THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

TABLE OF CONTENTS

THE UNITED ILLUMINATING COMPANY
STATEMENTS OF INCOME
(Unaudited)

Periods Ended September 30, (Thousands)	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
Operating Revenues	$ 282,312	$ 257,019	$ 787,389	$ 747,035
Operating Expenses				
Purchased power	63,960	51,650	201,621	165,127
Operation and maintenance	101,715	97,094	270,940	277,923
Depreciation and amortization	26,610	25,322	81,385	74,030
Taxes other than income taxes	32,305	29,183	85,791	82,957
Total Operating Expenses	224,590	203,249	639,737	600,037
Operating Income	57,722	53,770	147,652	146,998
Other Income and (Expense), net	1,473	(2,344)	(1,385)	(4,367)
Interest Expense, net	10,705	11,064	32,660	31,653
Income from Equity Investments	1,989	2,305	5,742	6,728
Income Before Income Tax	50,479	42,667	119,349	117,706
Income Tax	11,259	8,323	25,166	21,340
Net Income	$ 39,220	$ 34,344	$ 94,183	$ 96,366

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEETS
ASSETS
(Unaudited)

As of	September 30, 2020	December 31, 2019
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 1,302	$ 3,643
Accounts receivable and unbilled revenues, net	184,242	150,352
Accounts receivable from affiliates	20,724	56,498
Notes receivable from affiliates	-	19,375
Regulatory assets	35,666	35,086
Materials and supplies	6,463	5,986
Derivative assets	382	331
Refundable taxes	5,755	7,100
Prepayments and other current assets	16,493	3,244
Total Current Assets	271,027	281,615
Other Investments		
Equity investment in GenConn	90,338	93,647
Other	12,610	12,771
Total Other Investments	102,948	106,418
Net Property, Plant and Equipment	2,630,310	2,568,455
Operating lease right of use assets	11,085	12,220
Regulatory Assets	498,257	472,693
Deferred Charges and Other Assets		
Derivative assets	1,752	1,807
Other	3,765	3,033
Total Deferred Charges and Other Assets	5,517	4,840
Total Assets	$ 3,519,144	$ 3,446,241

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEETS
LIABILITIES AND CAPITALIZATION
(Unaudited)

As of	September 30, 2020	December 31, 2019
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 50,000	$ 50,000
Notes payable to affiliates	3,675	-
Accounts payable and accrued liabilities	128,654	123,637
Accounts payable to affiliates	36,561	52,794
Regulatory liabilities	25,756	17,326
Interest accrued	10,761	11,362
Taxes accrued	21,587	14,642
Derivative liabilities	13,114	11,442
Operating lease liabilities	1,773	1,790
Other liabilities	13,703	18,411
Total Current Liabilities	305,584	301,404
Deferred Income Taxes	369,135	340,930
Regulatory Liabilities	440,295	444,520
Other Noncurrent Liabilities		
Pension and post-retirement	244,254	260,828
Derivative liabilities	61,415	63,382
Environmental remediation costs	21,500	15,461
Operating lease liabilities	13,575	14,484
Other	17,961	14,422
Total Other Noncurrent Liabilities	358,705	368,577
Capitalization		
Long-term debt	812,200	811,768
Common Stock Equity		
Common stock	1	1
Paid-in capital	806,230	806,230
Retained earnings	426,994	372,811
Net Common Stock Equity	1,233,225	1,179,042
Total Capitalization	2,045,425	1,990,810
Total Liabilities and Capitalization	$ 3,519,144	$ 3,446,241

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

THE UNITED ILLUMINATING COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

Periods Ended September 30,	2020	2019
(Thousands)		
Cash Flows From Operating Activities		
Net income	$ 94,183	$ 96,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82,524	75,156
Deferred income taxes	22,345	1,379
Uncollectible expense	15,194	21,375
Pension expense	13,011	16,722
Allowance for funds used during construction (AFUDC) - equity	(5,801)	(4,115)
Undistributed (earnings) in equity investments	(5,741)	(6,728)
Regulatory assets/liabilities amortization	1,446	3,907
Regulatory assets/liabiities carrying cost	568	783
Other non-cash items, net	1,677	(40)
Changes in:		
Accounts receivable and unbilled revenues, net	(14,610)	(8,962)
Accounts payable and accrued liabilties	(597)	(41,022)
Cash distribution received from GenConn	5,965	6,813
Taxes accrued and refundable	8,290	(3,717)
Pension and post-retirement	(29,585)	(15,435)
Regulatory assets/liabilities	(25,227)	10,050
Environmental liabilities	6,039	(4,301)
Other assets	(14,399)	(15,767)
Other liabilities	3,114	2,196
Total Adjustments	64,213	38,294
Net Cash provided by Operating Activities	158,396	134,660
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(146,684)	(114,996)
Cash distribution from GenConn	3,078	3,997
Notes receivable from affiliates	19,375	10,850
Net Cash used in Investing Activities	(124,231)	(100,149)
Cash Flows from Financing Activities		
Issuances of long-term debt	-	50,000
Payment of long-term debt	-	(31,000)
Notes payable to affiliates	3,553	38,521
Payment of common stock dividend	(40,000)	(90,000)
Other	-	(365)
Net Cash Used in Financing Activities	(36,447)	(32,844)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(2,282)	1,667
Balance at beginning of period	4,621	2,819
Balance at end of period	$ 2,339	$ 4,486
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 14,586	$ 21,945

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

THE UNITED ILLUMINATING COMPANY

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2020
(Unaudited)

	Common Stock		Paid-in	Retained	
(Thousands of dollars)	Shares	Amount	Capital	Earnings	Total
As of December 31, 2019	100	$ 1	$ 806,230	$ 372,811	$ 1,179,042
Net income				94,183	94,183
Payment of common stock dividend				(40,000)	(40,000)
As of September 30, 2020	100	$ 1	$ 806,230	$ 426,994	$ 1,233,225

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

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

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

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

Accounting Records

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

Basis of Presentation

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

Preparation of the accompanying unaudited financial statements requires management to make estimates and assumptions that affect the amounts reported during the periods covered by the related financial statements and accompanying disclosures. UI continues to utilize information reasonably available to management; however, the business and economic uncertainty resulting from the global pandemic of the novel coronavirus (COVID-19) has made such estimates and assumptions more difficult to assess and calculate. Impacted estimates include, but are not limited to, evaluations of certain long-lived assets for impairment, expected credit losses and potential regulatory deferral or recovery of certain costs. While there were no material impacts from COVID-19 on financial results, actual results could differ from those estimates, which could result in material impacts to UI's consolidated statements in future reporting periods.

UI's total comprehensive income is equal to net income for the three and nine months ended September 30, 2020 and 2019.

UI has evaluated subsequent events through the date its financial statements were available to be issued, November 18, 2020.

Revenues

UI presents revenue in accordance with Accounting Standards Codification (ASC), Topic 606 "Revenue from Contracts with Customers" (ASC 606). UI derives its revenues primarily from tariff-based sales of electricity. For such revenues, UI recognizes 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 the 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. UI calculates revenue earned but not yet billed based on the number of days not billed in the month, the estimated amount of energy delivered during those days and the estimated average price per customer class for that month. Differences between actual and estimated unbilled revenue are immaterial.

Transmission revenue results from others' use of UI'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 for all of those sales based upon the regulatory-approved tariff and the volume delivered or transmitted, which corresponds to the amount that UI has a right to invoice. There are no material initial incremental costs of obtaining a contract in any of the arrangements. UI does not adjust the promised consideration for the effects of a significant financing component if it expects, at contract inception, that the time between the delivery of promised goods or service and customer payment will be one year or less. UI does not have any material significant payment terms because it receives payment at or shortly after the point of sale.

UI also records revenue from Alternative Revenue Programs (ARPs), which is not ASC 606 revenue. Such programs represent contracts between the UI and their regulators. UI's ARPs include revenue decoupling mechanisms, other ratemaking mechanisms and annual revenue requirement reconciliations. UI recognizes and records only the initial recognition of "originating" ARP revenues (when the regulatory-specified conditions for recognition have been met). When UI subsequently includes those amounts in the price of utility service billed to customers, they record such amounts as a recovery of the associated regulatory asset or liability. When they owe amounts to customers in connection with ARPs, they evaluate those amounts on a quarterly basis and include them in the price of utility service billed to customers and do not reduce ARP revenues.

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, derivatives, or ARPs.

Revenues disaggregated by major source are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
(Thousands)				
Regulated operations – electricity	$ 276,057	$ 251,468	$ 752,852	$ 724,035
Other (a)	825	1,793	2,745	5,268
Revenue from contracts with customers	**276,882**	**253,261**	**755,597**	**729,303**
Leasing revenue	325	327	972	992
Alternative revenue programs	4,736	3,062	29,635	15,569
Other Revenue	369	369	1,185	1,171
Total operating revenues	**$ 282,312**	**$ 257,019**	**$ 787,389**	**$ 747,035**

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

Regulatory Accounting

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

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

Unless otherwise stated below, all of UI's regulatory assets earn a return. UI's regulatory assets and liabilities as of September 30, 2020 and December 31, 2019 included the following:

	Remaining Period	September 30, 2020	December 31, 2019
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	2 to 14 years	$ 5,982	$ 6,567
Pension and other post-retirement benefit plans	(a)	217,917	217,917
Unfunded future income taxes	(b)	159,618	154,538
Contracts for differences	(c)	72,395	72,686
Excess generation service charge	(d)	6,967	-
Deferred transmission expense	(e)	13,953	10,967
COVID-19 cost recovery	(f)	2,074	-
Revenue decoupling mechanism	2 years	11,367	7,540
Other	(g)	43,650	37,564
Total regulatory assets		533,923	507,779
Less current portion of regulatory assets		35,666	35,086
Regulatory Assets, Net		$ 498,257	$ 472,693
Regulatory Liabilities:			
Accumulated deferred investment tax credits	15.5 - 19 years	$ 12,467	$ 13,015
Excess generation service charge	(d)	-	11,418
Middletown/Norwalk local transmission network service collections	31 years	17,532	17,962
Pension and other post-retirement benefit plans	(a)	14,861	14,861
Asset removal costs	(f)	66,223	65,452
Tax reform	(h)	322,417	316,378
Other	(g)	32,551	22,760
Total regulatory liabilities		466,051	461,846
Less current portion of regulatory liabilities		25,756	17,326
Regulatory Liabilities, Net		$ 440,295	$ 444,520

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

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

(c) Asset life is equal to delivery term of related contracts (which vary from approximately 3.5 – 5.5 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note J); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "Contracts for Differences" discussion above for additional information.

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

(e) Regulatory asset or liability which defers transmission income or expense and fluctuates based upon actual revenues and revenue requirements.
(f) 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 the utilities to track COVID-19 related expenses and lost revenue and create a regulatory asset.
(g) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; revenue decoupling mechanism and certain other amounts are not currently earning a return.
(h) Balance includes customer impacts from the 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 customers for these deferred taxes to be refundable to such customers, generally through future rates. The amount and timing of potential settlement are determined PURA and IRS Normalization rules.

Derivatives

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

Contracts for Differences (CfDs)

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of September 30, 2020, UI has recorded a gross derivative asset of $2.1 million, a regulatory asset of $72.4 million and a gross derivative liability of $74.5 million ($71.9 million of which is related to UI's portion of the CfD signed by CL&P). See Note (J) "Fair Value of Financial Instruments" for additional CfD information.

The gross derivative assets and liabilities as of September 30, 2020 and December 31, 2019 were as follows:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 382	$ 331
Deferred Charges and Other Assets	$ 1,752	$ 1,807
Gross derivative liabilties:		
Current Liabilities	$ 13,114	$ 11,442
Noncurrent Liabilities	$ 61,415	$ 63,382

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, for the three and nine-month periods September 30, 2020 and 2019, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(In Thousands)		(In Thousands)	
Regulatory Assets - Derivative liabilities	$ (2,621)	$ (719)	$ (290)	$ 516
Regulatory Liabilities - Derivative assets	$ -	$ -	$ -	$ -

Equity Investments

UI is 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 $90.3 million and $93.6 million as of September 30, 2020 and December 31, 2019, respectively. As of September 30, 2020, there was $0.1 million of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $2.0 million and $2.3 million for the three-month periods ended September 30, 2020 and 2019, respectively. UI's pre-tax income from its equity investment in GenConn was $5.7 million and $6.7 million for the nine-month periods ended September 30, 2020 and 2019, respectively

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections of the Statement of Cash Flows, respectively. UI received cash distributions from GenConn of $4.0 million and $4.3 million during the three-month periods ended September 30, 2020 and 2019, respectively. UI received cash distributions from GenConn of $9.0 million and $10.8 million during the nine-month periods ended September 30, 2020 and 2019, respectively.

Variable Interest Entities

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

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

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

Adoption of New Accounting Pronouncements

Measurement of credit losses on financial instruments, amendments and updates

The FASB issued an accounting standards update in June 2016 that requires more timely recording of credit losses on loans and other financial instruments (ASC 326). The amendments affect entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income (loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, etc.). They require an entity to present a financial asset (or group of financial assets) that is measured at amortized cost basis at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods appropriate in its circumstances. The FASB subsequently issued various updates to ASC 326 to clarify transition and scope requirements, make narrow-scope codification improvements, including in March 2020, and corrections and provide targeted transition relief. UI adopted the amendments effective January 1, 2020, including the narrow-scope improvements issued in March 2020 with no effect to its results of operations, financial position, cash flows and disclosures.

Changes to the disclosure requirements for fair value measurement and defined benefit plans

In August 2018, the FASB issued amendments related to disclosure requirements for both fair value measurement and defined benefit plans.

The amendments concerning fair value measurement remove, modify and add certain disclosure requirements, in order to improve the overall usefulness of the disclosures and reduce unnecessary costs to companies to prepare the disclosures. UI adopted the amendments effective January 1, 2020, with no material effect to its disclosures. Certain amendments are to be applied prospectively, and all others are to be applied retrospectively.

The amendments concerning disclosure requirements for defined benefit plans are narrow in scope and apply to all employers that sponsor defined benefit pension or other postretirement plans. The amendments change annual disclosures requirements, including removal of disclosures that are no longer considered cost beneficial, adding certain new relevant disclosures and clarifying specific requirements of disclosures concerning information for defined benefit pension plans. UI adopted the amendments effective January 1, 2020, and they will not materially affect the disclosures for the fiscal year ending December 31, 2020. As required, the application will be on a retrospective basis.

Clarifying guidance for certain collaborative arrangements with respect to revenue recognition

The FASB issued amendments in November 2018 to clarify the interaction between the guidance for certain collaborative arrangements and the guidance applicable to ASC 606. A collaborative arrangement is a contractual arrangement under which two or more parties actively participate in a joint operating activity and are exposed to significant risks and rewards that depend on the activity's commercial success. The targeted improvements clarify that certain transactions between collaborative arrangement participants are within the scope of ASC 606 and thus subject to all of its guidance. UI adopted the amendments effective January 1, 2020, with no material effect to its results of operations, financial position, cash flows and disclosures. As required, UI retrospectively applied the amendments to the date of our initial application of ASC 606.

Accounting Pronouncements Issued But Not Yet Adopted

The following are new accounting pronouncements issued as indicated, that UI has evaluated or is evaluating to determine their effect on its financial statements.

Simplifying the accounting for income taxes

In December 2019, the FASB issued an accounting standards update that is intended to reduce complexity in accounting for income taxes. The amendments remove specific exceptions to the general principles in ASC 740, Income Taxes, eliminating the need for an entity to analyze whether the following apply in a given period: (1) exception to the incremental approach for intra-period tax allocation, (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The amendments also improve financial statement preparers' application of income-tax related guidance and simplify U. S. GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax and (4) enacted changes in tax laws in interim periods. The amendments are effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued, with adoption of all amendments in the same period. Application is on a retrospective and/or modified retrospective basis, or a prospective basis, depending on the amendment aspect. UI expects its adoption will not materially affect its results of operations, financial position, and cash flows.

Facilitation of the effects of reference rate reform on financial reporting

In March 2020, the FASB issued amendments to provide temporary optional guidance to entities to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The amendments respond to concerns about structural risks of interbank offered rates, and particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). The guidance is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform, around the end of 2021. The guidance applies to contracts that have modified terms that affect, or have the potential to affect, the amount or timing of contractual cash flows resulting from the discontinuance of the reference rate reform. The amendments are effective for all entities as of March 12, 2020, through December 31, 2022, although the FASB has indicated it will monitor developments in the marketplace and consider whether developments warrant an extension. UI expects the adoption will not materially affect its results of operations, financial position and cash flows.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at September 30, 2020 and December 31, 2019.

(C) REGULATORY PROCEEDINGS

Rates

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

UI's approved three-year distribution rate schedules became effective January 1, 2017 and include, among other things, annual tariff increases and an ROE of 9.10% based on a 50% 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. UI continues to charge the rates that were in effect at the end of the rate plan.

Power Supply Arrangements

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

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

UI has wholesale power supply agreements in place for its entire standard service load for 2020 and for the first half of 2021 and for 70% of the second half of 2021. Supplier of last resort service is procured on a quarterly basis, however, from time to time there are no bidders in the procurement process for supplier of last resort service and in such cases UI manages the load directly.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 "Derivatives and Hedging" and elected the "normal purchase, normal sale" exception under ASC 815 "Derivatives and Hedging." UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI's credit rating on senior debt were to fall below investment grade. If such an event had occurred as of September 30, 2020, UI would have had to post an aggregate of approximately $13.1 million in collateral.

New Renewable Source Generation

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

In October of 2018, UI entered into five PPAs totaling approximately 50 MW from developers of offshore wind and fuel cell generation. These PPAs originated from an RFP issued by DEEP, under PA 17-144 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were filed for PURA approval on October 25, 2018. On December 19, 2018, PURA issued its final decision approving the five PPAs, and approved UI's use of the non by-passable federally mandated congestion charges for all customers to recover the net costs of the PPAs.

On December 28, 2018, DEEP issued a directive to UI to negotiate and enter into PPAs with twelve projects, totaling approximately 12 million MWh, that were selected as a result of the Zero Carbon RFP issued by DEEP pursuant to PA 17-3, which provides that the net costs of the PPAs are recoverable through electric rates. One of the selected projects is the Millstone nuclear facility located in Waterford, Connecticut which is owned by Dominion Energy, Inc. UI completed negotiations and executed the PPA with the Millstone nuclear facility. UI filed the PPA with PURA on March 29, 2019, and PURA approved the PPA in September 2019. UI finalized negotiations and executed ten PPAs with ten of the remaining selected projects that were filed with PURA on May 31, 2019. At the direction of PURA, UI refiled Amended and Restated PPA's for nine of these projects in November 2019 and PURA approved those nine PPAs also in November 2019. The remaining PPA was executed and received final PURA approval in September 2020. The twelfth selected project has declined to continue negotiations.

In August 2019, DEEP issued a RFP for up to 2,000 MW of offshore wind. On December 5, 2019, DEEP announced that it had selected Vineyard Wind, an affiliate of UI, to provide 804 MW of offshore wind through the development of its Park City Wind Project. DEEP also ordered Eversource and UI to negotiate PPAs with Vineyard Wind. Similar to the case with the zero carbon PPAs discussed above, the net costs of the PPAs are recoverable through electric rates. The PPA was filed for PURA approval on May 21, 2020, and final PURA approval was received in September, 2020.

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 2020, UI is using an estimated overall allowed weighted-average ROE for its transmission business of 11.26% as of September 30, 2020.

On December 28, 2015, the FERC issued an order instituting section 206 proceedings and establishing hearing and settlement judge procedures. Pursuant to section 206 of the FPA, the FERC instituted proceedings because it found that ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. The FERC stated that ISO-NE's Tariff lacks adequate transparency and challenge procedures with regard to the formula rates for ISO-NE Participating Transmission Owners (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 August 17, 2018, the PTOs submitted a formula rate settlement proposal, which was contested by certain parties, yet supported by the presiding judge. On May 22, 2019, FERC rejected the settlement and on June 15, 2020, the PTOs submitted an uncontested formula rate settlement. The PTOs requested that FERC approve the settlement by November 1, 2020, and make the formula rate tariff sheets effective on January 1, 2021. If, however, FERC approves the settlement after November 1, 2020, the PTOs requested that FERC make formula rate tariff sheets effective on the first January 1st that is at least two months after FERC approves the settlement. UI is unable to predict the outcome of this proceeding at this time.

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

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

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $7.2 million as of September 30, 2020, which has not changed since December 31, 2019, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings.

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

On November 21, 2019, the FERC issued rulings on two complaints challenging the base return on equity for Midcontinent Independent System Operator, or MISO transmission owners. These rulings established a new zone of reasonableness based on equal weighting of the DCF and capital-asset pricing model for establishing the base return on equity. This resulted in a base return on equity of 9.88% as the midpoint of the zone of reasonableness. Various parties have requested rehearing on this decision, which was granted. On May 21, 2020, FERC issued a ruling, which, among other things, adjusted the methodology to determine the MISO transmission owners' ROE, resulting in an increase in ROE from 9.88% to 10.02% by utilizing the risk premium model in addition to the DCF model and capital-asset pricing model under both prongs of Section 206 of the FPA, and calculated the zone of reasonableness into equal thirds rather than employing the quartile approach. UI cannot predict the outcome of these proceedings, including the potential impact the MISO transmission owners' ROE proceeding may have in establishing a precedent for the pending four Complaints.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with Clearway Energy, Inc. in GenConn, which operates two peaking generation plants in Connecticut. The two peaking generation plants, GenConn Devon and GenConn Middletown, are both participating in the ISO-New England markets. PURA had approved revenue requirements for the period from January 1, 2020 through December 31, however GenConn filed to reopen the related docket with PURA on April 3, 2020, for the purposes of resetting 2020 revenue requirements after a recalculation of excess deferred income taxes. GenConn expects the results of this reopened filing to occur prior to the final decisions associated with its planned 2021 revenue requirements filing which is expected in the fourth quarter of 2020.

(D) SHORT-TERM CREDIT ARRANGEMENTS

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 Avangrid 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. There were no borrowings under this agreement as of September 30 2020 and December 31, 2019. There were no note receivables under this arrangement as of September 30, 2020 and December 31, 2019.

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. There were $3.7 million in borrowings under this agreement as of September 30, 2020. There were no borrowings under this agreement as of December 31, 2019.

On June 29, 2020, Avangrid, Inc. and its subsidiaries, including UI, amended its revolving credit facility agreement in place with several lenders (the 2020 Avangrid Credit Facility) that provides for maximum borrowings up to $2.5 billion in the aggregate. The 2020 Avangrid Credit Facility replaces and supersedes the prior revolving credit facility entered into by Avangrid, Inc. and its subsidiaries on June 29, 2018, which provided maximum borrowings of up to $2.5 billion in the aggregate.

Under the 2020 Avangrid Credit Facility, UI has a maximum sublimit of $400 million. Additionally, under the Avangrid Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 15 to 30 basis points. The maturity date for the Avangrid Credit Facility is June 28, 2024. As of September 30, 2020 and December 31, 2019, UI did not have any outstanding borrowings under the 2020 Avangrid Credit Facility.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The effective income tax rates for the nine-month period ended September 30, 2020 and 2019 were 21.09% and 18.13% respectively. The effective income tax rate increase is due to primarily the higher state income taxes.

(F) PENSION AND OTHER BENEFITS

UI made pension contributions of $15.8 million during the nine months ended September 30, 2020. UI currently expects to make additional pension contributions of approximately $16.8 million in 2020. Such contribution levels will be adjusted, if necessary, based on actuarial calculations.

The following table represents the components of net periodic benefit cost for pension and other postretirement benefits (OPEB) as well as the actuarial weighted-average assumptions used in calculating net periodic benefit costs for the three-month and six-month periods ended September 30, 2020 and 2019:

	Three Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2020	2019	2020	2019
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,336	$ 1,298	$ 163	$ 189
Interest cost	4,813	5,553	457	563
Expected return on plan assets	(7,082)	(6,024)	(422)	(404)
Amortization of:				
Prior service costs	-	(602)	(384)	(384)
Actuarial (gain) loss	5,822	5,795	(200)	(275)
Net periodic benefit cost	$ 4,889	$ 6,020	$ (387)	$ (312)

	Nine Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2020	2019	2020	2019
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 4,008	$ 3,895	$ 488	$ 566
Interest cost	14,438	16,658	1,370	1,689
Expected return on plan assets	(21,245)	(18,073)	(1,266)	(1,212)
Amortization of:				
Prior service costs	-	(1,805)	(1,153)	(1,153)
Actuarial (gain) loss	17,467	17,384	(599)	(824)
Net periodic benefit cost	$ 14,668	$ 18,059	$ (1,160)	$ (935)
Discount rate	3.19%	4.09%	3.19%	4.09%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.40%	7.40%	6.25%	6.25%
Health care trend rate (current year - pre/post-65)	N/A	N/A	6.75%/5.50%	7.00%/5.75
Health care trend rate (2029/2025 - pre/post-65)	N/A	N/A	4.50%/4.50%	4.50%/4.50

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

During the nine-month periods ended September 30, 2020 and 2019, UI received cash distributions from GenConn. See Note (A) Business Organization and Statement of Accounting Policies – Equity Investments.

Inter-company Transactions

UI receives various administrative and management services from and enters into certain inter-company transactions with UIL Holdings and its subsidiaries. For the nine-month periods ended September 30, 2020 and 2019, UI recorded inter-company expenses of $39.9 million and $40.3 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of UIL Holdings' regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers and are included in Accounts receivable from affiliates and Accounts payable to affiliates in the accompanying balance sheets.

Dividends/Capital Contributions

For the nine-month periods ended September 30, 2020 and 2019, UI paid $40 million and $90 million, respectively, in dividends to UIL Holdings.

(H) COMMITMENTS AND CONTINGENCIES

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

Connecticut Yankee Atomic Power Company

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

Every six years, pursuant to the statute of limitations, Connecticut Yankee needs to file a lawsuit to recover damages from the Department of Energy (the "Government") for breach of the Nuclear Spent Fuel Disposal Contract to remove Spent Nuclear Fuel and Greater than Class C Waste as required by contract and the Nuclear Waste Policy Act beginning in 1998. The damages are the incremental costs for the Government's failure to take the spent nuclear fuel.

From 2012 to 2016 Connecticut Yankee filed three claims against the DOE (Phase I, II and III) for the years from 1995 to 2012 and received damage awards, which flow through Connecticut Yankee to shareholders (including UI) based on its' percentage of ownership) to reduce retail customer charges. UI refunded its share of such awards to its customers through the nonbypassable federally mandated congestion charge. On May 22, 2017, Connecticut Yankee filed its next case (Phase IV) in the Federal Court of Claims (Court), seeking damages for the period from January 1, 2013 through December 31, 2016 and submitted their claimed Phase IV damages to the DOE in late August 2017. The Court issued its decision on the Phase IV trial on February 21, 2019, awarding Connecticut Yankee $40.7 million. On April 23, 2019, the notice of appeal period expired and the Phase IV trial award became final. The Government has paid Connecticut Yankee the full amount of the damage award which will not be distributed to shareholders and will instead be used to meet its obligations, including storing spent nuclear fuel safely and reliably for 15 years and to pay down its obligation to pay the DOE a one-time fee in connection with pre-1983 spent nuclear fuel.

The trial court decisions, the appeals court decisions in this case, and legal precedents, provide strong support that the Yankee Companies will continue to recover future costs caused by the Government's breach. The Company cannot predict the exact outcome or the timing of these proceedings.

Environmental Matters

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

Site Decontamination, Demolition and Remediation Costs

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then 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 Connecticut Department of Energy and Environmental Protection (DEEP) concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party.

In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit related to the English Station site. On April 16, 2018, the plaintiffs filed a revised complaint alleging fraud and unjust enrichment against UIL Holdings and UI and adding former UIL Holdings 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 Holdings. The plaintiffs have appealed the court's decision to strike. 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 initiated 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, 2020 and December 31, 2019, the remaining amount reserved for this matter was $17.3 million and $16.4 million, respectively. UI cannot predict the outcome of this matter.

On April 24, 2020, ACV Environmental Services Company (ACV) filed a lawsuit in Connecticut Superior Court against UI arising out of a contract dispute for services rendered by ACV in the demolition of the Station B at the English Station site. The complaint seeks damages in the amount of $5 million on claims of breach of contract, breach of the covenant of good faith and fair dealing, quantum merit, and unjust enrichment. The claims arise from the alleged non-payment of certain change order requests. UI 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. As of September 30, 2020 and December 31, 2019, the amount reserved for this property was $7.8 million.

(I) FAIR VALUE MEASUREMENTS

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

The following tables set forth the fair value of UI's financial assets and liabilities, other than pension benefits and other postretirement benefits, as of September 30, 2020 and December 31, 2019:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2020		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	2,134	$ 2,134
Supplemental retirement benefit trust life insurance policies	-	12,399	-	12,399
	-	12,399	2,134	14,533
Liabilities:				
Derivative liabilities	-	-	74,529	74,529
	-	-	74,529	74,529
Net fair value assets/(liabilities), September 30, 2020	$ -	$ 12,399	$ (72,395)	$ (59,996)
December 31, 2019				
Assets:				
Derivative assets	$ -	$ -	$ 2,138	$ 2,138
Supplemental retirement benefit trust life insurance policies	-	12,568	-	12,568
	-	12,568	2,138	14,706
Liabilities:				
Derivative liabilities	-	-	74,824	74,824
	-	-	74,824	74,824
Net fair value assets/(liabilities), December 31, 2019	$ -	$ 12,568	$ (72,686)	$ (60,118)

Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The derivative assets consist primarily of CfDs. The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at the September 30, 2020 or December 31, 2019 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

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

	Unobservable Input	Range at September 30, 2020	Range at December 31, 2019
Contracts for differences	Risk of non-performance	0.59% - 0.64%	0.05% - 0.45%
	Discount rate	0.29% - 0.49%	1.69% - 1.83%
	Forward pricing ($ per MW)	$2.00 - $5.30	$3.80 - $7.03

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

The determination of the fair value of the supplemental retirement benefit trust life insurance policies was based on quoted prices as of September 30, 2020 and December 31, 2019 in the active markets for the various funds within which the assets are held.

The following tables set forth a reconciliation of changes in the fair value of the assets and liabilities above that are classified as Level 3 in the fair value hierarchy for the nine month period ended September 30, 2020:

	Nine Months Ended September 30, 2020 (In Thousands)	
Net derivative assets/(liabilities), December 31, 2019	$	(72,686)
Unrealized gains and (losses), net		291
Net derivative assets/(liabilities), September 30, 2020	$	(72,395)
Change in unrealized gains (losses), net relating to net derivative	$	291

(J) SUBSEQUENT EVENT

In March 2020 the World Health Organization declared a global pandemic due to the outbreak of COVID-19. The continued spread of COVID-19 has led to global economic disruption and volatility in financial markets and the United States economy. UI provides essential services during this national emergency and management communicates regularly with federal and state authorities and industry resources to ensure a coordinated response. UI has implemented business continuity and emergency response plans to continue to provide service to its customers and support its operational needs. UI continues to monitor developments affecting both its workforce and its customers and will take precautions that management determines is necessary or appropriate. UI regularly communicates with customers regarding the tools and resources available and to help customers stay informed during this public health crisis. This is an evolving situation that could lead to extended disruption of economic activity in UI’s markets, which could adversely affect its business. Given the uncertain scope and duration of the COVID-19 outbreak and its potential effects on UI’s business, management currently cannot predict if there will be a material impact to UI’s business, results of operations or financial condition.

On October 20, 2020, Avangrid wholly-owned subsidiary of Avangrid (Merger Sub), entered into an Agreement and Plan of Merger (Merger Agreement), pursuant to which Merger Sub will merge with and into PNM Resources, Inc., a New Mexico corporation (PNMR), with PNMR surviving the Merger as a direct wholly-owned subsidiary of Avangrid (Merger). Pursuant to the Merger Agreement, each issued and outstanding share of the common stock of PNMR (PNMR common stock) (other than (i) the issued shares of PNMR common stock that are owned by Avangrid, Merger Sub, PNMR or any wholly-owned subsidiary of Avangrid or PNMR, which will be automatically cancelled at the time the Merger is consummated and (ii) shares of PNMR common stock held by a holder who has not voted in favor of, or consented in writing to, the Merger who is entitled to, and who has demanded, payment for fair value of such shares) will be converted, at the time the Merger is consummated, into the right to receive $50.30 in cash (Merger Consideration).

Consummation of the Merger (Closing) is subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the approval of the Merger Agreement by the holders of at least a majority of the outstanding shares of PNMR common stock entitled to vote thereon, the absence of any material adverse effect on PNMR, the receipt of certain required regulatory approvals (including approvals from the Public Utility Commission of Texas (PUCT), the New Mexico Public Regulation Commission (NMPRC), the FERC, the Federal Communications Commission (FCC), the Committee on Foreign Investment in the United States (CFIUS), the Nuclear Regulatory Commission (NRC) and approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976), the Four Corners Divestiture Agreements (as defined below) being in full force and effect and all applicable regulatory filings associated therewith being made, as well as holders of no more than 15% of the outstanding shares of PNMR common stock validly exercising their dissenters' rights. The Merger is currently expected to close in the fourth quarter of 2021.

The Merger Agreement also contains representations, warranties and covenants of PNMR, Avangrid and Merger Sub, which are customary for transactions of this type. In addition, among other things, the Merger Agreement contains a covenant requiring PNMR to, prior to the Closing, enter into agreements (Four Corners Divestiture Agreements) providing for, and to make filings required to, exit from all ownership interests in the Four Corners Power Plant, all with the objective of having the closing date for such exit be no later than December 31, 2024.

In connection with the Merger, Iberdrola, S.A. has provided Avangrid a commitment letter (Iberdrola Funding Commitment Letter), pursuant to which Iberdrola has unilaterally agreed to provide to Avangrid, or arrange the provision to Avangrid of, funds to the extent necessary for Avangrid to consummate the Merger, including the payment of the aggregate Merger Consideration. To the extent Avangrid wishes to effect a funding transaction under the Iberdrola Funding Commitment Letter in order to pay the Merger Consideration, the specific terms of any such transaction will be negotiated between Iberdrola and Avangrid on an arm's length basis and must be approved by both (i) a majority of the members of the unaffiliated committee of the board of directors of Avangrid, and (ii) a majority of the board of directors of Avangrid. Under the terms of such commitment letter, Iberdrola S.A. has agreed to negotiate with Avangrid the specific terms of any transaction effecting such funding commitment promptly and in good faith, with the objective that such terms shall be commercially reasonable and approved by Avangrid. Avangrid's and Merger Sub's obligations under the Merger Agreement are not conditioned upon Avangrid obtaining financing.

The Merger Agreement provides for certain customary termination rights including the right of either party to terminate the Merger Agreement if the Merger is not completed on or before January 20, 2022 (subject to a three-month extension by either party if all of the conditions to the closing, other than the conditions related to obtaining regulatory approvals, have been satisfied or waived). The Merger Agreement further provides that, upon termination of the Merger Agreement under certain specified circumstances (including if Avangrid terminates the Merger Agreement due to a change in recommendation of the board of directors of PNMR or if PNMR terminates the Merger Agreement to accept a superior proposal (as defined in the Merger Agreement)), PNMR will be required to pay Avangrid a termination fee of $130 million. In addition, the Merger Agreement provides that (i) if the Merger Agreement is terminated by either party due to a failure of a regulatory closing condition and such failure is the result of Avangrid's breach of its regulatory covenants, or (ii) Avangrid fails to effect the Closing when all closing conditions have been satisfied and it is otherwise obligated to do so under the Merger Agreement, then, in either such case, upon termination of the Merger Agreement, Avangrid will be required to pay PNMR a termination fee of $184 million as the sole and exclusive remedy. Upon the termination of the Merger Agreement under certain specified circumstances involving a breach of the Merger Agreement, either PNMR or Avangrid will be required to reimburse the other party's reasonable and documented out-of-pocket fees and expenses up to $10 million (which amount will be credited toward, and offset against, the payment of any applicable termination fee).

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

TABLE OF CONTENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues	$ 53,827	$ 57,827	$ 247,249	$ 279,711
Operating Expenses				
Natural gas purchased	11,373	19,122	89,662	125,896
Operation and maintenance	21,910	22,020	66,644	63,725
Depreciation and amortization	10,334	9,730	30,845	28,340
Taxes other than income taxes	6,213	6,089	21,852	22,562
Total Operating Expenses	49,830	56,961	209,003	240,523
Operating Income	3,997	866	38,246	39,188
Other Income and (Expense), net	(162)	(2,033)	(2,551)	(4,097)
Interest Expense, net	3,893	3,665	11,794	11,287
Income Before Income Tax	(58)	(4,832)	23,901	23,804
Income Tax	(216)	(860)	2,097	4,881
Net Income	$ 158	$ (3,972)	$ 21,804	$ 18,923
Less: Net Income Attributable to Noncontrolling Interest	580	432	1,631	1,116
Net Income Attributable to The Southern Connecticut Gas Company	$ (422)	$ (4,404)	$ 20,173	$ 17,807

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

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

	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 132	$ 324
Accounts receivable and unbilled revenues, net	50,081	82,056
Accounts receivable from affiliates	1,608	11,212
Notes receivable from affiliates	2,684	1,138
Regulatory assets	20,443	21,050
Gas in storage	27,817	29,275
Materials and supplies	1,626	1,587
Other tax receivables	19,834	8,587
Prepayments and other current assets	3,932	520
Total Current Assets	128,157	155,749
Other Investments	9,896	9,832
Net Property, Plant and Equipment	856,490	825,711
Operating lease right of use assets	531	592
Regulatory Assets	134,582	137,312
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	1,224	744
Total Deferred Charges and Other Assets	136,155	135,675
Total Assets	$ 1,265,811	$ 1,264,871

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

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

	September 30, 2020	December 31, 2019
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 63,058	$ 38,297
Current portion of long-term debt	25,911	911
Accounts payable and accrued liabilities	45,734	62,058
Accounts payable to affiliates	5,674	13,294
Regulatory liabilities	11,980	10,766
Other current liabilities	8,999	7,338
Interest accrued	2,315	4,213
Taxes accrued	3,263	5,424
Operating lease liabilities	601	601
Total Current Liabilities	167,535	142,902
Deferred Income Taxes	66,912	55,045
Regulatory Liabilities	215,441	210,801
Other Noncurrent Liabilities		
Pension and other postretirement	57,225	62,680
Asset retirement obligations	12,921	12,434
Operating lease liabilities	266	335
Environmental remediation costs	43,706	45,659
Other	7,715	7,230
Total Other Noncurrent Liabilities	121,833	128,338
Capitalization		
Long-term debt, net of unamortized premium	218,117	243,616
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	387,737	387,737
Retained earnings	46,670	56,497
Net Common Stock Equity of The Southern Connecticut Gas Company	453,168	462,995
Noncontrolling interest	22,805	21,174
Total Common Stock Equity	475,973	484,169
Total Capitalization	694,090	727,785
Total Liabilities and Capitalization	$ 1,265,811	$ 1,264,871

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

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows From Operating Activities		
Net income	$ 21,804	$ 18,923
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,067	28,570
Uncollectible expense	3,762	6,550
Deferred income taxes	11,868	3,060
Pension expense	3,780	4,608
Regulatory assets/liabilities amortization	1,255	(994)
Regulatory assets/liabilities carrying cost	1,676	867
Other non-cash items, net	1,328	452
Changes in:		
Accounts receivable and unbilled revenue, net	36,417	33,085
Gas in storage	1,458	(330)
Accounts payable and accrued liabilities	(22,720)	(31,450)
Taxes accrued/refundable, net	(21,995)	(3,217)
Interest accrued	(1,898)	(492)
Accrued pension and other post-retirement	(9,235)	(7,266)
Regulatory assets/liabilities	1,220	17,256
Other assets	4,441	(5,124)
Other liabilities	(1,399)	(276)
Total Adjustments	41,025	45,299
Net Cash provided by Operating Activities	62,829	64,222
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(56,412)	(63,604)
Notes receivable from affiliates	(1,546)	(1,651)
Net Cash used in Investing Activities	(57,958)	(65,255)
Cash Flows from Financing Activities		
Issuances of long-term debt	-	75,000
Equity infusion from parent	-	18,000
Payment of common stock dividend	(30,000)	-
Notes payable to affililiates	24,722	(92,956)
Other	-	(456)
Net Cash used in Financing Activities	(5,278)	(412)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(407)	(1,445)
Balance at beginning of period	836	2,459
Balance at end of period	$ 429	$ 1,014
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 11,705	$ 8,319

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

THE SOUTHERN CONNECTICUT GAS COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2020

(Thousands of Dollars)

(Unaudited)

	Common Stock				Paid-in		Retained		Noncontrolling		
	Shares		Amount		Capital		Earnings		Interest		Total
Balance as of December 31, 2019	16,323,442,272	$	18,761	$	387,737	$	56,497	$	21,174	$	484,169
Net income attributable to The Southern Connecticut Gas Company							20,173				20,173
Net income attributable to Noncontrolling interest									1,631		1,631
Payment of common stock dividend							(30,000)				(30,000)
Balance as of September 30, 2020	16,323,442,272	$	18,761	$	387,737	$	46,670	$	22,805	$	475,973

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

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

TABLE OF CONTENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Operating Revenues	$ 8,330	$ 8,332	$ 53,855	$ 58,628
Operating Expenses				
Natural gas purchased	964	537	16,139	21,287
Operation and maintenance	7,059	6,821	21,611	21,258
Depreciation and amortization	2,075	1,990	6,210	6,018
Taxes other than income taxes	1,193	1,097	3,834	3,688
Total Operating Expenses	11,291	10,445	47,794	52,251
Operating Income	(2,961)	(2,112)	6,061	6,377
Other Income and (Expense), net	(314)	(112)	(972)	(495)
Interest Expense, net	713	781	2,200	2,397
Income Before Income Tax	(3,988)	(3,005)	2,889	3,485
Income Tax	143	1,740	707	1,056
Net Income	$ (4,131)	$ (4,745)	$ 2,182	$ 2,429

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

	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 49	$ 482
Accounts receivable and unbilled revenues, net	4,865	15,978
Accounts receivable from affiliates	132	1,773
Regulatory assets	7,402	9,975
Gas in storage	2,299	2,473
Materials and supplies	1,354	1,116
Other current assets	4,232	1,967
Total Current Assets	20,333	33,764
Other Investments	2,071	2,185
Net Property, Plant and Equipment	197,433	191,448
Regulatory Assets	32,008	33,316
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	53	62
Total Deferred Charges and Other Assets	51,986	51,995
Total Assets	$ 303,831	$ 312,708

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

	September 30, 2020	December 31, 2019
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 1,960	$ 23,030
Current portion of long-term debt	1,700	10,062
Accounts payable and accrued liabilities	6,201	12,745
Accounts payable to affiliates	1,116	2,052
Other current liabilities	1,478	1,410
Interest accrued	571	789
Regulatory liabilities	56	2,132
Total Current Liabilities	13,082	52,220
Deferred Income Taxes	26,681	24,693
Regulatory Liabilities	52,093	51,374
Other Noncurrent Liabilities		
Pension	21,013	21,724
Environmental remediation costs	3,950	3,950
Other	3,234	2,064
Total Other Noncurrent Liabilities	28,197	27,738
Capitalization		
Long-term debt	60,926	36,013
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	16,757	14,575
Net Common Stock Equity	122,852	120,670
Total Capitalization	183,778	156,683
Total Liabilities and Capitalization	$ 303,831	$ 312,708

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

	Nine Months Ended September 30, 2020	2019
Cash Flows From Operating Activities		
Net income	$ 2,182	$ 2,429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,301	6,109
Deferred income taxes	1,194	743
Uncollectible expense	781	353
Pension expense	1,598	1,449
Regulatory assets/liabilities amortization	275	784
Regulatory assets/liabilities carrying costs	-	7
Other non-cash items, net	843	533
Changes in:		
Accounts receivable and unbilled revenue, net	11,244	10,647
Natural gas in storage	174	(95)
Accounts payable and accrued liabilities	(6,356)	(8,490)
Accrued pension and other post-retirement	(2,309)	(1,553)
Regulatory assets/liabilities	1,470	3,359
Other assets	(2,494)	2,349
Other liabilities	971	410
Total Adjustments	13,692	16,605
Net Cash provided by Operating Activities	15,874	19,034
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(12,059)	(12,911)
Net Cash used in Investing Activities	(12,059)	(12,911)
Cash Flows from Financing Activities		
Payment of long-term debt	(8,000)	(10,000)
Issuance of long-term debt	25,000	20,000
Notes payable to affiliates	(21,080)	(16,160)
Other	(168)	(140)
Net Cash used in Financing Activities	(4,248)	(6,300)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(433)	(177)
Balance at beginning of period	482	326
Balance at end of period	$ 49	$ 149
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 726	$ 1,317

THE BERKSHIRE GAS COMPANY

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2020

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance as of December 31, 2019	100	$ -	$ 106,095	$ 14,575	$ 120,670
Net income				2,182	2,182
Balance as of September 30, 2020	100	$ -	$ 106,095	$ 16,757	$ 122,852

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

Central Maine Power Company
and Subsidiaries

Index

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

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

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Operating Revenues	**$ 247,776**	**$ 210,678**	**$ 650,993**	**$ 611,515**
Operating Expenses				
Electricity purchased	4,664	3,905	14,535	12,470
Operations and maintenance	120,262	87,819	334,863	295,322
Depreciation and amortization	31,036	29,307	91,996	86,552
Taxes other than income taxes, net	18,745	17,688	55,317	51,902
Total Operating Expenses	**174,707**	**138,719**	**496,711**	**446,246**
Operating Income	**73,069**	**71,959**	**154,282**	**165,269**
Other income	3,498	3,321	12,269	8,455
Other deductions	(3,092)	(2,905)	(9,346)	(8,941)
Interest expense, net of capitalization	(10,566)	(12,450)	(34,876)	(39,330)
Income Before Income Tax	**62,909**	**59,925**	**122,329**	**125,453**
Income tax expense	13,305	15,979	25,398	32,209
Net Income	**49,604**	**43,946**	**96,931**	**93,244**
Less: net income attributable to noncontrolling interest	869	523	1,919	1,113
Net Income Attributable to CMP	**$ 48,735**	**$ 43,423**	**$ 95,012**	**$ 92,131**

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

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Net Income	**$ 49,604**	**$ 43,946**	**$ 96,931**	**$ 93,244**
Other Comprehensive Income Gain (Loss), Net of Tax				
Unrealized gain (loss) during period on derivatives qualifying as cash flow hedges, net of income tax	31	(63)	(246)	23
Reclassification to net income of loss on cash flow hedges, net of income tax	11	67	132	175
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	7	33	72	656
Other Comprehensive Income Gain (Loss), Net of Tax	**49**	**37**	**(42)**	**854**
Comprehensive Income	**49,653**	**43,983**	**96,889**	**94,098**
Less:				
Comprehensive income attributable to noncontrolling interests	869	523	1,919	1,113
Comprehensive Income Attributable to CMP	**$ 48,784**	**$ 43,460**	**$ 94,970**	**$ 92,985**

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

As of	September 30, 2020	December 31, 2019
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 20,744	$ 15,287
Accounts receivable and unbilled revenues, net	245,088	207,049
Accounts receivable from affiliates	751	896
Notes receivable from affiliates	—	23,020
Materials and supplies	21,890	18,788
Prepayments and other current assets	16,192	9,822
Income tax receivable	28,676	22,996
Regulatory assets	28,781	14,818
Total Current Assets	**362,122**	**312,676**
Utility plant, at original cost	4,616,822	4,469,740
Less accumulated depreciation	(1,233,903)	(1,151,685)
Net Utility Plant in Service	**3,382,919**	**3,318,055**
Construction work in progress	331,938	262,119
Total Utility Plant	**3,714,857**	**3,580,174**
Operating lease right-of-use assets	15,827	16,672
Other property and investments	837	856
Regulatory and Other Assets		
Regulatory assets	434,192	429,288
Goodwill	324,938	324,938
Other	29,775	34,531
Total Regulatory and Other Assets	**788,905**	**788,757**
Total Assets	**$ 4,882,548**	**$ 4,699,135**

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

As of	September 30, 2020	December 31, 2019
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 149,644	$ 513
Notes payable to affiliates	80,485	705
Accounts payable and accrued liabilities	165,128	177,797
Accounts payable to affiliates	7,892	8,321
Interest accrued	9,782	23,775
Taxes accrued	11,853	2,795
Operating lease liabilities	828	753
Other current liabilities	59,264	56,223
Regulatory liabilities	28,018	26,794
Total Current Liabilities	**512,894**	**297,676**
Regulatory and Other Liabilities		
Regulatory liabilities	407,525	424,604
Other Non-current liabilities		
Deferred income taxes	569,802	533,158
Pension and other postretirement	166,027	191,732
Operating lease liabilities	15,656	16,306
Other	33,558	35,703
Total Regulatory and Other Liabilities	**1,192,568**	**1,201,503**
Non-current debt	1,036,060	1,185,635
Total Liabilities	**2,741,522**	**2,684,814**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock ($5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at September 30, 2020 and December 31, 2019)	156,057	156,057
Additional paid-in capital	824,012	764,170
Retained earnings	1,132,500	1,067,514
Accumulated other comprehensive loss	(3,765)	(3,723)
Total CMP Common Stock Equity	**2,108,804**	**1,984,018**
Noncontrolling interest	31,651	29,732
Total Equity	**2,140,455**	**2,013,750**
Total Liabilities and Equity	**$ 4,882,548**	**$ 4,699,135**

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

Periods Ended September 30,	**2020**	**2019**
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 96,931**	**$ 93,244**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,996	86,552
Regulatory assets/liabilities amortization	(1,930)	3,268
Regulatory assets/liabilities carrying cost	(713)	1,512
Amortization of debt issuance costs	438	80
Deferred taxes	19,793	11,029
Pension cost	10,858	12,165
Stock-based compensation	229	62
Accretion expenses	37	35
Gain on disposal of assets	52	(368)
Other non-cash Items	(3,658)	(1,327)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(37,894)	(24,996)
Inventories	(3,102)	(1,034)
Accounts payable, to affiliates, and accrued liabilities	3,916	(9,826)
Taxes accrued	3,379	29,325
Other assets/liabilities	79,727	(52,133)
Regulatory assets/liabilities	(29,109)	28,113
Net Cash Provided by Operating Activities	**230,950**	**175,701**
Cash Flow from Investing Activities:		
Utility plant additions	(250,236)	(206,099)
Contributions in aid of construction	12,578	8,549
Notes receivable from affiliates	23,020	(38,416)
Proceeds from sale of utility plant	864	1,320
Investments, net	57	395
Net Cash Used in Investing Activities	**(213,717)**	**(234,251)**
Cash Flow from Financing Activities:		
Non-current note issuance	—	239,020
Repayments of non-current debt	(887)	(150,887)
Repayments of capital leases	(669)	(752)
Proceeds of short term debt - affiliates	79,780	523
Capital contribution	(60,000)	—
Contributions from noncontrolling interest	—	1,900
Dividends paid	(30,000)	(25,000)
Net Cash (Used in) Provided by Financing Activities	**(11,776)**	**64,804**
Net Increase in Cash and Cash Equivalents	**5,457**	**6,254**
Cash and Cash Equivalents, Beginning of Period	**15,287**	**16,126**
Cash and Cash Equivalents, End of Period	**$ 20,744**	**$ 22,380**

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

	CMP Stockholder							
(Thousands, except per share amounts)	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, 2018	**31,211,471**	**$ 156,057**	**$ 764,087**	**$ 974,709**	**$ (3,958)**	**$1,890,895**	**$ 25,911**	**$1,916,806**
Adoption of accounting standards				(216)	(761)	(977)		(977)
Net income	—	—	—	92,131	—	92,131	1,113	93,244
Other comprehensive income, net of tax	—	—	—	—	854	854	—	854
Comprehensive income								94,098
Stock-based compensation	—	—	62	—	—	62	—	62
Capital contribution from parent	—	—		—	—	—	1,900	1,900
Preferred stock dividends	—	—	—	(26)	—	(26)	—	(26)
Common stock dividends	—	—	—	(25,000)	—	(25,000)	—	(25,000)
As of September 30, 2019	**31,211,471**	**$ 156,057**	**$ 764,149**	**$1,041,598**	**$ (3,865)**	**$1,957,939**	**$ 28,924**	**$1,986,863**
As of December 31, 2019	**31,211,471**	**$ 156,057**	**$ 764,170**	**$1,067,514**	**$ (3,723)**	**$1,984,018**	**$ 29,732**	**$2,013,750**
Adoption of accounting standards			(275)			(275)		(275)
Net income	—	—	—	95,012	—	95,012	1,919	96,931
Other comprehensive income, net of tax	—	—	—	—	(42)	(42)	—	(42)
Comprehensive income								96,889
Stock-based compensation	—	—	117	—	—	117	—	117
Capital contribution	—	—	60,000	—	—	60,000	—	60,000
Preferred stock dividends	—	—	—	(26)	—	(26)	—	(26)
Common stock dividends	—	—	—	(30,000)	—	(30,000)	—	(30,000)
As of September 30, 2020	**31,211,471**	**$ 156,057**	**$ 824,012**	**$1,132,500**	**$ (3,765)**	**$2,108,804**	**$ 31,651**	**$2,140,455**

(*) Par value of share amounts is $5

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

Rochester Gas and Electric Corporation

Index

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019 **Page**

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Operating Revenues	**$ 201,991**	**$ 194,481**	**$ 647,848**	**$ 662,543**
Operating Expenses				
Electricity purchased and fuel used in generation	35,350	28,692	81,533	73,565
Natural gas purchased	4,395	4,268	54,028	77,417
Operations and maintenance	72,072	69,513	208,995	205,885
Depreciation and amortization	27,744	23,200	78,845	68,642
Taxes other than income taxes, net	33,587	30,604	98,348	94,646
Total Operating Expenses	**173,148**	**156,277**	**521,749**	**520,155**
Operating Income	**28,843**	**38,204**	**126,099**	**142,388**
Other income	8,664	6,097	20,688	18,081
Other deductions	(2,014)	(2,543)	(6,917)	(7,901)
Interest expense, net of capitalization	(16,053)	(16,604)	(50,018)	(54,085)
Income Before Tax	**19,440**	**25,154**	**89,852**	**98,483**
Income tax expense	4,292	6,544	20,254	25,723
Net Income	**$ 15,148**	**$ 18,610**	**$ 69,598**	**$ 72,760**

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

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Net Income	**$ 15,148**	**$ 18,610**	**$ 69,598**	**$ 72,760**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain during the period on derivatives qualifying as cash flow hedges, net of income tax	(24)	(35)	(171)	32
Reclassification to net income of loss on settled cash flow commodity hedges, net of income tax	31	38	89	109
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	678	679	2,037	2,809
Other Comprehensive Income, Net of Tax	**685**	**682**	**1,955**	**2,950**
Comprehensive Income	**$ 15,833**	**$ 19,292**	**$ 71,553**	**$ 75,710**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of		September 30, 2020		December 31, 2019
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	1	$	579
Accounts receivable and unbilled revenues, net		129,982		149,647
Accounts receivable from affiliates		2,333		2,656
Notes receivable from affiliates		9		—
Fuel and gas in storage		8,426		9,728
Materials and supplies		12,922		12,214
Broker margin accounts		986		4,424
Income tax receivable		39,623		30,215
Prepaid property taxes		68,666		37,182
Regulatory assets		36,012		52,328
Other current assets		6,993		2,887
Total Current Assets		**305,953**		**301,860**
Utility plant, at original cost		4,060,619		3,956,748
Less accumulated depreciation		(1,113,975)		(1,060,419)
Net Utility Plant in Service		**2,946,644**		**2,896,329**
Construction work in progress		549,066		406,367
Total Utility Plant		**3,495,710**		**3,302,696**
Operating lease right of use assets		1,797		9,469
Other property and investments		—		184
Regulatory and Other Assets				
Regulatory assets		431,077		433,733
Other		52,954		12,784
Total Regulatory and Other Assets		**484,031**		**446,517**
Total Assets	**$**	**4,287,491**	**$**	**4,060,726**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2020	December 31, 2019
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 124,030	$ —
Notes payable to affiliates	105,176	33,201
Accounts payable and accrued liabilities	223,810	208,708
Accounts payable to affiliates	3,633	12,307
Interest accrued	12,320	9,713
Taxes accrued	1,135	1,355
Operating lease liabilities	98	1,344
Environmental remediation costs	1,869	1,327
Regulatory liabilities	62,389	67,676
Other	37,625	44,250
Total Current Liabilities	**572,085**	**379,881**
Regulatory and Other Liabilities		
Regulatory liabilities	766,577	749,053
Other Non-current Liabilities		
Deferred income taxes	358,846	331,111
Nuclear plant obligations	129,319	128,749
Pension and other postretirement	138,969	152,393
Operating lease liabilities	2,538	9,026
Asset retirement obligations	2,820	2,713
Environmental remediation costs	130,934	131,336
Other	68,355	26,836
Total Regulatory and Other Liabilities	**1,598,358**	**1,531,217**
Non-current debt	921,004	1,045,203
Total Liabilities	**3,091,447**	**2,956,301**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($5 par value, 50,000,000 shares authorized, 38,885,813 shares outstanding at September 30, 2020 and December 31, 2019)	194,429	194,429
Additional paid-in capital	625,104	605,022
Retained earnings	532,083	462,501
Accumulated other comprehensive loss	(38,334)	(40,289)
Treasury stock, at cost (4,379,300 shares at September 30, 2020 and December 31, 2019)	(117,238)	(117,238)
Total Common Stock Equity	**1,196,044**	**1,104,425**
Total Liabilities and Equity	**$ 4,287,491**	**$ 4,060,726**

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

Periods Ended September 30,	2020	2019
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 69,598**	**$ 72,760**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,845	68,642
Regulatory assets/liabilities amortization	(2,807)	3,494
Regulatory assets/liabilities carrying cost	8,808	4,625
Amortization of debt issuance costs	720	439
Deferred taxes	19,430	14,374
Pension cost	13,193	9,846
Stock-based compensation	109	18
Accretion expenses	107	112
Gain on disposal of assets	(66)	(144)
Other non-cash items	(12,184)	(7,445)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	19,988	41,210
Inventories	594	(2,214)
Accounts payable, to affiliates, and accrued liabilities	15,859	5,923
Taxes accrued	(9,628)	(17,436)
Other assets/liabilities	(52,333)	(65,744)
Regulatory assets/liabilities	12,136	46,247
Net Cash Provided by Operating Activities	**162,369**	**174,707**
Cash Flow From Investing Activities:		
Capital expenditures	(259,174)	(256,487)
Contributions in aid of construction	5,361	9,281
Proceeds from sale of utility plant	246	1,152
Notes receivable from affiliates	(9)	68,575
Investments	179	2,473
Net Cash Used in Investing Activities	**(253,397)**	**(175,006)**
Cash Flow From Financing Activities:		
Non-current note issuance	—	153,454
Repayments of non-current debt	—	(150,000)
Repayments of capital leases	(1,525)	(1,774)
Notes payable to affiliates	71,975	—
Capital contributions from parent	20,000	—
Net Cash Provided by Financing Activities	**90,450**	**1,680**
Net (Decrease) Increase in Cash and Cash Equivalents	**(578)**	**1,381**
Cash and Cash Equivalents, Beginning of Period	**579**	**170**
Cash and Cash Equivalents, End of Period	**$ 1**	**$ 1,551**

Rochester Gas and Electric 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		Treasury Stock		Total Common Stock Equity
As of December 31, 2018	**38,885,813**	**$**	**194,429**	**$**	**604,998**	**$**	**359,003**	**$**	**(35,040)**	**$**	**(117,238)**	**$**	**1,006,152**
Adoption of accounting standards	—		—		—		8,643		(8,643)		—		—
Net income	—		—		—		72,760		—		—		72,760
Other comprehensive income, net of tax	—		—		—		—		2,950		—		2,950
Comprehensive income													75,710
Stock-based compensation	—		—		19		—		—		—		19
As of September 30, 2019	**38,885,813**		**194,429**		**605,017**		**440,406**		**(40,733)**		**(117,238)**		**1,081,881**
As of December 31, 2019	**38,885,813**	**$**	**194,429**	**$**	**605,022**	**$**	**462,501**	**$**	**(40,289)**	**$**	**(117,238)**	**$**	**1,104,425**
Adoption of accounting standards	—		—		—		(16)		—		—		(16)
Net income	—		—		—		69,598		—		—		69,598
Other comprehensive income, net of tax	—		—		—		—		1,955		—		1,955
Comprehensive income													71,553
Stock-based compensation	—		—		82		—		—		—		82
Capital contribution	—		—		20,000		—		—		—		20,000
As of September 30, 2020	**38,885,813**		**194,429**		**625,104**		**532,083**		**(38,334)**		**(117,238)**		**1,196,044**

(*) Par value of share amounts is $5

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(UNAUDITED)

TABLE OF CONTENTS

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Revenue	$ 53,368	$ 53,467	$ 257,233	$ 285,761
Operating Expenses				
Natural gas purchased	11,079	15,143	95,183	126,161
Operation and maintenance	23,995	25,236	72,664	73,688
Depreciation and amortization	11,155	10,757	33,284	31,696
Taxes other than income taxes	6,186	5,724	21,043	21,752
Total Operating Expenses	52,415	56,860	222,174	253,297
Operating Income	953	(3,393)	35,059	32,464
Other Income and (Expense), net	(751)	(973)	(2,367)	(2,574)
Interest Expense, net	2,300	2,366	6,941	7,161
Income Before Income Tax	(2,098)	(6,733)	25,751	22,729
Income Tax	(798)	(1,146)	6,287	7,239
Net Income	$ (1,300)	$ (5,588)	$ 19,464	$ 15,489
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	6	7	20	20
Net Income attributable to Connecticut Natural Gas Corporation	$ (1,306)	$ (5,594)	$ 19,444	$ 15,470

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

	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 464	$ 513
Notes receivable from affiliates	-	12,300
Accounts receivable and unbilled revenues, net	51,923	85,902
Accounts receivable from affiliates	3,575	9,087
Regulatory assets	19,479	22,079
Gas in storage	24,833	27,144
Materials and supplies	1,553	1,463
Other tax receivables	12,237	4,644
Prepayments and other current assets	4,252	1,243
Total Current Assets	118,316	164,375
Other Investments	985	1,051
Net Property, Plant and Equipment	745,209	729,061
Operating lease right of use assets	590	935
Regulatory Assets	117,625	120,531
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	286	323
Total Deferred Charges and Other Assets	79,627	79,664
Total Assets	$ 1,062,352	$ 1,095,617

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

	September 30, 2020	December 31, 2019
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 27,200	$ -
Accounts payable and accrued liabilities	45,230	64,873
Accounts payable to affiliates	7,299	12,873
Other current liabilities	4,873	4,482
Regulatory liabilities	11,747	12,408
Interest accrued	518	2,585
Taxes accrued	4,171	5,713
Operating lease liabilities	419	419
Total Current Liabilities	101,457	103,353
Deferred Income Taxes	30,350	20,099
Regulatory Liabilities	250,697	246,850
Other Noncurrent Liabilities		
Pension and other postretirement	99,641	105,491
Asset retirement obligations	6,833	6,576
Operating lease liabilities	354	817
Other	2,901	1,795
Total Other Noncurrent Liabilities	109,729	114,679
Capitalization		
Long-term debt, net of unamortized premium	159,139	159,100
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	348,302	358,302
Retained earnings	29,105	59,661
Net Common Stock Equity	410,640	451,196
Total Capitalization	570,119	610,636
Total Liabilities and Capitalization	$ 1,062,352	$ 1,095,617

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows From Operating Activities		
Net Income	$ 19,464	$ 15,510
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,358	31,769
Deferred income taxes	9,638	2,070
Uncollectible expense	5,754	7,100
Pension expense	6,384	5,832
Regulatory assets/liabilities amortization	3,312	1,810
Regulatory assets/liabiities carrying cost	464	210
Other non-cash items, net	448	1,004
Changes in:		
Accounts receivable and unbilled revenues, net	33,237	31,096
Natural gas in storage	2,311	(735)
Accounts payable and accrued liabilities	(26,184)	(35,630)
Interest accrued	(2,067)	647
Taxes accrued/refundable, net	(9,135)	(2,228)
Accrued pension and other post-retirement	(12,234)	(6,317)
Regulatory assets/liabilities	(7,213)	10,404
Other assets	(3,059)	(3,361)
Other liabilities	1,153	(551)
Total Adjustments	36,167	43,120
Net Cash provided by Operating Activities	55,631	58,630
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(35,114)	(37,036)
Notes receivable from affiliates	12,300	-
Net Cash used in Investing Activities	(22,814)	(37,036)
Cash Flows from Financing Activities		
Issuance of long-term debt	-	50,000
Return of capital	(10,000)	-
Payment of common stock dividend	(50,000)	-
Payment of preferred stock dividend	(20)	(20)
Notes payable to affiliates	27,157	(72,642)
Other	-	(287)
Net Cash used in Financing Activities	(32,863)	(22,949)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(46)	(1,355)
Balance at beginning of period	576	2,519
Balance at end of period	$ 530	$ 1,164
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 8,292	$ 5,326

CONNECTICUT NATURAL GAS CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2020

(Thousands of Dollars)

(Unaudited)

	Common Stock				Paid-in		Retained		
	Shares		Amount		Capital		Earnings		Total
Balance as of December 31, 2019	10,634,436	$	33,233	$	358,302	$	59,661	$	451,196
Net income							19,464		19,464
Payment of common stock dividend							(50,000)		(50,000)
Payment of preferred stock dividend							(20)		(20)
Return of capital					(10,000)				(10,000)
Balance as of September 30, 2020	10,634,436	$	33,233	$	348,302	$	29,105	$	410,640

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

New York State Electric & Gas Corporation

Index

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2020 and 2019

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

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Operating Revenues	**$ 348,738**	**$ 352,144**	**$ 1,120,284**	**$ 1,163,313**
Operating Expenses				
Electricity purchased	80,266	78,536	202,070	238,526
Natural gas purchased	4,666	4,457	57,822	77,502
Operations and maintenance	178,919	174,640	504,543	490,430
Depreciation and amortization	40,711	36,547	119,476	107,898
Taxes other than income taxes, net	38,973	36,830	119,188	112,481
Total Operating Expenses	**343,535**	**331,010**	**1,003,099**	**1,026,837**
Operating Income	**5,203**	**21,134**	**117,185**	**136,476**
Other income	8,978	7,616	22,721	21,411
Other deductions	(5,771)	(8,569)	(20,545)	(24,343)
Interest expense, net of capitalization	(18,812)	(18,115)	(57,824)	(53,337)
Income (Loss) Before Income Tax	**(10,402)**	**2,066**	**61,537**	**80,207**
Income tax expense (benefit)	(2,000)	800	15,032	21,233
Net Income (Loss)	**$ (8,402)**	**$ 1,266**	**$ 46,505**	**$ 58,974**

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

Periods Ended September 30,	Three Months 2020	Three Months 2019	Nine Months 2020	Nine Months 2019
(Thousands)				
Net Income (Loss)	**$ (8,402)**	**$ 1,266**	**$ 46,505**	**$ 58,974**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized (loss) gain during the period on derivatives qualifying as cash flow hedges, net of income tax	(127)	(112)	(664)	42
Reclassification to net income of loss on settled cash flow commodity hedges, net of income tax	125	103	329	269
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	19	19	58	58
Total Other Comprehensive Income (Loss), Net of Tax	**17**	**10**	**(277)**	**369**
Comprehensive Income (Loss)	**$ (8,385)**	**$ 1,276**	**$ 46,228**	**$ 59,343**

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

As of	September 30, 2020	December 31, 2019
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 1	$ 1
Accounts receivable and unbilled revenues, net	213,747	265,499
Accounts receivable from affiliates	2,620	1,148
Notes receivable from affiliates	74,177	—
Fuel and natural gas in storage, at average cost	12,944	14,363
Materials and supplies	20,736	18,145
Derivative assets	1,099	—
Broker margin accounts	3,578	6,773
Income tax receivable	54,038	21,939
Prepaid property taxes	58,221	37,214
Other current assets	7,661	5,014
Regulatory assets	107,423	138,162
Total Current Assets	**556,245**	**508,258**
Utility plant, at original cost	6,625,232	6,375,471
Less accumulated depreciation	(2,272,656)	(2,228,040)
Net Utility Plant in Service	**4,352,576**	**4,147,431**
Construction work in progress	540,352	385,134
Total Utility Plant	**4,892,928**	**4,532,565**
Operating lease right-of-use assets	8,222	9,341
Other property and investments	9,230	8,207
Regulatory and Other Assets		
Regulatory assets	817,503	822,285
Other	42,150	51,743
Total Regulatory and Other Assets	**859,653**	**874,028**
Total Assets	**$ 6,326,278**	**$ 5,932,399**

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

As of	September 30, 2020	December 31, 2019
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ —	$ 198,439
Notes payable to affiliates	—	71,255
Accounts payable and accrued liabilities	453,969	413,367
Accounts payable to affiliates	11,647	29,840
Interest accrued	13,058	10,572
Taxes accrued	7,283	2,617
Operating lease liabilities	1,160	1,339
Derivative liabilities	676	222
Environmental remediation costs	33,545	27,760
Customer deposits	14,247	15,048
Regulatory liabilities	76,341	106,709
Other	55,955	77,476
Total Current Liabilities	**667,881**	**954,644**
Regulatory and Other Liabilities		
Regulatory liabilities	1,234,357	1,192,343
Other Non-current Liabilities		
Deferred income taxes	593,866	553,434
Pension and other postretirement	248,332	281,952
Operating lease liabilities	7,543	8,385
Asset retirement obligation	13,439	12,928
Environmental remediation costs	83,007	90,713
Other	36,010	41,220
Total Regulatory and Other Liabilities	**2,216,554**	**2,180,975**
Non-current debt	1,723,916	1,325,181
Total Liabilities	**4,608,351**	**4,460,800**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($6.66 2/3 par value, 90,000,000 shares authorized and 64,508,477 shares outstanding at September 30, 2020 and December 31, 2019)	430,057	430,057
Additional paid-in capital	668,665	468,459
Retained earnings	620,552	574,153
Accumulated other comprehensive loss	(1,347)	(1,070)
Total Common Stock Equity	**1,717,927**	**1,471,599**
Total Liabilities and Equity	**$ 6,326,278**	**$ 5,932,399**

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

Periods Ended September 30,	2020	2019
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 46,505**	**$ 58,974**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	119,476	107,898
Regulatory assets/liabilities amortization	48,229	33,281
Regulatory assets/liabilities carrying cost	1,078	2,912
Amortization of debt issuance costs	677	3,066
Deferred taxes	50,133	33,662
Pension cost	38,297	38,576
Stock-based compensation	291	21
Accretion expenses	510	535
Gain on disposal of assets	(681)	(322)
Other non-cash items	(20,284)	(18,869)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	50,280	46,554
Inventories	(1,172)	(3,678)
Accounts payable, to affiliates, and accrued liabilities	41,090	10,242
Taxes accrued	(27,250)	(19,186)
Other assets/liabilities	(103,839)	(97,852)
Regulatory assets/liabilities	(5,929)	41,367
Net Cash Provided by Operating Activities	**237,411**	**237,181**
Cash Flow from Investing Activities:		
Capital expenditures	(505,337)	(390,078)
Contributions in aid of construction	14,940	17,197
Proceeds from sale of utility plant	1,437	1,641
Notes receivable from affiliates	(74,177)	(29,766)
Other current and non-current investments	463	—
Net Cash Used in Investing Activities	**(562,674)**	**(401,006)**
Cash Flow from Financing Activities:		
Non-current debt issuance	198,006	307,485
Repayments of capital leases	(1,488)	(20,901)
Notes payable to affiliates	(71,255)	(40,375)
Capital contribution	200,000	50,000
Dividends paid	—	(100,000)
Net Cash Provided by Financing Activities	**325,263**	**196,209**
Net Increase (Decrease) in Cash and Cash Equivalents	**—**	**32,384**
Cash and Cash Equivalents, Beginning of Period	**1**	**4,943**
Cash and Cash Equivalents, End of Period	**$ 1**	**$ 37,327**

New York State Electric & 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, 2018	**64,508,477**	**$ 430,057**	**$ 418,430**	**$ 606,650**	**$ (1,267)**	**$ 1,453,870**
Adoption of accounting standards	—	—	—	201	(201)	—
Net income	—	—	—	58,974	—	58,974
Other comprehensive income, net of tax	—	—	—	—	369	369
Comprehensive income						59,343
Stock-based compensation	—	—	22	—	—	22
Common stock dividends				(100,000)		(100,000)
Capital contributions	—	—	50,000	—	—	50,000
As of September 30, 2019	**64,508,477**	**$ 430,057**	**$ 468,452**	**$ 565,825**	**$ (1,099)**	**$ 1,463,235**
As of December 31, 2019	**64,508,477**	**$ 430,057**	**$ 468,459**	**$ 574,153**	**$ (1,070)**	**$ 1,471,599**
Adoption of accounting standards	—	—	—	(106)	—	(106)
Net income	—	—	—	46,505	—	46,505
Other comprehensive income, net of tax	—	—	—	—	(277)	(277)
Comprehensive income						46,228
Stock-based compensation	—	—	206	—	—	206
Capital contributions	—	—	200,000	—	—	200,000
As of September 30, 2020	**64,508,477**	**$ 430,057**	**$ 668,665**	**$ 620,552**	**$ (1,347)**	**$ 1,717,927**

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