	(118)	(672)
Interest expense, net of capitalization	(879)	(675)	(2,312)	(2,019)
(Loss) Income Before Income Tax	**(2,701)**	**(3,480)**	**7,208**	**3,266**
Income tax (benefit) expense	(770)	714	1,913	508
Net (Loss) Income	**$ (1,931)**	**$ (4,194)**	**$ 5,295**	**$ 2,758**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 668
Accounts receivable and unbilled revenues, net	5,355	19,705
Accounts receivable from affiliates	—	4
Gas in storage	3,482	4,436
Materials and supplies	3,456	2,249
Income tax receivable	2,787	2,478
Other current assets	914	366
Regulatory assets	12,693	14,653
Total Current Assets	**28,687**	**44,559**
Utility plant, at original cost	345,145	321,780
Less accumulated depreciation	(113,168)	(106,642)
Net Utility Plant in Service	**231,977**	**215,138**
Construction work in progress	4,726	7,242
Total Utility Plant	**236,703**	**222,380**
Operating lease right-of-use assets	101	105
Other property and investments	2,038	1,990
Regulatory and Other Assets		
Regulatory assets	19,881	20,115
Goodwill	51,932	51,932
Other	15	10
Total Regulatory and Other Assets	**71,828**	**72,057**
Total Assets	**$ 339,357**	**$ 341,091**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 13,850	$ 9,650
Accounts payable and accrued liabilities	6,907	24,237
Accounts payable to affiliates	3,545	1,048
Interest accrued	550	758
Taxes accrued	218	100
Operating lease liabilities	10	7
Regulatory liabilities	121	—
Other	4,053	3,307
Total Current Liabilities	**29,254**	**39,107**
Regulatory and Other Liabilities		
Regulatory liabilities	52,277	51,824
Other Non-current Liabilities		
Deferred income taxes	33,036	30,383
Pension and other postretirement	12,588	12,537
Operating lease liabilities	89	96
Environmental remediation costs	2,096	2,342
Other	1,118	1,220
Total Regulatory and Other Liabilities	**101,204**	**98,402**
Non-current debt	59,630	59,595
Total Liabilities	**190,088**	**197,104**
Commitments and Contingencies		
Common Stock Equity		
Additional paid-in capital	126,493	126,506
Retained earnings	22,719	17,424
Accumulated other comprehensive income	57	57
Total Common Stock Equity	**149,269**	**143,987**
Total Liabilities and Equity	**$ 339,357**	**$ 341,091**

The Berkshire Gas Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,		**2023**		**2022**
(Thousands)				
Cash Flow from Operating Activities:				
Net income	**$**	**5,295**	**$**	**2,758**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		6,940		6,801
Regulatory assets/liabilities amortization		(363)		(390)
Regulatory assets/liabilities carrying cost		(418)		(221)
Amortization of debt issuance costs		35		19
Deferred taxes		2,292		530
Pension cost		594		181
Stock-based compensation		40		71
Other non-cash items		(200)		182
Changes in operating assets and liabilities:				
Accounts receivable, from affiliates, and unbilled revenues		14,354		10,200
Inventories		(253)		(2,438)
Accounts payable, to affiliates, and accrued liabilities		(14,662)		(7,406)
Taxes accrued		(192)		(9,109)
Other assets/liabilities		(695)		(942)
Regulatory assets/liabilities		2,115		3,203
Net Cash Provided by Operating Activities		**14,882**		**3,439**
Cash Flow from Investing Activities:				
Capital expenditures		(20,222)		(12,632)
Contributions in aid of construction		373		226
Proceeds from sale of utility plant		99		30
Net Cash Used in Investing Activities		**(19,750)**		**(12,376)**
Cash Flow from Financing Activities:				
Notes payable to affiliates		4,200		4,400
Capital contributions		—		10,000
Dividends		—		(10,000)
Net Cash Provided by Financing Activities		**4,200**		**4,400**
Net Decrease in Cash and Cash Equivalents		**(668)**		**(4,537)**
Cash and Cash Equivalents, Beginning of Period		**668**		**4,537**
Cash and Cash Equivalents, End of Period	**$**	**—**	**$**	**—**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Common Stock Equity
As of December 31, 2021	**100**	**$ —**	**$ 116,443**	**$ 21,323**	**$ —**	**$ 137,766**
Net income	—	—	—	2,758	—	2,758
Stock-based compensation	—	—	44	—	—	44
Common stock dividends	—	—	—	(10,000)	—	(10,000)
Capital contributions	—	—	10,000	—	—	10,000
As of September 30, 2022	**100**	**$ —**	**$ 126,487**	**$ 14,081**	**$ —**	**$ 140,568**
As of December 31, 2022	**100**	**$ —**	**$ 126,506**	**$ 17,424**	**$ 57**	**$ 143,987**
Net income	—	—	—	5,295	—	5,295
Stock-based compensation	—	—	(13)	—	—	(13)
As of September 30, 2023	**100**	**$ —**	**$ 126,493**	**$ 22,719**	**$ 57**	**$ 149,269**

(*) Par value of share amounts is $2.50

Central Maine Power Company
and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

Central Maine Power Company
and Subsidiaries

Index

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Operating Revenues	**$ 410,788**	**$ 267,261**	**$ 834,401**	**$ 779,535**
Operating Expenses				
Electricity purchased	30,468	13,842	72,278	37,433
Operations and maintenance	246,084	143,292	427,894	418,462
Depreciation and amortization	32,305	33,698	101,849	99,889
Taxes other than income taxes, net	19,828	19,910	60,436	58,766
Total Operating Expenses	**328,685**	**210,742**	**662,457**	**614,550**
Operating Income	**82,103**	**56,519**	**171,944**	**164,985**
Other income	5,825	3,791	18,284	11,572
Other deductions	(424)	(780)	(880)	(3,617)
Interest expense, net of capitalization	(16,341)	(11,667)	(50,952)	(35,637)
Income Before Income Tax	**71,163**	**47,863**	**138,396**	**137,303**
Income tax expense (benefit)	2,129	(1,253)	13,074	9,541
Net Income	**69,034**	**49,116**	**125,322**	**127,762**
Less: net income attributable to noncontrolling interest	954	877	2,672	2,391
Net Income Attributable to CMP	**$ 68,080**	**$ 48,239**	**$ 122,650**	**$ 125,371**

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Net Income	**$ 69,034**	**$ 49,116**	**$ 125,322**	**$ 127,762**
Other Comprehensive Income (Loss), Net of Tax				
Amortization of pension cost for non-qualified plans, net of income tax	53	—	53	—
Unrealized gain during period on derivatives qualifying as cash flow hedges, net of income tax	—	1	—	551
Reclassification to net income of gain on cash flow hedges, net of income tax	—	(197)	—	(578)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	66	33	99	98
Other Comprehensive Income (Loss), Net of Tax	**119**	**(163)**	**152**	**71**
Comprehensive Income	**69,153**	**48,953**	**125,474**	**127,833**
Less:				
Comprehensive income attributable to noncontrolling interests	954	877	2,672	2,391
Comprehensive Income Attributable to CMP	**$ 68,199**	**$ 48,076**	**$ 122,802**	**$ 125,442**

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

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 42,032	$ 28,463
Accounts receivable and unbilled revenues, net	262,847	290,523
Accounts receivable from affiliates	3,907	6,931
Notes receivable from affiliates	236	240
Materials and supplies	60,002	40,132
Prepayments and other current assets	30,799	27,809
Income tax receivable	2,943	13,302
Regulatory assets	157,825	60,653
Total Current Assets	**560,591**	**468,053**
Utility plant, at original cost	5,328,645	5,226,485
Less accumulated depreciation	(1,566,101)	(1,481,045)
Net Utility Plant in Service	**3,762,544**	**3,745,440**
Construction work in progress	326,160	240,411
Total Utility Plant	**4,088,704**	**3,985,851**
Operating lease right-of-use assets	14,615	15,125
Other property and investments	1,004	959
Regulatory and Other Assets		
Regulatory assets	454,707	404,329
Goodwill	324,938	324,938
Other	158,436	159,613
Total Regulatory and Other Assets	**938,081**	**888,880**
Total Assets	**$ 5,602,995**	**$ 5,358,868**

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

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 35,700	$ 46,000
Accounts payable and accrued liabilities	239,482	322,586
Accounts payable to affiliates	28,713	40,892
Interest accrued	10,745	18,393
Taxes accrued	8,199	3,300
Operating lease liabilities	1,075	1,071
Other current liabilities	128,266	110,324
Regulatory liabilities	89,016	86,937
Total Current Liabilities	**541,196**	**629,503**
Regulatory and Other Liabilities		
Regulatory liabilities	313,049	328,080
Other Non-current liabilities		
Deferred income taxes	753,283	691,858
Pension and other postretirement	54,195	59,461
Operating lease liabilities	14,983	15,359
Other	144,113	152,980
Total Regulatory and Other Liabilities	**1,279,623**	**1,247,738**
Non-current debt	1,285,704	1,285,269
Total Liabilities	**3,106,523**	**3,162,510**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock ($5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at September 30, 2023 and December 31, 2022)	156,057	156,057
Additional paid-in capital	1,202,113	1,027,439
Retained earnings	1,099,679	977,063
Accumulated other comprehensive loss	(3,064)	(3,216)
Total CMP Common Stock Equity	**2,454,785**	**2,157,343**
Noncontrolling interest	41,116	38,444
Total Equity	**2,495,901**	**2,195,787**
Total Liabilities and Equity	**$ 5,602,995**	**$ 5,358,868**

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

Periods Ended September 30,	2023	2022
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 125,322**	**$ 127,762**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	101,849	99,889
Regulatory assets/liabilities amortization	36,605	60
Regulatory assets/liabilities carrying cost	(409)	(1,212)
Amortization of debt issuance costs	433	(286)
Deferred taxes	14,725	(19,688)
Pension cost	(1,988)	2,861
Stock-based compensation	80	723
Accretion expenses	—	41
Gain on disposal of assets	(575)	(42)
Other non-cash items	(3,404)	(4,514)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	30,700	23,826
Inventories	(19,870)	(5,310)
Accounts payable, to affiliates, and accrued liabilities	(104,860)	17,970
Taxes accrued	15,258	(9,340)
Other assets/liabilities	47,107	18,859
Regulatory assets/liabilities	(206,937)	23,264
Net Cash Provided by Operating Activities	**34,036**	**274,863**
Cash Flow from Investing Activities:		
Utility plant additions	(250,626)	(209,230)
Contributions in aid of construction	63,811	19,021
Notes receivable from affiliates	4	(238)
Proceeds from sale of utility plant	1,688	635
Net Cash Used in Investing Activities	**(185,123)**	**(189,812)**
Cash Flow from Financing Activities:		
Repayments of non-current debt	—	(125,000)
Repayments of finance leases	(10)	92
Notes payable to affiliates	(10,300)	12,654
Capital contribution	175,000	76,152
Dividends paid	(34)	(50,026)
Net Cash Provided by (Used in) Financing Activities	**164,656**	**(86,128)**
Net Increase (Decrease) in Cash and Cash Equivalents	**13,569**	**(1,077)**
Cash and Cash Equivalents, Beginning of Period	**28,463**	**24,407**
Cash and Cash Equivalents, End of Period	**$ 42,032**	**$ 23,330**

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

(Thousands, except per share amounts)	CMP Stockholder Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Non-controlling Interest	Total Common Stock Equity
As of December 31, 2021	**31,211,471**	**$ 156,057**	**$ 950,478**	**$1,050,487**	**$ (3,543)**	**$2,153,479**	**$ 35,217**	**$2,188,696**
Net income	—	—	—	125,371	—	125,371	2,391	127,762
Other comprehensive income, net of tax	—	—	—	—	71	71	—	71
Comprehensive income								127,833
Stock-based compensation	—	—	602	—	—	602	—	602
Capital contribution from parent	—	—	76,152	—	—	76,152	—	76,152
Preferred stock dividends			—	(26)	—	(26)		(26)
Common stock dividends	—	—	—	(50,000)	—	(50,000)	—	(50,000)
As of September 30, 2022	**31,211,471**	**$ 156,057**	**$1,027,232**	**$1,125,832**	**$ (3,472)**	**$2,305,649**	**$ 37,608**	**$2,343,257**
As of December 31, 2022	**31,211,471**	**$ 156,057**	**$1,027,439**	**$ 977,063**	**$ (3,216)**	**$2,157,343**	**$ 38,444**	**$2,195,787**
Net income	—	—	—	122,650	—	122,650	2,672	125,322
Other comprehensive income, net of tax	—	—	—	—	152	152	—	152
Comprehensive income								125,474
Stock-based compensation	—	—	(326)	—	—	(326)	—	(326)
Capital contribution from parent	—	—	175,000	—	—	175,000	—	175,000
Preferred stock dividends	—	—	—	(34)	—	(34)	—	(34)
As of September 30, 2023	**31,211,471**	**$ 156,057**	**$1,202,113**	**$1,099,679**	**$ (3,064)**	**$2,454,785**	**$ 41,116**	**$2,495,901**

(*) Par value of share amounts is $5

Connecticut Natural Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

Connecticut Natural Gas Corporation

Index

Connecticut Natural Gas Corporation
Statements of Income (Unaudited)

	Three Months		Nine Months	
Periods Ended September 30,	**2023**	**2022**	**2023**	**2022**
(Thousands)				
Operating Revenues	**$ 54,756**	**$ 73,946**	**$ 308,855**	**$ 359,909**
Operating Expenses				
Natural gas purchased	13,776	29,267	139,085	183,298
Operations and maintenance	23,070	27,535	77,359	76,273
Depreciation and amortization	12,506	11,873	37,170	35,332
Taxes other than income taxes, net	5,659	6,405	23,973	24,627
Total Operating Expenses	**55,011**	**75,080**	**277,587**	**319,530**
Operating (Loss) Income	**(255)**	**(1,134)**	**31,268**	**40,379**
Other income	713	667	2,220	1,799
Other deductions	198	(1,455)	731	(1,909)
Interest expense, net of capitalization	(2,388)	(4,583)	(7,444)	(13,793)
(Loss) Income Before Income Tax	**(1,732)**	**(6,505)**	**26,775**	**26,476**
Income tax expense (benefit)	179	(1,221)	6,211	6,625
Net (Loss) Income	**$ (1,911)**	**$ (5,284)**	**$ 20,564**	**$ 19,851**

Connecticut Natural Gas Corporation
Statements of Comprehensive Income (Unaudited)

	Three Months		Nine Months	
Periods Ended September 30,	**2023**	**2022**	**2023**	**2022**
(Thousands)				
Net (Loss) Income	**$ (1,911)**	**$ (5,284)**	**$ 20,564**	**$ 19,851**
Other Comprehensive Loss, Net of Tax				
Amortization of pension cost for non-qualified plans, net of income tax	(3)	—	(8)	—
Other Comprehensive Loss, Net of Tax	**(3)**	**—**	**(8)**	**—**
Comprehensive (Loss) Income	**$ (1,914)**	**$ (5,284)**	**$ 20,556**	**$ 19,851**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 1,070
Accounts receivable and unbilled revenues, net	78,676	149,398
Accounts receivable from affiliates	593	535
Notes receivable from affiliates	9,750	—
Gas in storage	42,374	54,803
Materials and supplies	5,202	4,809
Income tax receivable	5,284	—
Other current assets	6,255	1,899
Regulatory assets	41,959	57,875
Total Current Assets	**190,093**	**270,389**
Utility plant, at original cost	1,261,193	1,214,513
Less accumulated depreciation	(433,192)	(399,929)
Net Utility Plant in Service	**828,001**	**814,584**
Construction work in progress	21,928	15,370
Total Utility Plant	**849,929**	**829,954**
Operating lease right-of-use assets	2,854	2,432
Other property and investments	736	764
Regulatory and Other Assets		
Regulatory assets	64,109	62,376
Goodwill	79,341	79,341
Other	189	136
Total Regulatory and Other Assets	**143,639**	**141,853**
Total Assets	**$ 1,187,251**	**$ 1,245,392**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ —	$ 25,450
Accounts payable and accrued liabilities	31,757	98,916
Accounts payable to affiliates	13,609	19,880
Interest accrued	2,304	2,614
Taxes accrued	3,427	13,165
Operating lease liabilities	588	177
Regulatory liabilities	6,588	5,230
Other	23,749	16,687
Total Current Liabilities	**82,022**	**182,119**
Regulatory and Other Liabilities		
Regulatory liabilities	311,665	297,201
Other Non-current Liabilities		
Deferred income taxes	51,898	44,724
Pension and other postretirement	52,543	53,429
Operating lease liabilities	2,317	2,323
Asset retirement obligation	6,279	6,279
Other	1,734	1,121
Total Regulatory and Other Liabilities	**426,436**	**405,077**
Non-current debt	189,171	189,072
Total Liabilities	**697,629**	**776,268**
Commitments and Contingencies		
Preferred Stock	**340**	**340**
Common Stock Equity		
Common stock ($3.125 par value, 20,000,000 shares authorized and 10,634,436 shares outstanding at September 30, 2023 and December 31, 2022)	33,233	33,233
Additional paid-in capital	396,753	396,791
Retained earnings	59,552	39,008
Accumulated other comprehensive loss	(256)	(248)
Total Common Stock Equity	**489,282**	**468,784**
Total Liabilities and Equity	**$ 1,187,251**	**$ 1,245,392**

Connecticut Natural Gas Corporation
Statements of Cash Flows (Unaudited)

Periods Ended September 30,		2023		2022
(Thousands)				
Cash Flow from Operating Activities:				
Net income	**$**	**20,564**	**$**	**19,851**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		37,170		35,332
Regulatory assets/liabilities amortization		13,859		15,497
Regulatory assets/liabilities carrying cost		(2)		(172)
Amortization of debt issuance costs		99		50
Deferred taxes		6,781		2,757
Pension cost		147		(367)
Stock-based compensation		19		96
Gain on disposal of assets		(39)		—
Other non-cash items		443		346
Changes in operating assets and liabilities:				
Accounts receivable, from affiliates, and unbilled revenues		70,664		30,477
Inventories		12,036		(30,362)
Accounts payable, to affiliates, and accrued liabilities		(73,945)		(19,556)
Taxes accrued		(15,022)		(22,819)
Other assets/liabilities		2,903		(68)
Regulatory assets/liabilities		(89)		(2,791)
Net Cash Provided by Operating Activities		**75,588**		**28,271**
Cash Flow from Investing Activities:				
Capital expenditures		(42,908)		(48,333)
Contributions in aid of construction		1,374		375
Proceeds from sale of utility plant		96		107
Notes receivable from affiliates		(9,750)		—
Net Cash Used in Investing Activities		**(51,188)**		**(47,851)**
Cash Flow from Financing Activities:				
Notes payable to affiliates		(25,450)		14,600
Capital contribution		—		30,000
Dividends paid		(20)		(25,020)
Net Cash (Used in) Provided by Financing Activities		**(25,470)**		**19,580**
Net Decrease in Cash and Cash Equivalents		**(1,070)**		**—**
Cash and Cash Equivalents, Beginning of Period		**1,070**		**—**
Cash and Cash Equivalents, End of Period	**$**	**—**	**$**	**—**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
As of December 31, 2021	**10,634,436**	**$ 33,233**	**$ 366,698**	**$ 29,922**	**$ (460)**	**$ 429,393**
Net income	—	—	—	19,851	—	19,851
Stock-based compensation	—	—	66	—	—	66
Common stock dividends	—	—	—	(25,000)	—	(25,000)
Preferred stock dividends	—	—	—	(20)	—	(20)
Capital contributions	—	—	30,000	—	—	30,000
As of September 30, 2022	**10,634,436**	**$ 33,233**	**$ 396,764**	**$ 24,753**	**$ (460)**	**$ 454,290**
As of December 31, 2022	**10,634,436**	**$ 33,233**	**$ 396,791**	**$ 39,008**	**$ (248)**	**$ 468,784**
Net income	—	—	—	20,564	—	20,564
Other comprehensive loss, net of tax	—	—	—	—	(8)	(8)
Comprehensive income						20,556
Stock-based compensation	—	—	(38)	—	—	(38)
Preferred stock dividends	—	—	—	(20)	—	(20)
As of September 30, 2023	**10,634,436**	**$ 33,233**	**$ 396,753**	**$ 59,552**	**$ (256)**	**$ 489,282**

(*) Par value of share amounts is $3.125

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

New York State Electric & Gas Corporation

Index

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Operating Revenues	**$ 463,630**	**$ 531,805**	**$ 1,525,901**	**$ 1,642,261**
Operating Expenses				
Electricity purchased	140,805	197,520	392,961	509,861
Natural gas purchased	5,484	13,278	96,270	118,788
Operations and maintenance	226,575	204,697	671,610	579,241
Depreciation and amortization	52,351	48,089	156,237	141,935
Taxes other than income taxes, net	40,933	40,010	126,031	128,755
Total Operating Expenses	**466,148**	**503,594**	**1,443,109**	**1,478,580**
Operating (Loss) Income	**(2,518)**	**28,211**	**82,792**	**163,681**
Other income	17,128	11,156	41,681	28,119
Other deductions	2,020	(2,611)	8,457	(8,942)
Interest expense, net of capitalization	(24,161)	(15,812)	(63,109)	(46,149)
(Loss) Income Before Income Tax	**(7,531)**	**20,944**	**69,821**	**136,709**
Income tax expense	1,384	2,266	14,869	13,872
Net (Loss) Income	**$ (8,915)**	**$ 18,678**	**$ 54,952**	**$ 122,837**

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Net (Loss) Income	**$ (8,915)**	**$ 18,678**	**$ 54,952**	**$ 122,837**
Other Comprehensive (Loss) Income, Net of Tax				
Amortization of pension cost for non-qualified plans, net of income tax	(8)	—	(26)	—
Unrealized gain during the period on derivatives qualifying as cash flow hedges, net of income tax	—	(813)	—	128
Reclassification to net income of gain on settled cash flow hedges, net of income tax	—	460	—	(138)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	—	(30)	227	8
Other Comprehensive (Loss) Income, Net of Tax	**(8)**	**(383)**	**201**	**(2)**
Comprehensive Income	**$ (8,923)**	**$ 18,295**	**$ 55,153**	**$ 122,835**

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

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 36	$ 1
Accounts receivable and unbilled revenues, net	355,766	430,952
Accounts receivable from affiliates	1,822	3,726
Notes receivable from affiliates	65,600	—
Fuel and natural gas in storage, at average cost	22,457	55,701
Materials and supplies	41,675	32,870
Broker margin accounts	13,408	32,425
Income tax receivable	11,465	—
Prepaid property taxes	62,224	38,020
Other current assets	15,889	11,136
Regulatory assets	138,917	141,420
Total Current Assets	**729,259**	**746,251**
Utility plant, at original cost	8,310,005	7,967,438
Less accumulated depreciation	(2,461,602)	(2,410,717)
Net Utility Plant in Service	**5,848,403**	**5,556,721**
Construction work in progress	839,020	674,505
Total Utility Plant	**6,687,423**	**6,231,226**
Operating lease right-of-use assets	8,267	9,022
Other property and investments	8,064	8,262
Regulatory and Other Assets		
Regulatory assets	920,211	830,199
Other	40,676	43,739
Total Regulatory and Other Assets	**960,887**	**873,938**
Total Assets	**$ 8,393,900**	**$ 7,868,699**

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

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 9,600	$ 298,492
Notes payable to affiliates	—	89,800
Accounts payable and accrued liabilities	493,907	615,117
Accounts payable to affiliates	91,291	113,221
Interest accrued	25,225	13,345
Taxes accrued	6,675	2,380
Operating lease liabilities	1,346	1,293
Derivative liabilities	—	21
Environmental remediation costs	9,231	14,254
Customer deposits	14,048	13,300
Regulatory liabilities	48,761	67,048
Other	154,531	162,432
Total Current Liabilities	**854,615**	**1,390,703**
Regulatory and Other Liabilities		
Regulatory liabilities	987,661	1,040,544
Other Non-current Liabilities		
Deferred income taxes	827,497	770,556
Pension and other postretirement	70,928	87,538
Operating lease liabilities	7,981	8,573
Asset retirement obligation	11,793	11,349
Environmental remediation costs	51,493	62,828
Other	23,732	26,180
Total Regulatory and Other Liabilities	**1,981,085**	**2,007,568**
Non-current debt	2,874,508	2,041,562
Total Liabilities	**5,710,208**	**5,439,833**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($6.66 2/3 par value, 90,000,000 shares authorized and 64,508,477 shares outstanding at September 30, 2023 and December 31, 2022)	430,057	430,057
Additional paid-in capital	1,929,142	1,529,469
Retained earnings	325,112	470,160
Accumulated other comprehensive loss	(619)	(820)
Total Common Stock Equity	**2,683,692**	**2,428,866**
Total Liabilities and Equity	**$ 8,393,900**	**$ 7,868,699**

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

Periods Ended September 30,		2023		2022
(Thousands)				
Cash Flow from Operating Activities:				
Net income	**$**	**54,952**	**$**	**122,837**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		156,237		141,935
Regulatory assets/liabilities amortization		5,087		(1,401)
Regulatory assets/liabilities carrying cost		(8,834)		(4,107)
Amortization of debt issuance costs		2,261		3,384
Deferred taxes		34,929		61,311
Pension cost		(10,736)		16,551
Stock-based compensation		(15)		399
Accretion expenses		444		453
Gain on disposal of assets		(849)		(3,167)
Other non-cash items		(63,530)		(50,148)
Changes in operating assets and liabilities:				
Accounts receivable, from affiliates, and unbilled revenues		77,090		(30,805)
Inventories		24,439		(45,596)
Accounts payable, to affiliates, and accrued liabilities		(118,943)		(4,524)
Taxes accrued		(7,168)		(59,523)
Other assets/liabilities		10,424		(14,906)
Regulatory assets/liabilities		(150,867)		(142,855)
Net Cash Provided by (Used in) Operating Activities		**4,921**		**(10,162)**
Cash Flow from Investing Activities:				
Capital expenditures		(617,871)		(497,509)
Contributions in aid of construction		23,422		33,680
Proceeds from sale of utility plant		3,251		6,323
Notes receivable from affiliates		(65,600)		—
Net Cash Used in Investing Activities		**(656,798)**		**(457,506)**
Cash Flow from Financing Activities:				
Non-current debt issuance		841,791		67,210
Repayments of non-current debt		(300,000)		(75,000)
Repayments of finance leases		(79)		(3,043)
Notes payable to affiliates		(89,800)		3,501
Capital contributions		400,000		475,000
Dividends paid		(200,000)		—
Net Cash Provided by Financing Activities		**651,912**		**467,668**
Net Increase in Cash and Cash Equivalents		**35**		**—**
Cash and Cash Equivalents, Beginning of Period		**1**		**1**
Cash and Cash Equivalents, End of Period	**$**	**36**	**$**	**1**

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

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
As of December 31, 2021	**64,508,477**	**$ 430,057**	**$ 1,054,042**	**$ 488,132**	**$ (1,169)**	**$ 1,971,062**
Net income	—	—	—	122,837	—	122,837
Other comprehensive income, net of tax	—	—	—	—	(2)	(2)
Comprehensive income						122,835
Stock-based compensation	—	—	306	—	—	306
Capital contributions	—	—	475,000	—	—	475,000
As of September 30, 2022	**64,508,477**	**$ 430,057**	**$ 1,529,348**	**$ 610,969**	**$ (1,171)**	**$ 2,569,203**
As of December 31, 2022	**64,508,477**	**$ 430,057**	**$ 1,529,469**	**$ 470,160**	**$ (820)**	**$ 2,428,866**
Net income	—	—	—	54,952	—	54,952
Other comprehensive income, net of tax	—	—	—	—	201	201
Comprehensive income						55,153
Stock-based compensation	—	—	(327)	—	—	(327)
Common stock dividends	—	—	—	(200,000)	—	(200,000)
Capital contributions	—	—	400,000	—	—	400,000
As of September 30, 2023	**64,508,477**	**$ 430,057**	**$ 1,929,142**	**$ 325,112**	**$ (619)**	**$ 2,683,692**

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

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

Rochester Gas and Electric Corporation

Index

Financial Statements (Unaudited) **For the Nine Months Ended September 30, 2023 and 2022**	**Page**
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

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Operating Revenues	**$ 252,158**	**$ 277,494**	**$ 848,778**	**$ 869,546**
Operating Expenses				
Electricity purchased	53,326	72,555	133,768	156,600
Natural gas purchased	4,228	10,618	90,311	112,871
Operations and maintenance	97,500	101,114	302,684	252,858
Depreciation and amortization	32,903	30,208	97,888	89,260
Taxes other than income taxes, net	44,565	36,603	120,995	112,547
Total Operating Expenses	**232,522**	**251,098**	**745,646**	**724,136**
Operating Income	**19,636**	**26,396**	**103,132**	**145,410**
Other income	6,627	4,990	16,496	13,388
Other deductions	(161)	(2,454)	(929)	(7,129)
Interest expense, net of capitalization	(15,879)	(10,493)	(41,630)	(32,318)
Income Before Tax	**10,223**	**18,439**	**77,069**	**119,351**
Income tax expense	3,147	4,351	18,053	23,128
Net Income	**$ 7,076**	**$ 14,088**	**$ 59,016**	**$ 96,223**

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

Periods ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Net Income	**$ 7,076**	**$ 14,088**	**$ 59,016**	**$ 96,223**
Other Comprehensive Income, Net of Tax				
Amortization of pension cost for non-qualified plans and current year actuarial gain, net of income tax	177	—	177	—
Unrealized (loss) gain during the period on derivatives qualifying as cash flow hedges, net of income tax	—	(29)	—	266
Reclassification to net income of gain on settled cash flow commodity hedges, net of income tax	—	(119)	—	(315)
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	679	678	2,037	2,037
Other Comprehensive Income, Net of Tax	**856**	**530**	**2,214**	**1,988**
Comprehensive Income	**7,932**	**14,618**	**61,230**	**98,211**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 4
Accounts receivable and unbilled revenues, net	196,337	231,159
Accounts receivable from affiliates	2,251	3,633
Fuel and gas in storage	12,734	35,302
Materials and supplies	25,056	19,668
Broker margin accounts	7,815	16,542
Income tax receivable	5,081	—
Prepaid property taxes	75,273	41,531
Regulatory assets	73,769	57,485
Other current assets	13,488	11,009
Total Current Assets	**411,804**	**416,333**
Utility plant, at original cost	5,217,448	5,099,925
Less accumulated depreciation	(1,369,757)	(1,296,550)
Net Utility Plant in Service	**3,847,691**	**3,803,375**
Construction work in progress	462,345	346,560
Total Utility Plant	**4,310,036**	**4,149,935**
Operating lease right-of-use assets	1,487	525
Regulatory and Other Assets		
Regulatory assets	444,729	402,941
Other	43,668	47,910
Total Regulatory and Other Assets	**488,397**	**450,851**
Total Assets	**$ 5,211,724**	**$ 5,017,644**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 87,900	$ 76,300
Accounts payable and accrued liabilities	201,919	258,994
Accounts payable to affiliates	42,697	54,091
Interest accrued	16,445	8,266
Taxes accrued	973	15,511
Operating lease liabilities	2,085	1,986
Environmental remediation costs	16,772	18,945
Regulatory liabilities	60,038	82,138
Other	69,956	65,804
Total Current Liabilities	**498,785**	**582,035**
Regulatory and Other Liabilities		
Regulatory liabilities	584,972	620,788
Other Non-current Liabilities		
Deferred income taxes	500,374	463,266
Nuclear plant obligations	134,456	131,336
Pension and other postretirement	88,528	91,103
Operating lease liabilities	1,320	100
Asset retirement obligations	2,403	2,312
Environmental remediation costs	69,397	83,043
Other	50,971	50,408
Total Regulatory and Other Liabilities	**1,432,421**	**1,442,356**
Non-current debt	1,491,088	1,489,902
Total Liabilities	**3,422,294**	**3,514,293**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($5 par value, 50,000,000 shares authorized, 38,885,813 shares outstanding at September 30, 2023 and December 31, 2022)	194,429	194,429
Additional paid-in capital	1,305,552	1,080,703
Retained earnings	435,450	376,434
Accumulated other comprehensive loss	(28,763)	(30,977)
Treasury stock, at cost (4,379,300 shares at September 30, 2023 and December 31, 2022)	(117,238)	(117,238)
Total Common Stock Equity	**1,789,430**	**1,503,351**
Total Liabilities and Equity	**$ 5,211,724**	**$ 5,017,644**

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

Periods ended September 30,	2023	2022
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 59,016**	**$ 96,223**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97,888	89,260
Regulatory assets/liabilities amortization	(27,875)	(36,255)
Regulatory assets/liabilities carrying cost	643	1,151
Amortization of debt issuance costs	1,180	279
Deferred taxes	26,785	40,105
Pension cost	(677)	6,236
Stock-based compensation	—	325
Accretion expenses	91	96
Loss (gain) on disposal of assets	208	150
Other non-cash items	(7,895)	(6,927)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	36,204	(7,507)
Inventories	17,180	(30,191)
Accounts payable, to affiliates, and accrued liabilities	(48,497)	(15,699)
Taxes accrued	(19,619)	(14,266)
Other assets/liabilities	(9,920)	(15,565)
Regulatory assets/liabilities	(82,612)	(54,549)
Net Cash Provided by Operating Activities	**42,100**	**52,866**
Cash Flow From Investing Activities:		
Capital expenditures	(308,311)	(256,708)
Contributions in aid of construction	6,173	32,281
Proceeds from sale of utility plant	26,412	643
Net Cash Used in Investing Activities	**(275,726)**	**(223,785)**
Cash Flow From Financing Activities:		
Repayments of finance leases	(2,978)	(4,581)
Notes payable to affiliates	11,600	(49,500)
Capital contributions	225,000	225,000
Net Cash Provided by Financing Activities	**233,622**	**170,919**
Net Decrease in Cash and Cash Equivalents	**(4)**	**—**
Cash and Cash Equivalents, Beginning of Period	**4**	**3**
Cash and Cash Equivalents, End of Period	**$ —**	**$ 3**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Stock Equity
Balance, December 31, 2021	**38,885,813**	**$ 194,429**	**$ 855,312**	**$ 378,863**	**$ (35,142)**	**$ (117,238)**	**$ 1,276,224**
Net income	—	—	—	96,223	—	—	96,223
Other comprehensive income, net of tax	—	—	—	—	1,988	—	1,988
Comprehensive income							98,211
Stock-based compensation	—	—	296	—	—	—	296
Capital contributions	—	—	225,000	—	—	—	225,000
Balance, September 30, 2022	**38,885,813**	**$ 194,429**	**$ 1,080,608**	**$ 475,086**	**$ (33,154)**	**$ (117,238)**	**$ 1,599,731**
Balance, December 31, 2022	**38,885,813**	**$ 194,429**	**$ 1,080,703**	**$ 376,434**	**$ (30,977)**	**$ (117,238)**	**$ 1,503,351**
Net income	—	—	—	59,016	—	—	59,016
Other comprehensive income, net of tax	—	—	—	—	2,214	—	2,214
Comprehensive income							61,230
Stock-based compensation	—	—	(151)	—	—	—	(151)
Capital contributions	—	—	225,000	—	—	—	225,000
Balance, September 30, 2023	**38,885,813**	**$ 194,429**	**$ 1,305,552**	**$ 435,450**	**$ (28,763)**	**$ (117,238)**	**$ 1,789,430**

(*) Par value of share amounts is $5

The Southern Connecticut Gas Company

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

The Southern Connecticut Gas Company

Index

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022 **Page**

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Operating Revenues	**$ 58,105**	**$ 82,105**	**$ 310,532**	**$ 357,613**
Operating Expenses				
Natural gas purchased	12,140	35,386	138,575	183,653
Operations and maintenance	22,299	24,254	72,434	76,252
Depreciation and amortization	10,684	9,771	31,614	28,983
Taxes other than income taxes, net	6,098	7,254	25,712	26,156
Total Operating Expenses	**51,221**	**76,665**	**268,335**	**315,044**
Operating Income	**6,884**	**5,440**	**42,197**	**42,569**
Other income	770	742	2,544	1,928
Other deductions	(1,353)	(629)	(2,130)	(4,060)
Interest expense, net of capitalization	(4,746)	(4,461)	(14,047)	(13,926)
Income Before Income Tax	**1,555**	**1,092**	**28,564**	**26,511**
Income tax expense (benefit)	610	(402)	5,306	(2,413)
Net Income	**945**	**1,494**	**23,258**	**28,924**
Less: net income attributable to noncontrolling interest	804	675	2,689	2,142
Net Income Attributable to SCG	**$ 141**	**$ 819**	**$ 20,569**	**$ 26,782**

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

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Net Income	**$ 945**	**$ 1,494**	**$ 23,258**	**$ 28,924**
Other Comprehensive Income, Net of Tax				
Gain on non-qualified plans, net of tax	—	—	—	388
Amortization of pension cost for non-qualified plans, net of income tax	4	—	12	—
Other Comprehensive Income, Net of Tax	**4**	**—**	**12**	**388**
Comprehensive Income	**949**	**1,494**	**23,270**	**29,312**
Less: Comprehensive income attributable to noncontrolling interest	804	675	2,689	2,142
Comprehensive Income Attributable to SCG	**$ 145**	**$ 819**	**$ 20,581**	**$ 27,170**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 1,259
Accounts receivable and unbilled revenues, net	71,263	133,397
Accounts receivable from affiliates	502	1,645
Notes receivable from affiliates	5,864	1,660
Gas in storage	47,111	57,789
Materials and supplies	4,151	4,002
Income tax receivable	4,086	—
Other current assets	7,209	1,106
Regulatory assets	45,852	48,145
Total Current Assets	**186,038**	**249,003**
Utility plant, at original cost	1,402,126	1,340,472
Less accumulated depreciation	(406,052)	(375,637)
Net Utility Plant in Service	**996,074**	**964,835**
Construction work in progress	31,982	20,303
Total Utility Plant	**1,028,056**	**985,138**
Operating lease right-of-use assets	9,771	10,418
Other property and investments	9,515	9,372
Regulatory and Other Assets		
Regulatory assets	157,768	159,846
Goodwill	134,931	134,931
Other	374	372
Total Regulatory and Other Assets	**293,073**	**295,149**
Total Assets	**$ 1,526,453**	**$ 1,549,080**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 20,067	$ 24,600
Accounts payable and accrued liabilities	33,953	96,451
Accounts payable to affiliates	15,319	19,655
Interest accrued	2,626	3,881
Taxes accrued	1,644	11,493
Operating lease liabilities	774	781
Regulatory liabilities	15,068	14,843
Other	24,214	19,792
Total Current Liabilities	**113,665**	**191,496**
Regulatory and Other Liabilities		
Regulatory liabilities	245,830	232,557
Other Non-current Liabilities		
Deferred income taxes	113,090	103,303
Pension and other postretirement	45,665	48,768
Operating lease liabilities	9,969	10,484
Asset retirement obligation	12,785	12,785
Environmental remediation costs	61,399	60,661
Other	6,902	5,007
Total Regulatory and Other Liabilities	**495,640**	**473,565**
Non-current debt	304,841	304,982
Total Liabilities	**914,146**	**970,043**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($13.33 par value, 2,650,000 shares authorized and 1,407,072 shares outstanding at September 30, 2023 and December 31, 2022)	18,761	18,761
Additional paid-in capital	472,737	462,737
Retained earnings	82,884	62,315
Accumulated other comprehensive loss	(5,204)	(5,216)
Total SCG Common Stock Equity	**569,178**	**538,597**
Noncontrolling interest	43,129	40,440
Total Equity	**612,307**	**579,037**
Total Liabilities and Equity	**$ 1,526,453**	**$ 1,549,080**

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

Periods Ended September 30,	2023	2022
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 23,258**	**$ 28,924**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,614	28,983
Regulatory assets/liabilities amortization	10,645	12,043
Regulatory assets/liabilities carrying cost	2,989	2,945
Amortization of debt issuance costs	(147)	(370)
Deferred taxes	7,604	(1,053)
Pension cost	1,705	(1,231)
Gain on disposal of assets	(76)	—
Other non-cash items	407	3,282
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	63,277	32,234
Inventories	10,529	(32,160)
Accounts payable, to affiliates, and accrued liabilities	(65,361)	(15,434)
Taxes accrued	(13,934)	(31,557)
Other assets/liabilities	147	5,981
Regulatory assets/liabilities	(5,885)	(11,998)
Net Cash Provided by Operating Activities	**66,772**	**20,589**
Cash Flow from Investing Activities:		
Capital expenditures	(71,942)	(71,939)
Contributions in aid of construction	2,532	2,629
Proceeds from sale of utility plant	116	49
Notes receivable from affiliates	(4,204)	27,713
Net Cash Used in Investing Activities	**(73,498)**	**(41,548)**
Cash Flow from Financing Activities:		
Notes payable to affiliates	(4,533)	4,220
Capital contributions	10,000	50,000
Contributions from noncontrolling interest	—	707
Dividends paid	—	(30,000)
Payment of noncontrolling interest dividend	—	(4,441)
Net Cash Provided by Financing Activities	**5,467**	**20,486**
Net Decrease in Cash and Cash Equivalents	**(1,259)**	**(473)**
Cash and Cash Equivalents, Beginning of Period	**1,259**	**473**
Cash and Cash Equivalents, End of Period	**$ —**	**$ —**

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

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Common Stock Equity
As of December 31, 2021	**1,407,072**	**$ 18,761**	**$ 412,737**	**$ 52,798**	**$ (6,327)**	**$ 41,838**	**$ 519,807**
Net income	—	—	—	26,782	—	—	26,782
Other comprehensive income, net of tax	—	—	—	—	388	—	388
Comprehensive income							27,170
Net income attributable to noncontrolling interest	—	—	—	—	—	2,142	2,142
Payment of noncontrolling interest dividend	—	—	—	—	—	(4,441)	(4,441)
Contributions from noncontrolling interest	—	—	—	—	—	707	707
Common stock dividends	—	—		(30,000)	—	—	(30,000)
Capital contributions	—	—	50,000	—	—	—	50,000
As of September 30, 2022	**1,407,072**	**$ 18,761**	**$ 462,737**	**$ 49,580**	**$ (5,939)**	**$ 40,246**	**$ 565,385**
As of December 31, 2022	**1,407,072**	**$ 18,761**	**$ 462,737**	**$ 62,315**	**$ (5,216)**	**$ 40,440**	**$ 579,037**
Net income	—	—	—	20,569	—	—	20,569
Other comprehensive income, net of tax	—	—	—	—	12	—	12
Comprehensive income							20,581
Net income attributable to noncontrolling interest	—	—	—	—	—	2,689	2,689
Capital contributions	—	—	10,000	—	—	—	10,000
As of September 30, 2023	**1,407,072**	**$ 18,761**	**$ 472,737**	**$ 82,884**	**$ (5,204)**	**$ 43,129**	**$ 612,307**

(*) Par value of share amounts is $13.33

The United Illuminating Company

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

The United Illuminating Company

Index

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2023 and 2022

The United Illuminating Company
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Operating Revenues	**$ 335,108**	**$ 305,922**	**$ 1,018,626**	**$ 848,061**
Operating Expenses				
Electricity purchased	116,510	104,805	419,141	280,889
Operations and maintenance	120,610	114,245	318,129	288,038
Depreciation and amortization	28,858	28,371	86,479	84,696
Taxes other than income taxes, net	30,811	28,848	82,514	79,384
Total Operating Expenses	**296,789**	**276,269**	**906,263**	**733,007**
Operating Income	**38,319**	**29,653**	**112,363**	**115,054**
Other income	6,564	4,877	17,593	14,355
Other deductions	(397)	842	(1,074)	(1,930)
Earnings from equity method investments	885	1,203	2,390	2,609
Interest expense, net of capitalization	(10,966)	(10,181)	(31,520)	(31,085)
Income Before Income Tax	**34,405**	**26,394**	**99,752**	**99,003**
Income tax expense	6,761	377	19,422	10,956
Net Income	**$ 27,644**	**$ 26,017**	**$ 80,330**	**$ 88,047**

The United Illuminating Company
Statements of Comprehensive Income (Unaudited)

Periods Ended September 30,	Three Months 2023	Three Months 2022	Nine Months 2023	Nine Months 2022
(Thousands)				
Net Income	**$ 27,644**	**$ 26,017**	**$ 80,330**	**$ 88,047**
Other Comprehensive Income (Loss), Net of Tax				
Amortization of pension cost for non-qualified plans, net of tax	50	—	150	—
Gain on non-qualified plans, net of tax	—	—	—	2,985
Unrealized loss during the period on derivatives qualifying as cash flow hedges, net of tax	—	(43)	—	(58)
Reclassification to net income of loss on settled cash flow hedges, net of tax	—	—	—	19
Other Comprehensive Income (Loss), Net of Tax	**50**	**(43)**	**150**	**2,946**
Comprehensive Income	**$ 27,694**	**$ 25,974**	**$ 80,480**	**$ 90,993**

The United Illuminating Company
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 111	$ 1
Accounts receivable and unbilled revenues, net	198,879	170,213
Accounts receivable from affiliates	465	1,528
Notes receivable from affiliates	—	82,600
Materials and supplies	11,751	8,380
Derivative assets	484	489
Prepayments and other current assets	22,305	5,196
Regulatory assets	88,626	55,984
Total Current Assets	**322,621**	**324,391**
Utility plant, at original cost	3,691,352	3,642,320
Less accumulated depreciation	(1,132,274)	(1,046,592)
Net Utility Plant in Service	**2,559,078**	**2,595,728**
Construction work in progress	400,893	268,805
Total Utility Plant	**2,959,971**	**2,864,533**
Operating lease right-of-use assets	11,874	12,552
Equity method investments	78,753	82,533
Other property and investments	15,218	13,594
Regulatory and Other Assets		
Regulatory assets	305,136	318,819
Derivative assets	529	857
Other	24,749	23,871
Total Regulatory and Other Assets	**330,414**	**343,547**
Total Assets	**$ 3,718,851**	**$ 3,641,150**

The United Illuminating Company
Balance Sheets (Unaudited)

As of	September 30, 2023	December 31, 2022
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 74,731	$ 139,044
Notes payable to affiliates	27,900	—
Accounts payable and accrued liabilities	121,240	159,724
Accounts payable to affiliates	58,393	68,294
Interest accrued	9,929	10,349
Taxes accrued	18,545	18,714
Operating lease liabilities	642	655
Derivative liabilities	17,177	16,580
Other current liabilities	31,708	37,851
Regulatory liabilities	15,779	97,766
Total Current Liabilities	**376,044**	**548,977**
Regulatory and Other Liabilities		
Regulatory liabilities	344,000	347,239
Other Non-current Liabilities		
Deferred income taxes	436,199	406,302
Pension and other postretirement	109,734	121,433
Operating lease liabilities	15,604	16,048
Derivative liabilities	17,498	29,388
Environmental remediation costs	22,609	19,316
Other	30,548	30,968
Total Regulatory and Other Liabilities	**976,192**	**970,694**
Non-current debt	849,864	785,140
Total Liabilities	**2,202,100**	**2,304,811**
Commitments and Contingencies		
Common Stock Equity		
Common stock (no par value, 30,000,000 shares authorized and 100 shares outstanding at September 30, 2023 and December 31, 2022)	1	1
Additional paid-in capital	906,584	806,652
Retained earnings	617,447	537,117
Accumulated other comprehensive loss	(7,281)	(7,431)
Total Common Stock Equity	**1,516,751**	**1,336,339**
Total Liabilities and Equity	**$ 3,718,851**	**$ 3,641,150**

The United Illuminating Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2023	2022
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 80,330**	**$ 88,047**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,479	84,696
Regulatory assets/liabilities amortization	(82,708)	(18,274)
Regulatory assets/liabilities carrying cost	(3,168)	(5,867)
Amortization of debt issuance costs	411	325
Deferred taxes	20,038	(12,202)
Pension cost	4,276	2,702
Stock-based compensation	44	36
Gain on disposal of assets	(57)	—
Earnings from equity method investments	(2,381)	(2,601)
Cash distribution from equity method investments	2,402	2,648
Other non-cash items	(8,689)	(2,469)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(27,603)	(36,479)
Inventories	(3,371)	881
Accounts payable, to affiliates, and accrued liabilities	(41,834)	(51,676)
Taxes accrued	(169)	14,804
Other assets/liabilities	(16,754)	(1,658)
Regulatory assets/liabilities	(56,570)	96,999
Net Cash (Used in) Provided by Operating Activities	**(49,324)**	**159,912**
Cash Flow from Investing Activities:		
Capital expenditures	(168,808)	(149,798)
Contributions in aid of construction	3,674	1,830
Notes receivable from affiliates	82,600	18,000
Proceeds from sale of utility plant	309	138
Cash distribution from equity method investments	3,759	4,132
Net Cash Used in Investing Activities	**(78,466)**	**(125,698)**
Cash Flow from Financing Activities:		
Non-current debt issuance	—	149,209
Repayments of non-current debt	—	(129,500)
Notes payable to affiliates	27,900	—
Capital contribution	100,000	—
Dividends paid	—	(50,000)
Net Cash Provided by (Used in) Financing Activities	**127,900**	**(30,291)**
Net Increase in Cash and Cash Equivalents	**110**	**3,923**
Cash and Cash Equivalents, Beginning of Period	**1**	**—**
Cash and Cash Equivalents, End of Period	**$ 111**	**$ 3,923**

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

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, December 31, 2021	**100**	**$ 1**	**$ 806,659**	**$ 474,428**	**$ (10,442)**	**$ 1,270,646**
Net income	—	—	—	88,047	—	88,047
Other comprehensive income, net of tax	—	—	—	—	2,946	2,946
Comprehensive income						90,993
Stock-based compensation	—	—	(16)	—	—	(16)
Common stock dividends	—	—	—	(50,000)	—	(50,000)
Balance, September 30, 2022	**100**	**$ 1**	**$ 806,643**	**$ 512,475**	**$ (7,496)**	**$ 1,311,623**
Balance, December 31, 2022	**100**	**$ 1**	**$ 806,652**	**$ 537,117**	**$ (7,431)**	**$ 1,336,339**
Net income	—	—	—	80,330	—	80,330
Other comprehensive income, net of tax	—	—	—	—	150	150
Comprehensive income						80,480
Stock-based compensation	—	—	(68)	—	—	(68)
Capital contribution	—	—	100,000	—	—	100,000
Balance, September 30, 2023	**100**	**$ 1**	**$ 906,584**	**$ 617,447**	**$ (7,281)**	**$ 1,516,751**

(*) No par value.

Notes to Financial Statements

Note 1. Significant Accounting Policies

Background and nature of operations: The United Illuminating Company (UI) is a regulated operating electric public utility engaged in the purchase, transmission, distribution, and sale of electricity for residential, commercial and industrial purposes. UI is regulated as an electric distribution company by the Connecticut Public Utilities Regulatory Authority (PURA) and is also subject to regulation by the Federal Energy Regulatory Commission (FERC). UI serves approximately 342,300 customers as of September 30, 2023 in its service territory of approximately 335 square miles in southwestern Connecticut.

UI is a wholly-owned subsidiary of UIL Holdings Corporation (UIL Holdings). UIL Holdings, whose primary business is ownership of its operating regulated utility businesses, is a wholly-owned subsidiary of Avangrid Networks, Inc. (Networks), which is a wholly-owned subsidiary of Avangrid, Inc., which is a 81.6% owned subsidiary of Iberdrola, S.A., a corporation organized under the law of the Kingdom of Spain.

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

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

In the opinion of management, the accompanying condensed financial statements contain all adjustments necessary to present fairly our condensed financial statements for the interim periods described herein. All such adjustments are of a normal and recurring nature, except as otherwise disclosed. The results for the nine months ended September 30, 2023, are not necessarily indicative of the results for the entire fiscal year ending December 31, 2023.

Significant Accounting Policies and New Accounting Pronouncements: The new accounting pronouncements we have adopted as of January 1, 2023, and reflected in our condensed financial statements are described below. There have been no other material changes to the significant accounting policies described in our financial statements and FERC Form No.1 for the fiscal year ended December 31, 2022, except for those described below resulting from the adoption of new authoritative accounting guidance issued by Financial Accounting Standards Board (FASB).

Adoption of New Accounting Pronouncements

Although we are not a public business entity, our parent company is a public business entity; therefore, we adopt new accounting standards based on the effective date for public entities as permitted. There were no significant new accounting pronouncements adopted since January 1, 2023.

Accounting Pronouncements Issued But Not Yet Adopted

There are no new accounting pronouncements not yet adopted, including those issued since December 31, 2022, that will materially affect our condensed financial statements.

Note 2. Industry Regulation

Rates

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

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

On September 9, 2022, UI filed a distribution revenue requirement case. UI's filing proposes a three-year rate plan commencing September 1, 2023 through August 31, 2026. The filing is based on a test year ending December 31, 2021, for the rate years beginning September 1, 2023 ("UI Rate Year 1"), September 1, 2024 ("UI Rate Year 2"), and September 1, 2025 ("UI Rate Year 3"). UI is requesting that PURA approve new distribution rates to recover an increase in revenue requirements of approximately $91 million in UI Rate Year 1, an incremental approximately $20 million in UI Rate Year 2, and an incremental approximately $19 million in UI Rate Year 3, compared to total revenues that would otherwise be recovered under UI's current rate schedules. UI's Rate Plan also includes several measures to moderate the impact of the proposed rate update for all customers, including, without limitation a rate levelization proposal to spread the proposed total rate increase over the three rate years, which would result in a change in revenue in UI Rate Year 1 of approximately $54 million. Other parties filed direct testimony on December 13, 2022 and UI filed its rebuttal testimony on January 6, 2023. In February and March, 2023, UI attended 15 days of evidentiary hearings in support of its application. PURA issued a Final Decision on August 25, 2023, which approved an annual revenue requirement of $384.865 million and a 1-year rate plan commencing on September 1, 2023. This represents an increase of $22.9 million to the Company's currently approved base distribution revenue requirement. PURA established an allowed return on equity of 9.10%, but reduced the allowed ROE by an aggregate 47 basis point reduction (i.e., to 8.63%), subject to certain conditions and timelines. The Final Decision established a capital structure consisting of 50% common equity and 50% debt. The Final Decision results in an average increase in base distribution rates of about 6.6% and an average increase in customer bills of about 2% compared to current levels. On September 18, 2023, UI filed an appeal of the PURA's Final Decision in Connecticut Superior Court, because of actual and legal errors related to the treatment of deferred assets, plant in service, and operating expenses. We cannot predict the outcome of this matter.

Connecticut Energy Legislation

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

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

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

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

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

On June 29, 2023, the Governor of Connecticut signed into law an energy bill titled *An Act Strengthening Protections for Connecticut Consumers*, which, among other things, provided PURA with additional powers to regulate the State's public service companies. More specifically, the Act modified certain ratemaking mechanisms such as revenue decoupling, allows PURA to initiate more frequent rate reviews in between rate cases, modifies electric distribution billing formats, precludes recovery of rate case expenses and appeals from rate proceedings, and mandates various reporting requirements.

Power Supply Arrangements

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

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

At the conclusion of the period ended September 30, 2023, UI has wholesale power supply agreements in place for its entire standard service load for the first and second halves of 2023, 80% of the first half of 2024 and 20% of the second half of 2024. Supplier of last resort service is procured on a quarterly basis and UI self managed the last resort service for the first quarter of 2023 and utilized wholesale power supply agreements for the second, third and fourth quarters of 2023.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 “Derivatives and Hedging” and elected the “normal purchase, normal sale” exception under ASC 815 “Derivatives and Hedging.” UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI’s credit rating on senior debt were to fall below investment grade. If such an event had occurred as of September 30, 2023, UI would have had to post collateral of approximately $21.3 million. We would have been and remain able to provide such collateral.

New Renewable Source Generation

Under Connecticut Public Act (PA) 11-80, Connecticut electric utilities are required to enter into long-term contracts to purchase Connecticut Class I Renewable Energy Certificates (RECs) from renewable generators located on customer premises. Under this program, UI was initially required to enter into contracts totaling approximately $200 million in commitments over an approximate 21-year period. The obligations were initially expected to phase in over a six-year solicitation period and peak at an annual commitment level of about $14 million per year after all selected projects are online. PA 17-144, PA 18-50 and PA 19-35 extended the original six-year solicitation period of the program by adding seventh, eighth, ninth, and tenth years, and increased the original funding level of this program by adding up to $64 million in additional commitments by UI. Upon purchase, UI accounts for the RECs as inventory. UI expects to partially mitigate the cost of these contracts through the resale of the RECs. PA 11-80 provides that the remaining costs (and any benefits) of these contracts, including any gain or loss resulting from the resale of the RECs, are fully recoverable from (or credited to) customers through electric rates.

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

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

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

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

Transmission

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

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

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

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

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $8.3 million as of September 30, 2023, which has not changed since December 31, 2022, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.2 million, which is based upon currently available information for these proceedings.

Following various intermediate hearings, orders and appellate decisions, on October 16, 2018, the FERC issued an order directing briefs and proposing a new methodology to calculate the NETOs ROE that is contained in NETOs' transmission formula rate on file at the FERC (the October 2018 Order). Pursuant to the October 2018 Order, the NETOs filed initial briefs on the proposed methodology in all four Complaints on January 11, 2019 and replied to the initial briefs on March 8, 2019.

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

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

Equity Investment in Peaking Generation

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

GenConn filed its annual revenue requirements request with PURA on June 30, 2023, seeking approval of its 2024 revenue requirements for the period commencing January 1, 2024 for both the GenConn Devon and GenConn Middletown facilities. As required by PURA Order 1 in the 2023 Decision GenConn's calculation for revenue requirements totaled $44 million. While the company was required to file its application consistent with PURA's order in the 2023 decision, GenConn has reserved the right to update revenue requirements following outcomes of legal appeals of the last 3 decisions. Following a Draft Decision provided on October 16, 2023, a Final Decision was issued on November 8, 2023.

GenConn filed its annual revenue requirements request with PURA on June 30, 2022, seeking approval of its 2023 revenue requirements for the period commencing January 1, 2023 for both the GenConn Devon and GenConn Middletown facilities. As required by PURA Order 1 in the 2022 Decision GenConn's calculation for revenue requirements totaled $44.7 million. On October 24, 2022 PURA issued a final decision approving revenue requirement of $44.0 million ($19.2 million for GenConn Devon, and $24.8 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2023. PURA disallowed $0.7 million associated with recommended capital and expenses projects and costs associated with Working Capital Facility renewal necessary in 2023. GenConn has filed a 2023 Decision appeal before the CT Superior Court on January 27, 2023. The 2022 Decision appeal before CT Superior Court remains open but stayed pending the outcome of the 2021 Decision Appeal. The 2021 Decision Appeal is awaiting a schedule before CT Supreme Court and expected to be argued in fall of 2023.

GenConn filed its annual revenue requirements request with PURA on June 15, 2021, seeking approval of its 2022 revenue requirements for the period commencing January 1, 2022 for both the GenConn Devon and GenConn Middletown facilities and totaling $55.8 million. A final decision was received on December 8, 2021, approving 2022 revenue requirements of $44.4 million for GenConn ($19.3 million for GenConn Devon, and $25.1 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2022. PURA disallowed $2.9 million from the original 2021 revenue requirements associated with interest expense associated with GenConn's debt, $0.1 million associated with 2013 refinancing amortization, $6.1 million associated with its equity return and $2.3 million associated with the resulting income tax, totaling $11.4 million. On January 21, 2022, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the $11.4 million. On October 17, 2022 the company filed a brief to Superior Court of the 2022 appeal. A stay of the case was granted on January 6, 2023 pending the decision of the CT Supreme Court case on the 2021 revenue requirements decision. The company cannot predict the outcome of the appeal.

GenConn filed its annual revenue requirements request with PURA on June 12, 2020, seeking approval of its 2021 revenue requirements for the period commencing January 1, 2021 for both the GenConn Devon and GenConn Middletown facilities. A final decision was received on December 23, 2020, approving 2021 revenue requirements of $49.4 million for GenConn ($22.0 million for GenConn Devon, and $27.4 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2021. PURA disallowed $3.3 million from the original 2021 revenue requirements request which includes a disallowance of $2.9 million of interest expense associated with GenConn's debt, and $0.4 million related to a proposed expense project to paint Exhaust Stacks at GenConn Devon. On February 4, 2021, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the $2.9 million interest expense. The appeal was dismissed on January 28, 2022. On February 16, 2022, GenConn initiated an appeal at the Connecticut Appellate Court, which requested transfer to the Connecticut Supreme Court. The high court agreed to hear the case. Oral arguments occurred on September 8, 2023 and the case remains pending.

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

Tax Cuts and Jobs Act

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

PURA instituted proceedings in Connecticut to review and address the implications associated with the Tax Act on the utilities providing service in the state and rendered a final decision on January 23, 2019. PURA directed UI to establish a regulatory liability in the amount of the income tax expense to be returned to customers and propose a method of returning such amount to customers in its next rate case filing. On June 28, 2021, PURA approved a multi-docket settlement proposal that required UI to flow $44.7 million of the regulatory liability related to accumulated Tax Act savings back to customers over an accelerated 22-month period, commencing on July 1, 2021 through April 30, 2023.

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

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

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

On May 6, 2021, in connection with its findings in the Tropical Storm Isaias docket, PURA issued a Notice of Violation to UI for allegedly failing to comply with standards of acceptable performance in emergency preparation or restoration of service in an emergency and with orders of the Authority, and for violations of accident reporting requirements. PURA assessed a civil penalty in the total amount of $2 million. PURA held a hearing on this matter and, in an order dated July 14, 2021, reduced the civil penalty to approximately $1 million. UI filed an appeal of PURA's decision with the Connecticut Superior Court. This appeal and the appeal of PURA's decision on the Tropical Storm Isaias docket have been consolidated. On October 17, 2022, the court denied UI's appeal and affirmed PURA's decisions in their entirety. UI filed a notice of appeal to Connecticut's Appellate court on November 7, 2022. A pre-argument conference was held in January 2023, with briefs filed in April and June 2023. We cannot predict the outcome of this proceeding.

Minimum Equity Requirements for Regulated Subsidiaries

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

Note 3. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately $247.3 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

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

Regulatory assets as of September 30, 2023 and December 31, 2022 consisted of:

As of (Thousands)	September 30, 2023	December 31, 2022
Contracts for differences	$ 33,662	$ 44,602
COVID-19 cost recovery	8,993	8,759
Environmental remediation costs	6,895	6,557
Excess generation service charge	32,726	23,889
Pension and other postretirement benefit plans	86,022	88,795
Pension and other postretirement benefits cost deferrals	21,428	19,880
Revenue decoupling mechanism	9,519	13,288
Storm costs	26,552	26,875
System benefit charge	21,059	—
Unamortized losses on reacquired debt	4,581	4,956
Unfunded future income taxes	122,286	118,417
Other	20,039	18,785
Total regulatory assets	**393,762**	**374,803**
Less: current portion	88,626	55,984
Total non-current regulatory assets	**$ 305,136**	**$ 318,819**

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

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

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

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

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

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

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

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

System benefits charge represents the mechanism by which UI recovers costs associated with hardship uncollectible customer accounts, arrearage forgiveness programs, and other customer assistance programs. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

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

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

Other includes items such as deferred loss on sale of non-utility property and electric vehicle programs.

Regulatory liabilities as of September 30, 2023 and December 31, 2022 consisted of:

As of	September 30, 2023	December 31, 2022
(Thousands)		
2017 Tax Act	$ 206,828	$ 219,439
Accrued removal obligations	79,761	76,263
Accumulated deferred investment tax credits	10,081	10,628
Conservation and load management	7,616	3,790
Deferred transmission expense	734	11,465
Middletown/Norwalk local transmission network service collections	15,812	16,242
Non-bypassable charges	163	70,308
Pension and other postretirement benefit plans	22,701	22,909
Pension and other postretirement benefits cost deferrals	2,010	1,063
Rate refund - FERC ROE proceeding	8,331	7,892
Other	5,742	5,006
Total regulatory liabilities	**359,779**	**445,005**
Less: current portion	15,779	97,766
Total non-current regulatory liabilities	**$ 344,000**	**$ 347,239**

2017 Tax Act represents the impact from remeasurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously and currently collected from utility customers for these deferred taxes to be refundable to such customers.

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

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

Conservation and load management represents energy conservation and efficiency program costs or revenues for future recovery from or return to customers. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

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

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

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

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

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

Other includes items such as deferral of CAM gross earnings tax expense collected in base distribution rates between January 1, 2020 and August 31, 2023.

Note 4. Revenue

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

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

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

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

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

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

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

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

Revenues disaggregated by major source for the three and nine months ended September 30, 2023 and 2022, are as follows:

Three Months Ended September 30,		**2023**		**2022**
(Thousands)				
Regulated operations – electricity	$	327,992	$	301,866
Other (a)		3,544		2,651
Revenue from contracts with customers		**331,536**		**304,517**
Leasing revenue		3,104		955
Other revenue		468		450
Total operating revenues	**$**	**335,108**	**$**	**305,922**

Nine Months Ended September 30,		2023		2022
(Thousands)				
Regulated operations – electricity	$	979,033	$	826,665
Other (a)		6,468		4,664
Revenue from contracts with customers		**985,501**		**831,329**
Leasing revenue		7,673		3,433
Alternative revenue programs		24,004		12,017
Other revenue		1,448		1,282
Total operating revenues	**$**	**1,018,626**	**$**	**848,061**

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

As of September 30, 2023 and December 31, 2022, nearly all of the accounts receivable balances included in “Accounts receivable and unbilled revenues, net” on our condensed balance sheets are related to contracts with customers and include unbilled revenues of $48.2 million and $50.8 million, respectively.

Note 5. Income Taxes

The effective tax rate for the nine months ended September 30, 2023 was 19.5%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and depreciation, amortization and other plant differences not normalized, partially offset by state taxes. The effective tax rate for the nine months ended September 30, 2022 was 11.1%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and property related flow-through tax benefits.

Note 6. Bank Loans and Other Borrowings

UI had $27.9 million short-term debt outstanding as of September 30, 2023 and no short-term debt outstanding as of December 31, 2022. UI funds short-term liquidity needs through an agreement among Avangrid’s regulated utility subsidiaries (the Virtual Money Pool Agreement), a bi-lateral intercompany credit agreement with Avangrid (the Bi-Lateral Intercompany Facility), and a bank provided credit facility to which UI is a party (the AGR Credit Facility), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI has a lending/borrowing limit of $100 million under this agreement. UI had $9.4 million outstanding under this agreement at September 30, 2023 and no debt outstanding under this agreement at December 31, 2022.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI had $18.5 million outstanding under this agreement at September 30, 2023 and no debt outstanding under this agreement at December 31, 2022.

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

Natural Gas Corporation (“CNG”), The Southern Connecticut Gas Company (“SCG”) and The Berkshire Gas Company (“BGC”)) executed a new credit facility with an aggregate limit of $3,575 million and a termination date of November 23, 2026. Under the terms of the Avangrid Credit Facility, each borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit contained in the agreement. NYSEG has a maximum sublimit of $700 million, RG&E has $300 million, CMP has $200 million and UI has a maximum sublimit of $250 million, CNG and SCG have maximum sublimits of $150 million, and BGC has a maximum sublimit of $50 million. Effective on November 23 2021, the AGR Credit Facility was amended to increase AGR’s maximum sublimit to $2,500 million and to establish minimum sublimits of $500 million for NYSEG, $200 million for RG&E, $100 million for CMP, $150 million for UI, $50 million for CNG and SCG, and $25 million for BGC. Under the AGR Credit Facility, each of the borrowers are charged a facility fee that is dependent on their credit rating. The facility fees range from 10.0 to 22.5 basis points. UI had no debt outstanding under this agreement at September 30, 2023 and December 31, 2022.

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 0.39 to 1.00 at September 30, 2023. We are not in default as of September 30, 2023.

Note 7. Preferred Stock

At September 30, 2023, UI had 1,119,612 shares of $100 par value preferred stock, 2,400,000 shares of $25 par value preferred stock, and 5,000,000 shares of $25 par value preference stock authorized but unissued.

Note 8. Environmental Liability

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

English Station

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

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

On April 8, 2013, DEEP issued an administrative order addressed to UI, Evergreen Power, Asnat and others, ordering the parties to take certain actions related to investigating and remediating the English Station site. This proceeding was stayed while DEEP and UI continue to work through the remediation process pursuant to the consent order described below. Status reports are periodically filed with DEEP.

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

As of September 30, 2023 and December 31, 2022, the amount reserved related to English Station was $19.5 million and $19.4 million, respectively. We cannot predict the outcome of this matter.

Other

In May 2019, UI obtained an updated remediation evaluation of the property adjacent to the New Haven Harbor Generating Station. As a result, UI recorded an additional $6.0 million reserve in June 2019, the minimum of the range of remediation estimates. The amount reserved for this property was $8.1 million as of September 30, 2023 and $7.9 million as of December 31, 2022, respectively.

UI also holds a reserve for remediation of 801 Bridgeport Ave, the site of a former operations center. The amount reserved for this site was $0.4 million as of both September 30, 2023 and December 31, 2022.

Our environmental liability accruals are recorded on an undiscounted basis and are expected to be paid through the year 2036.

Note 9. Accounting for Derivative Instruments and Hedging Activities

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

Derivatives not designated as hedging instruments

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of September 30, 2023, UI has recorded a gross derivative asset of $1.0 million ($0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of $33.7 million, a gross derivative liability of $34.7 million ($33.4 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of $0. As of December 31, 2022, UI had recorded a gross derivative asset of $1.3 million ($0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of $44.6 million, a gross derivative liability of $45.9 million ($44.3 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of $0.

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets, for the three and nine months ended September 30, 2023 and 2022, respectively, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Thousands)				
Derivative assets	$ (128)	$ (83)	$ (333)	$ (272)
Derivative liabilities	$ 4,313	$ 4,477	$ 11,273	$ 11,412

Derivatives designated as hedging instruments

The effect of derivatives in cash flow hedging relationships on Other Comprehensive Income (OCI) and income for the three and nine months ended September 30, 2023 and 2022, respectively, consisted of:

Three Months Ended September 30,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	Gain (Loss) Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2023				
Foreign exchange contracts	$ —	Operations and maintenance	$ —	$ 120,610
Total	**$ —**		**$ —**	
2022				
Foreign exchange contracts	$ (43)	Operations and maintenance	$ —	$ 114,245
Total	**$ (43)**		**$ —**	

Nine Months Ended September 30,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	Gain (Loss) Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2023				
Foreign exchange contracts	$ —	Operations and maintenance	$ —	$ 318,129
Total	**$ —**		**$ —**	
2022				
Foreign exchange contracts	$ (61)	Operations and maintenance	$ (23)	$ 288,038
Total	**$ (61)**		**$ (23)**	

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

The estimated fair value of debt amounted to $830 million as of September 30, 2023 and $860 million as of December 31, 2022, 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 electricity industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

Assets and liabilities measured at fair value on a recurring basis

The financial instruments measured at fair value as of September 30, 2023 and December 31, 2022, respectively, consisted of:

As of September 30, 2023		Level 1		Level 2		Level 3		Total
(Thousands)								
Derivative assets								
Contracts for differences	$	—	$	—	$	1,013	$	1,013
Equity investments with readily determinable fair values								
Supplemental retirement benefit trust life insurance policies		—		14,975		—		14,975
Total	**$**	**—**	**$**	**14,975**	**$**	**1,013**	**$**	**15,988**
Derivative liabilities								
Contracts for differences	$	—	$	—	$	(34,675)	$	(34,675)
Total	**$**	**—**	**$**	**—**	**$**	**(34,675)**	**$**	**(34,675)**

As of December 31, 2022		Level 1		Level 2		Level 3		Total
(Thousands)								
Derivative assets								
Contracts for differences	$	—	$	—	$	1,346	$	1,346
Equity investments with readily determinable fair values								
Supplemental retirement benefit trust life insurance policies		—		13,360		—		13,360
Total	**$**	**—**	**$**	**13,360**	**$**	**1,346**	**$**	**14,706**
Derivative liabilities								
Contracts for differences	$	—	$	—	$	(45,948)	$	(45,948)
Foreign exchange contracts		—		(20)		—		(20)
Total	**$**	**—**	**$**	**(20)**	**$**	**(45,948)**	**$**	**(45,968)**

We had no transfers to or from Level 1 and 2 during the periods ended September 30, 2023 and December 31, 2022. Our policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that causes a transfer, if any.

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

- UI enters into CfDs, which are marked-to-market based on a probability-based expected cash flow analysis that is discounted at risk-free interest rates and an adjustment for non-performance risk using credit default swap rates. We include the fair value measurement for these contracts in Level 3 (Refer to Note 9 for further discussion of CfDs).
- We measure the fair value of the supplemental retirement benefit life insurance trust based on quoted prices in the active markets for the various funds within which the assets are held and include the measurement in Level 2.
- We determine the fair value of our foreign currency exchange derivative instruments based on current exchange rates compared to the rates at inception of the hedge. We include the fair value measurement for these contracts in Level 2.

The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extends over the term of the contracts. We believe this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs. Additionally, on a quarterly basis, we perform analytics to ensure that the fair value of the derivatives is consistent with changes, if any, in the various fair value model inputs. Significant isolated changes in the risk of non-performance, the discount rate or the contract term pricing would result in an inverse change in the fair value of the CfDs. Additional quantitative information about Level 3 fair value measurements of the CfDs is as follows:

Unobservable Input	Range at September 30, 2023	Range at December 31, 2022
Risk of non-performance	0.72%-0.74%	0.84% - 0.89%
Discount rate	4.13% - 4.80%	3.99% - 4.22%
Forward pricing ($ per MW)	$2.00 - $2.61	$2.00 - $3.80

The reconciliation of changes in the fair value of financial instruments based on Level 3 inputs for the three and nine months ended September 30, 2023 and 2022, respectively, is as follows:

Three Months Ended September 30,		2023		2022
(Thousands)				
Beginning balance	$	(37,847)	$	(51,926)
Unrealized gains, net		4,185		4,394
Ending balance	**$**	**(33,662)**	**$**	**(47,532)**

Nine Months Ended September 30,		2023		2022
(Thousands)				
Beginning balance	$	(44,602)	$	(58,672)
Unrealized gains, net		10,940		11,140
Ending balance	**$**	**(33,662)**	**$**	**(47,532)**

Note 11. Postretirement and Similar Obligations

The components of net periodic benefit cost for pension and postretirement benefits for the three and nine months ended September 30, 2023 and 2022, respectively, consisted of:

	Pension Benefits				Postretirement Benefits			
Three Months Ended September 30,		**2023**		**2022**		**2023**		**2022**
(Thousands)								
Net periodic benefit cost								
Service cost	$	—	$	487	$	67	$	136
Interest cost		4,865		4,769		505		427
Expected return on plan assets		(4,661)		(5,944)		(540)		(564)
Amortization of prior service cost (credit)		297		292		(264)		(384)
Amortization of net loss (gain)		924		1,225		(586)		(246)
Net periodic benefit cost	**$**	**1,425**	**$**	**829**	**$**	**(818)**	**$**	**(631)**

Nine Months Ended September 30,	Pension Benefits 2023	Pension Benefits 2022	Postretirement Benefits 2023	Postretirement Benefits 2022
(Thousands)				
Net periodic benefit cost				
Service cost	$ —	$ 1,891	$ 200	$ 407
Interest cost	14,596	13,430	1,514	1,281
Expected return on plan assets	(13,984)	(19,359)	(1,621)	(1,692)
Amortization of prior service cost (credit)	891	874	(792)	(1,153)
Amortization of net loss (gain)	2,773	5,866	(1,758)	(737)
Net periodic benefit cost	**$ 4,276**	**$ 2,702**	**$ (2,457)**	**$ (1,894)**

Note 12. Equity Method Investments

UI is a party to a 50-50 joint venture with Clearway Energy, Inc. in GenConn, which operates two peaking generation plants in Connecticut. UI's investment in GenConn is being accounted for as an equity investment, the carrying value of which was $78.8 million and $82.5 million as of September 30, 2023 and December 31, 2022, respectively.

UI's pre-tax income from its equity investment in GenConn was $0.9 million and $1.2 million for the three months ended September 30, 2023 and 2022, respectively. UI's pre-tax income from its equity investment in GenConn was $2.4 million and $2.6 million for the nine months ended September 30, 2023 and 2022, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections, respectively, of the condensed statements of cash flows. UI received cash distributions from GenConn of $2.7 million and $3.2 million during the three months ended September 30, 2023 and 2022, respectively. UI received cash distributions from GenConn of $6.2 million and $6.8 million for the nine months ended September 30, 2023 and 2022, respectively.

Note 13. Other Income and Other Deductions

Other income and deductions for the three and nine months ended September 30, 2023 and 2022, respectively, consisted of:

Three Months Ended September 30,	2023	2022
(Thousands)		
Interest and dividends income	$ 1,220	$ 1,147
Allowance for funds used during construction	4,157	2,990
Carrying costs on regulatory assets	1,188	717
Miscellaneous	(1)	23
Total other income	**$ 6,564**	**$ 4,877**
Pension non-service components	$ (90)	$ 825
Miscellaneous	(307)	17
Total other deductions	**$ (397)**	**$ 842**

Nine Months Ended September 30,		2023		2022
(Thousands)				
Interest and dividends income	$	4,014	$	3,202
Allowance for funds used during construction		9,924		7,911
Carrying costs on regulatory assets		3,606		3,216
Miscellaneous		49		26
Total other income	**$**	**17,593**	**$**	**14,355**
Pension non-service components	$	(470)	$	(382)
Miscellaneous		(604)		(1,548)
Total other deductions	**$**	**(1,074)**	**$**	**(1,930)**

Note 14. Related Party Transactions

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

AGR, through its affiliates, provides administrative and management services to Networks operating utilities, including UI, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating and capital services provided to UI by AGR and its affiliates was $64.3 million and $54.8 million for the nine months ended September 30, 2023 and 2022, respectively. The charge for services provided by UI to AGR and its subsidiaries was approximately $4.5 million and $5.9 million for the nine months ended September 30, 2023 and 2022, respectively. All charges for services are at cost.

The balance in accounts payable to affiliates of $58.4 million at September 30, 2023 and $68.3 million at December 31, 2022 is primarily due to UIL Holdings. The balance in accounts receivable from affiliates of $0.5 million at September 30, 2023 and $1.5 million at December 31, 2022 is receivable from various companies.

There were no notes receivable from affiliates at September 30, 2023. The balance in notes receivable from affiliates of $82.6 million at December 31, 2022 was due as follows: $16.1 million due from NYSEG, $7.0 million due from CMP, $9.6 million due from BGC, $25.5 million due from CNG, $24.4 million due from SCG. Notes receivable from affiliates relate to the Virtual Money Pool Agreement as discussed in Note 6 of these condensed financial statements.