THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating Revenues	$ 245,013	$ 229,413
Operating Expenses		
Purchased power	61,844	49,712
Operation and maintenance	93,408	89,189
Depreciation and amortization	19,290	19,705
Taxes other than income taxes	27,271	26,100
Total Operating Expenses	201,813	184,706
Operating Income	43,200	44,707
Other Income and (Expense), net		
Other income	3,046	1,947
Other (expense)	(5,814)	(3,899)
Total Other Income and (Expense), net	(2,768)	(1,952)
Interest Expense, net	9,509	10,472
Income from Equity Investments	2,677	3,064
Income Before Income Tax	33,600	35,347
Income Tax	6,629	11,240
Net Income	$ 26,971	$ 24,107

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

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash Flows From Operating Activities		
Net income	$ 26,971	$ 24,107
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	19,594	20,599
Deferred income taxes	3,443	8,561
Uncollectible expense	6,569	5,592
Pension expense	6,036	7,467
Allowance for funds used during construction (AFUDC) - equity	(627)	(808)
Undistributed (earnings) in equity investments	(2,676)	(3,064)
Regulatory assets/liabilities amortization	1,818	475
Regulatory assets/liabiities carrying cost	(489)	(143)
Other non-cash items, net	230	512
Changes in:		
Accounts receivable and unbilled revenues, net	17,716	(1,566)
Accounts payable and accrued liabilties	(14,459)	(12,894)
Cash distribution received from GenConn	2,686	3,024
Taxes accrued and refundable	8,117	(11,013)
Pension and post-retirement	(991)	(330)
Regulatory assets/liabilities	(20,800)	(13,623)
Environmental liabilities	287	(231)
Other assets	(9,539)	(7,929)
Other liabilities	(212)	(152)
Total Adjustments	16,703	(5,523)
Net Cash provided by Operating Activities	43,674	18,584
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(35,760)	(36,028)
Cash distribution from GenConn	1,898	2,008
Net Cash used in Investing Activities	(33,862)	(34,020)
Cash Flows from Financing Activities		
Line of credit borrowings	(100,000)	-
Notes payable to affiliates	89,500	13,200
Net Cash provided by (used in) Financing Activities	(10,500)	13,200
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(688)	(2,236)
Balance at beginning of period	1,988	4,319
Balance at end of period	$ 1,300	$ 2,083
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 21,922	$ 10,023

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Statements are an integral part of the financial statements.

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Accounts receivable and unbilled revenues, net	$ 153,321	$ 154,261
Accounts receivable from affiliates	8,278	31,623
Regulatory assets	61,104	61,328
Materials and supplies	5,530	5,507
Derivative assets	6,322	6,912
Prepayments and other current assets	13,393	2,982
Total Current Assets	247,948	262,613
Other Investments		
Equity investment in GenConn	100,252	102,160
Other	10,363	10,592
Total Other Investments	110,615	112,752
Property, Plant and Equipment, at cost	2,756,020	2,688,738
Less accumulated depreciation	601,819	586,088
Net Property, Plant and Equipment in Service	2,154,201	2,102,650
Construction work in progress	165,465	200,478
Total Property, Plant and Equipment	2,319,666	2,303,128
Regulatory Assets	474,734	453,920
Deferred Charges and Other Assets		
Derivative assets	3,695	4,735
Other	2,598	4,197
Total Deferred Charges and Other Assets	6,293	8,932
Total Assets	$ 3,159,256	$ 3,141,345

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	March 31, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Line of credit borrowings	$ -	$ 100,000
Notes payable to affiliates	158,400	68,900
Current portion of long-term debt	131,000	100,000
Accounts payable and accrued liabilities	107,144	113,443
Accounts payable to affiliates	11,821	25,151
Regulatory liabilities	7,928	7,058
Interest accrued	9,124	9,903
Taxes accrued	33,617	25,499
Derivative liabilities	13,989	15,776
Other liabilities	23,259	20,383
Total Current Liabilities	496,282	486,113
Deferred Income Taxes	277,760	287,764
Regulatory Liabilities	444,033	440,618
Deferred Income Taxes Regulatory	18,783	17,762
Other Noncurrent Liabilities		
Pension and post-retirement	251,409	246,363
Derivative liabilities	74,797	63,317
Environmental remediation costs	20,951	20,664
Other	16,594	16,160
Total Other Noncurrent Liabilities	363,751	346,504
Capitalization		
Long-term debt	598,194	629,102
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	251,222	224,251
Net Common Stock Equity	960,453	933,482
Total Capitalization	1,558,647	1,562,584
Total Liabilities and Capitalization	$ 3,159,256	$ 3,141,345

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

THE UNITED ILLUMINATING COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2018
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance as of December 31, 2017	100	$ 1	$ 709,230	$ 224,251	$ 933,482
Net income				26,971	26,971
Balance as of March 31, 2018	100	$ 1	$ 709,230	251,222	960,453

The accompanying Notes to Financial
Statements are an integral part of the 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 NRG Yield Operating LLC, a subsidiary of NRG Yield, Inc., or NYLD, which is a subsidiary of NRG Energy, Inc., or NRG, 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. In February 2018, NRG announced that it has agreed to sell its ownership stake in NYLD to Global Infrastructure Partners. This sale is expected to close during the second half of 2018 and is not expected to have an impact on GenConn.

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.

As a result of the adoption of Accounting Standards Update (ASU) 2017-07 "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost", certain amounts reported in the Statement of Income in previous periods have been reclassified. The following table summarizes the reclassifications to the prior period Statement of Income as a result of this adoption.

Statement of Income	As Revised	As Previously Reported	Effect of Change Higher/(Lower)
(in thousands)			
Operating Expenses			
Operation and maintenance	89,189	93,088	(3,899)
Other Income and (Expense), net			
Other (expense)	(3,899)	-	(3,899)

UI has evaluated subsequent events through the date its financial statements were available to be issued, May 18, 2018.

Revenues

UI derives its revenue 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, the 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:

(Thousands)	Three Months Ended March 31, 2018	
Regulated operations – electricity	$	(234,769)
Other(a)		(1,257)
Revenue from contracts with customers		**(236,026)**
Leasing revenue		(873)
Alternative revenue programs		(8,114)
Total operating revenues	**$**	**(245,013)**

(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 Accounting Standards Codification (ASC) 980 "Regulated Operations." In accordance with ASC 980, UI has deferred recognition of costs (a regulatory asset) or has recognized obligations (a regulatory liability) if it is probable that such costs will be recovered or obligations 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 March 31, 2018 and December 31, 2017 included the following:

	Remaining Period	March 31, 2018	December 31, 2017
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	4 to 16 years	$ 7,932	$ 8,127
Pension and other post-retirement benefit plans	(a)	215,560	215,560
Unfunded future income taxes	(b)	144,578	144,406
Contracts for differences	(c)	78,769	67,445
Excess generation service charge	(d)	10,748	-
Deferred transmission expense	(e)	37,755	36,673
Other	(f)	40,496	43,037
Total regulatory assets		535,838	515,248
Less current portion of regulatory assets		61,104	61,328
Regulatory Assets, Net		$ 474,734	$ 453,920
Regulatory Liabilities:			
Accumulated deferred investment tax credits	17.5 - 21 years	$ 13,855	$ 14,032
Excess generation service charge	(d)	-	2,388
Middletown/Norwalk local transmission network service collections	33 years	18,965	19,109
Pension and other post-retirement benefit plans	(a)	14,514	14,514
Asset removal costs	(f)	68,275	68,051
Deferred income taxes	(b)	18,783	17,762
Tax reform remeasurement	(g)	322,876	312,776
Other	(e)	13,476	16,806
Total regulatory liabilities		470,744	465,438
Less current portion of regulatory liabilities		7,928	7,058
Regulatory Liabilities, Net		$ 462,816	$ 458,380

(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 - 10 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) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; asset amount as of March 31, 2018 includes decoupling ($8.0 million) and certain other amounts that are not currently earning a return. See Note (C) "Regulatory Proceedings for a discussion of the decoupling recovery period.
(g) Impact of deferred tax remeasurement as a consequence of the Tax Cuts and Jobs Act of 2017 enacted by the U.S. federal government on December 22, 2017. Refundable period will be determined in future rate proceedings.

Derivatives

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

Contracts for Differences (CfDs)

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of March 31, 2018, UI has recorded a gross derivative asset of $10.0, a regulatory asset of $78.8 million and a gross derivative liability of $88.8 million ($76.3 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 March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018	December 31, 2017
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 6,322	$ 6,912
Deferred Charges and Other Assets	$ 3,695	$ 4,735
Gross derivative liabilties:		
Current Liabilities	$ 13,989	$ 15,776
Noncurrent Liabilities	$ 74,797	$ 63,317

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, for the three-month periods March 31, 2018 and 2017, were as follows:

	Three Months Ended March 31,	
	2018	2017
	(In Thousands)	
Regulatory Assets - Derivative liabilities	$ 11,324	$ 5,221
Regulatory Liabilities - Derivative assets	$ -	$ -

Equity Investments

UI is party to a 50-50 joint venture with NRG Yield Operating LLC 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 $100.3 million and $102.2 million as of March 31, 2018 and December 31, 2017, respectively. As of March 31, 2018, 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 $2.7 million and $3.1 million for the three-month periods ended March 31, 2018 and 2017, 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 Geneon of $4.6 million and $5.0 million during the three-month periods ended March 31, 2018 and 2017, 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, NRG Yield Operating LLC. 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.

New Accounting Pronouncements

Adoption of New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC), Topic 606, Revenue from Contracts with Customers (ASC 606) replacing the existing accounting standard and industry specific guidance for revenue recognition with a five-step model for recognizing and measuring revenue from contracts with customers. ASC 606 was further amended through various updates the FASB issued thereafter. The core principle is for an entity to recognize revenue to represent the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. UI adopted ASC 606 effective January 1, 2018 and applied the modified retrospective method, for which they did not have a cumulative effect adjustment to retained earnings for initial application of the guidance. Upon adoption, UI classifies production tax credits as income tax expense (benefit) rather than as operating revenue. Refer to "-Revenues" for further detail.

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07 "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". UI retrospectively adopted the amendments that require them to present the service cost component separately from the other (non-service) components of net benefit cost, to report the service cost component in the income statement line item where we report the corresponding compensation cost, and to present all non-service components outside of operating cost. As a result, UI has reclassified the non-service components – interest cost, expected return on plan assets, amortization of prior service cost (benefit), amortization of net loss, and settlement charge – from Operations and maintenance to Other income/(expense) within the statement of income. Prospectively, upon adoption, UI will capitalize only the service cost component when applicable (for example, as a cost of a self-constructed asset). UI elected to apply the practical expedient that allows them to retrospectively apply the amendments on adoption to net benefit costs for comparative periods by using the amounts disclosed in the notes to financial statements for Pension and Other Benefits as the basis for those periods. In connection with applying the practical expedient, in periods after adoption UI will continue to include in operating income all legacy net benefit costs previously capitalized as a cost of self-constructed assets and other deferred regulatory costs. UI's adoption of the amendments did not affect net income.

Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02 "Leases" that affects all companies and organizations that lease assets, and requires them to record on their balance sheet assets and liabilities for the rights and obligations created by those leases. A lease is an arrangement that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Concerning lease expense recognition, after extensive consultation, the FASB has ultimately concluded that the economics of leases can vary for a lessee, and those economics should be reflected in the financial statements. As a result, the amendments retain a distinction between finance leases and operating leases, while requiring both types of leases to be recognized on the balance sheet. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the criteria for distinguishing between capital leases and operating leases in current GAAP. By retaining a distinction between finance leases and operating leases, the effect of leases on the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. Lessor accounting will remain substantially the same as current GAAP, but with some targeted improvements to align lessor accounting with the lessee accounting model and with the revised revenue recognition guidance issued in 2014. The FASB issued an update in January 2018 to clarify the application of the new leases guidance to land easements and provide relief concerning adoption efforts for existing land easements that are not accounted for as leases under the current leases guidance. The updated guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early application is permitted. UI is currently reviewing our contracts and is in the process of determining the proper application of the standard to these contracts in order to determine the impact that the adoption will have on its financial statements. UI does not expect the adoption of the new guidance will materially affect its financial position through the recording of operating leases on the balance sheet as a right-of-use asset.

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

In February 2018 the FASB issued ASU 2018-02 "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which contains amendments to address a narrow-scope financial reporting issue that arose as a consequence of the Tax Cuts and Jobs Act of 2017 (the Tax Act) enacted on December 22, 2017 by the U.S. federal government. Under current guidance, the adjustment of deferred taxes for the effect of a change in tax laws or rates is required to be included in income from continuing operations, thus the associated tax effects of items within accumulated other comprehensive income (AOCI) (referred to as stranded tax effects) do not reflect the appropriate tax rate. The amendments allow a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act. As a result, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. The amendments only relate to the reclassification of the income tax effects of the Tax Act, and do not affect the underlying guidance that requires the effect of a change in tax laws or rates to be included in income from continuing operations. The amendments are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. An entity has the option to apply the amendments either in the period of adoption or retrospectively to each period (or periods) in which it recognizes the effect of the change in the U.S. federal corporate income tax rate in the Tax Act. An entity is required to disclose its accounting policy election, including its policy for reclassifying material stranded tax effects in AOCI to earnings (specific identification or portfolio method). UI does not expect the adoption of the amendments will materially affect our results of operations, financial position, cash flows, and disclosures.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at March 31, 2018 and December 31, 2017.

(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.

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 2018 and 50% of its standard service load for the first half of 2019. 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 March 31, 2018, UI would have had to post an aggregate of approximately $15 million in collateral.

New Renewable Source Generation

Under Connecticut law Public Act 11-80, or PA 11-80, Connecticut electric utilities are required to enter into long-term contracts to purchase Connecticut Class I Renewable Energy Certificates, or RECs, from renewable generators located on customer premises. Under this program, UI is required to enter into contracts totaling approximately $200 million in commitments over approximately 21 years. The obligations will phase in over a six-year solicitation period, and are expected to peak at an annual commitment level of about $13.6 million per year after all selected projects are online. Upon purchase, UI accounts for the RECs as inventory. UI expects to partially mitigate the cost of these contracts through the resale of the RECs. PA 11-80 provides that the remaining costs (and any benefits) of these contracts, including any gain or loss resulting from the resale of the RECs, are fully recoverable from (or credited to) customers through electric rates. Public Acts 17-144 and 18-50 added 7th and 8th years, and up to $48 million in additional commitments by UI, to the program.

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

On May 25, 2017, UI entered into six 20-year power purchase agreements, or PPAs, totaling approximately 32 MW with developers of wind and solar generation. These PPAs originated from a three-state Clean Energy RFP, and were entered into pursuant Connecticut Public Act (PA) 13-303 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were approved by PURA on September 13, 2017.

On June 20, 2017, UI entered into twenty-two 20-year PPAs totaling approximately 72 MW with developers of wind and solar generation. These PPAs originated from RFP issued by the Connecticut Department of Energy and Environmental Protection, or DEEP, under PA 15-107 1(b) which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were approved by PURA on September 7, 2017. One contract was terminated on October 24, 2017, resulting in UI having twenty-one remaining contracts from this solicitation totaling approximately 70 MW.

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE. UI's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets. For 2017, UI's overall allowed weighted-average ROE for its transmission business was 11.29%.

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

On September 30, 2011, the Massachusetts Attorney General, Massachusetts Department of Public Utilities, Connecticut Public Utilities Regulatory Authority, 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 complaint (Complaint I) with the FERC pursuant to sections 206 and 306 of the Federal Power Act. The filing parties seek an order from the FERC reducing the 11.14% base return on equity used in calculating formula rates for transmission service under the ISO-New England Open Access Transmission Tariff (OATT) to 9.2%. UI is one of several New England Transmission Owners (NETOs) with assets and service rates that are governed by the OATT and will thereby be affected by any FERC order resulting from the filed complaint.

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

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 16, 2014 decision. The March order upheld the FERC's June 19, 2014 decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total average transmission return. In June 2015 the NETOs and complainants both filed an appeal in the U.S. Court of Appeals for the District of Columbia of the FERC's final order. On April 14, 2017, the Court of Appeals (the Court) vacated FERC's decision on Complaint I and remanded it to FERC. The Court held that FERC, as directed by statute, did not determine first that the existing ROE was unjust and unreasonable before determining a new ROE. The Court ruled that FERC should have first determined that the then existing 11.14% base ROE was unjust and unreasonable before selecting the 10.57% as the new base ROE. The Court also found that FERC did not provide reasoned judgment as to why 10.57%, the point ROE at the midpoint of the upper end of the zone of reasonableness is a just and reasonable ROE. Instead, FERC had only explained in its order that the midpoint of 9.39% was not just and reasonable and a higher base ROE was warranted. On June 5, 2017, the NETOs made a filing with FERC seeking to reinstate transmission rates to the status quo ante (effect of the Court vacating order is to return the parties to the rates in effect prior to FERC Final decision) as of June 8, 2017, the date the Court decision became effective. In that filing, the NETOs stated that they will not begin billing at the higher rates until 60 days after FERC has a quorum of commissioners. On October 6, 2017, FERC issued an order rejecting the NETOs request to collect transmission revenue requirements at the higher ROE of 11.14%, pending FERC order on remand. In reaching this decision, FERC stated that it has broad remedial authority to make whatever ROE it eventually determines to be just and reasonable effective for the Complaint I refund period and prospectively from October 2014, the effective date of the Complaint I Order. Therefore FERC reasoned that the NETOs will not be harmed financially by not immediately returning to their pre-Complaint I ROE. We anticipate FERC to address the Court decision during 2018. We cannot predict the outcome of action by FERC.

On December 26, 2012, a second, ROE complaint (Complaint II) for a subsequent rate period was filed requesting the then effective ROE of 11.14% be reduced to 8.7%. On June 19, 2014, FERC accepted Complaint II, established a 15-month refund effective date of December 27, 2012, and set the matter for hearing using the methodology established in the Complaint I.

On July 31, 2014, a third, ROE complaint (Complaint III) was filed for a subsequent rate period requesting the then effective ROE of 11.14% be reduced to 8.84%. On November 24, 2014, FERC accepted the Complaint III, established a 15-month refund effective date of July 31, 2014, and set this matter consolidated with Complaint II for hearing in June 2015. Hearings relating to the refund periods and going forward period were held in June 2015 on Complaints II and III before a FERC Administrative Law Judge. On July 29, 2015, post-hearing briefs were filed by parties and on August 26, 2015 reply briefs were filed by parties. On July 13, 2015, the NETOs filed a petition for review of FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the U.S. Court of Appeals. The FERC Administrative Law Judge issued an Initial Decision on March 22, 2016. The Initial Decision determined that: (1) for the 15-month refund period in Complaint II, the base ROE should be 9.59% and that the ROE Cap (base ROE plus incentive ROEs) should be 10.42% and (2) for the 15 month refund period in Complaint III and prospectively, the base ROE should be 10.90% and that the ROE Cap should be 12.19%. The Initial Decision is the Administrative Law Judge's recommendation to the FERC Commissioners. The FERC is expected to make its final decision in 2018.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 final decision in Complaint I. Refunds were provided to customers for Complaint I. The total reserve associated with Complaints II and III is $4.4 million as of March 31, 2018, which has not changed since December 31, 2017. If adopted as final, the impact of the initial decision would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings. UI cannot predict the outcome of the Complaint II and III proceedings.

On April 29, 2016, a fourth ROE complaint (Complaint IV) was filed for a rate period subsequent to prior complaints requesting the then existing base ROE of 10.57% be reduced to 8.61% and the ROE Cap be set at 11.24%. The NETOs filed a response to the Complaint IV on June 3, 2016. On September 20, 2016, FERC accepted the Complaint IV, established a 15-month refund effective date of April 29, 2016, and set the matter for hearing and settlement judge procedures. In April 2017, the NETOs filed for a stay in the hearings pending FERC on the Court order described above. That request was denied by the Administrative Law Judge. On November 21, 2017, the parties submitted updates to their ROE analyses and recommendations just prior to hearings with the NETOs continuing to advocate that the existing base ROE of 10.57% should remain in effect. Hearings were held in December 2017 with an expected Initial Decision from the Administrative Law Judge in March 2018. A range of possible outcomes is not able to be determined at this time due to the preliminary state of this matter. UI cannot predict the outcome of the Complaint IV proceeding.

On October 5, 2017, the NETOs filed a Motion for Dismissal of Pancaked Return on Equity Complaints in light of the decision by the Court in April 2017 that became effective on June 8, 2017. The NETOs assert that all four complaints should be dismissed because the complainants have not shown that the existing ROE of 11.14% is unjust and unreasonable as the Court decision requires. In addition, the NETOs assert that Complaints II, III and IV should also be dismissed because the Court decision implicitly found that FERC's acceptance of Pancaked FPA Section 206 complaints was statutorily improper as Congress intended that the 15-month refund period under Section 206 applies whenever FERC does not complete its review of a complaint within the 15-month period. In the event FERC chooses not to dismiss the complaints, the NETOs request that FERC consolidate the complaints for decision as the evidentiary records are either closed or advanced enough for FERC to address the requirements of the Court decision and expeditiously issue a final order. FERC has not yet ruled on this Motion. UI cannot predict the outcome of action by FERC.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with NRG Yield Operating LLC in GenConn, which operates two peaking generation plants in Connecticut. The two peaking generation plants, GenConn Devon and GenConn Middletown, are both participating in the ISO-New England markets. PURA has approved revenue requirements for the period from January 1, 2018 through December 31, 2018 of $28.8 million and $35.8 million for GenConn Devon and GenConn Middletown, respectively. PURA has ruled previously that GenConn's project capital costs incurred were prudently incurred and are included in the 2018 approved revenue requirements.

(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 was $29.6 million outstanding as of March 31, 2018 under this agreement. There was $24.4 million outstanding as of December 31, 2017 under this agreement.

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 was $129 million outstanding under this agreement as of March 31, 2018. There was $44.4 million outstanding under this agreement as of December 31, 2017.

On April 5, 2016, Avangrid, Inc. and its subsidiaries, including UI, entered into a new credit facility agreement with a syndicate of banks (Avangrid Credit Facility) which replaced the UIL Holdings Credit Facility.

Under the Avangrid Credit Facility, UI has a maximum sublimit of $250 million. Additionally, under the Avangrid Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 10.0 to 17.5 basis points. The maturity date for the Avangrid Credit Facility is April 5, 2021. As of March 31, 2018, UI did not have any outstanding borrowings under the Avangrid Credit Facility. As of December 31, 2017, UI had $100 million of outstanding borrowings under the Avangrid Credit Facility.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The annualized effective income tax rates for the three-month period ended March 31, 2018 and 2017 were 19.73% and 31.8%, respectively. The decrease in the 2018 rate as compared to 2017 is predominantly due to the decrease in the statutory federal income tax rate applicable in 2017, 35%, to an applicable statutory federal income tax rate of 21% in 2018.

(F) PENSION AND OTHER BENEFITS

UI did not make any pension contributions during the three months ended March 31, 2018. UI currently expects to make pension contributions of approximately $15.1 million in 2018. 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 periods ended March 31, 2018 and 2017:

	Three Months Ended March 31,			
	Pension Benefits		Other Post-Retirement	
	2018	2017	2018	2017
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,604	$ 1,403	$ 233	$ 235
Interest cost	5,398	5,747	583	675
Expected return on plan assets	(6,707)	(6,291)	(413)	(363)
Amortization of:				
Prior service costs	(1)	(2)	(384)	(385)
Actuarial (gain) loss	5,910	6,185	(186)	4
Net periodic benefit cost	$ 6,204	$ 7,042	$ (167)	$ 167
Discount rate	3.80%	4.24%	3.80%	4.24%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.40%	7.50%	6.25%	6.25%
Health care trend rate (current year - pre/post-65)	N/A	N/A	7.50%/5.75%	6.75%/6.00
Health care trend rate (2030/2025 - 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 three-month periods ended March 31, 2018 and 2017, 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 three-month periods ended March 31, 2018 and 2017, UI recorded inter-company expenses of $12.3 million and $12.8 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

In 2017, UI made wire transfers to UIL Holdings on a quarterly basis in order to maintain its capitalization structure as allowed per PURA's final decision in UI's 2008 distribution rate proceeding. For the three-month period ended March 31, 2018 UI did not accrue dividends to UIL Holdings. For the year ended December 31, 2017, UI accrued dividends to UIL Holdings of $125 million.

(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.

Environmental Matters

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

Site Decontamination, Demolition and Remediation Costs

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then and current owners of a former generation site on the Mill River in New Haven (the English Station site) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut against UI seeking, among other things: (i) an order directing UI to reimburse the plaintiffs for costs they have incurred and will incur for the testing, investigation and remediation of hazardous substances at the English Station site and (ii) an order directing UI to investigate and remediate the site. This proceeding had been stayed in 2014 pending resolutions of other proceedings before the DEEP concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party. In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the English Station site; (ii) reimbursement of remediation costs; (iii) termination of UI's easement rights; (iv) reimbursement for costs associated with securing the property; and (v) punitive damages. This lawsuit had been stayed in May 2014 pending mediation. Due to lack of activity in the case, the court terminated the stay and scheduled a status conference for July 6, 2017. On July 5, 2017, Asnat filed a pretrial memorandum claiming damages of $10 million for "environmental remediation activities" and lost use of the property. In December 2017 Plaintiffs filed a Request for Leave to Amend Complaint and Motion to Cite-In Additional Parties, including former UIL officers and employees and other UI officers, which motion was approved in February 2018. UI 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. Mediation of the matter began in the fourth quarter of 2013 and concluded unsuccessfully in April 2015. This proceeding was stayed while DEEP and UI continue to work through the remediation process pursuant to the consent order described below. Status reports are periodically filed with the DEEP.

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 December 31, 2017 UI reserved $25 million for this matter. As of March 31, 2018, the reserve amount remained unchanged. UI cannot predict the outcome of this matter.

Other

With respect to transmission-related property adjacent to the New Haven Harbor Generating Station, UI performed an environmental analysis that indicated remaining remediation expenses would be approximately $2.7 million. UI has accrued these estimated expenses, which were recovered in transmission rates.

(I) FAIR VALUE MEASUREMENTS

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

The following tables set forth the fair value of UI's financial assets and liabilities, other than pension benefits and other postretirement benefits, as of March 31, 2018 and December 31, 2017:

	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
March 31, 2018		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	10,017	$ 10,017
Supplemental retirement benefit trust life insurance policies	-	10,186	-	10,186
	-	10,186	10,017	20,203
Liabilities:				
Derivative liabilities	-	-	88,786	88,786
	-	-	88,786	88,786
Net fair value assets/(liabilities), March 31, 2018	$ -	$ 10,186	$ (78,769)	$ (68,583)
December 31, 2017				
Assets:				
Derivative assets	$ -	$ -	$ 11,647	$ 11,647
Supplemental retirement benefit trust life insurance policies	-	10,416	-	10,416
	-	10,416	11,647	22,063
Liabilities:				
Derivative liabilities	-	-	79,093	79,093
	-	-	79,093	79,093
Net fair value assets/(liabilities), December 31, 2017	$ -	$ 10,416	$ (67,446)	$ (57,030)

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 December 31, 2017 or December 31, 2016 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

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

	Unobservable Input	Range at March 31, 2018	Range at December 31, 2017
Contracts for differences	Risk of non-performance	0.66% - 0.69%	0.11% - 0.49%
	Discount rate	2.27% - 2.74%	1.89% - 2.40%
	Forward pricing ($ per MW)	$4.30 - $9.55	$5.30 - $9.55

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

The determination of the fair value of the supplemental retirement benefit trust life insurance policies was based on quoted prices as of March 31, 2018 and December 31, 2017 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 three month periods ended March 31, 2018:

		Three Months Ended March 31, 2018 (In Thousands)
Net derivative assets/(liabilities), December 31, 2017	$	(67,446)
Unrealized gains and (losses), net		(11,323)
Net derivative assets/(liabilities), March 31, 2018	$	(78,769)
Change in unrealized gains (losses), net relating to net derivative	$	(11,323)

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
Operating Revenues	$	143,836	$	136,542
Operating Expenses				
Natural gas purchased		77,709		70,602
Operation and maintenance		22,577		22,267
Depreciation and amortization		7,155		6,299
Taxes other than income taxes		9,615		8,409
Total Operating Expenses		117,056		107,577
Operating Income		26,780		28,965
Other Income and (Expense), net				
Other income		164		2,236
Other (expense)		(1,612)		(1,782)
Total Other Income and (Expense), net		(1,448)		454
Interest Expense, net		4,016		3,528
Income Before Income Tax		21,316		25,891
Income Tax		5,092		9,494
Net Income	$	16,224	$	16,397
Less: Net Income Attributable to Noncontrolling Interest		300		650
Net Income Attributable to The Southern Connecticut Gas Company	$	15,924	$	15,747

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

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
Net Income	$	16,224	$	16,397
Other Comprehensive Income, net of income tax		-		260
Comprehensive Income		16,224		16,657
Less: Comprehensive Income attributable to Noncontrolling Interest		300		650
Comprehensive Income Attributable to The Southern Connecticut Gas Company	$	15,924	$	16,007

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

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

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 1,007	$ 622
Accounts receivable and unbilled revenues, net	92,438	80,972
Accounts receivable from affiliates	2,136	8,992
Notes receivable from affiliates	11,367	4,437
Regulatory assets	16,448	26,240
Gas in storage	14,513	27,693
Materials and supplies	1,800	1,787
Prepayments and other current assets	2,743	1,298
Total Current Assets	142,452	152,041
Other Investments	10,301	10,584
Property, Plant and Equipment, at cost	935,714	929,416
Less accumulated depreciation	239,696	234,646
Net Property, Plant and Equipment in Service	696,018	694,770
Construction work in progress	14,425	12,323
Total Property, Plant and Equipment	710,443	707,093
Regulatory Assets	134,814	140,059
Deferred Income Taxes Regulatory	17,592	10,864
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	767	130
Total Deferred Charges and Other Assets	135,698	135,061
Total Assets	$ 1,151,300	$ 1,155,702

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

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

	March 31, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 1,630	$ 38,898
Current portion of long-term debt	52,079	52,517
Accounts payable and accrued liabilities	46,288	57,533
Accounts payable to affiliates	9,719	9,395
Regulatory liabilities	14,773	9,557
Other current liabilities	9,218	8,208
Interest accrued	2,418	2,201
Taxes accrued	17,548	7,594
Total Current Liabilities	153,673	185,903
Deferred Income Taxes	41,887	34,239
Regulatory Liabilities	201,827	197,090
Other Noncurrent Liabilities		
Pension and other post-retirement	59,839	59,790
Asset retirement obligations	12,244	12,089
Environmental remediation costs	46,877	46,886
Other	8,116	8,943
Total Other Noncurrent Liabilities	127,076	127,708
Capitalization		
Long-term debt, net of unamortized premium	170,167	170,316
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	43,888	27,266
Accumulated other comprehensive income (loss)	-	698
Net Common Stock Equity of The Southern Connecticut Gas Company	432,386	416,462
Noncontrolling interest	24,284	23,984
Total Common Stock Equity	456,670	440,446
Total Capitalization	626,837	610,762
Total Liabilities and Capitalization	$ 1,151,300	$ 1,155,702

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

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash Flows From Operating Activities		
Net income	$ 16,224	$ 16,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,203	6,347
Uncollectible expense	858	775
Deferred income taxes	(7,602)	1,574
Pension expense	531	1,278
Regulatory assets/liabilities amortization	(764)	5,710
Regulatory assets/liabilities carrying cost	33	21
Other non-cash items, net	512	132
Changes in:		
Accounts receivable and unbilled revenue, net	(5,696)	(10,311)
Gas in storage	13,180	8,800
Accounts payable and accrued liabilities	(6,537)	1,795
Taxes accrued/refundable, net	9,954	(1,244)
Interest accrued	218	(203)
Accrued pension and other post-retirement	(482)	(325)
Regulatory assets/liabilities	32,403	12,033
Other assets	(2,106)	(2,836)
Other liabilities	(833)	263
Total Adjustments	40,872	23,809
Net Cash provided by Operating Activities	57,096	40,206
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(12,513)	(14,019)
Notes receivable from affiliates	(6,930)	(458)
Net Cash used in Investing Activities	(19,443)	(14,477)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(17,000)
Notes payable to affililiates	(37,268)	(8,050)
Net Cash used in Financing Activities	(37,268)	(25,050)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	385	679
Balance at beginning of period	622	794
Balance at end of period	$ 1,007	$ 1,473
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 2,006	$ 1,308

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

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2018
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	Noncontrolling	
	Shares	Amount	Capital	Earnings	Income (Loss)	Interest	Total
Balance as of December 31, 2017	1,407,072	$ 18,761	$ 369,737	$ 27,266	$ 698	$ 23,984	$ 440,446
Net income attributable to The Southern Connecticut Gas Company				15,924			15,924
Net income attributable to Noncontrolling interest						300	300
Change in accounting policy				698	(698)		
Balance as of March 31, 2018	1,407,072	$ 18,761	$ 369,737	$ 43,888	$ -	$ 24,284	$ 456,670

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

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating Revenues	$ 141,346	$ 140,709
Operating Expenses		
Natural gas purchased	79,523	73,184
Operation and maintenance	24,778	21,293
Depreciation and amortization	8,498	8,231
Taxes other than income taxes	8,987	8,454
Total Operating Expenses	121,786	111,162
Operating Income	19,560	29,547
Other Income and (Expense), net		
Other income	492	302
Other (expense)	(2,855)	(1,327)
Total Other Income and (Expense), net	(2,363)	(1,025)
Interest Expense, net	1,972	2,060
Income Before Income Tax	15,225	26,462
Income Tax	3,193	8,976
Net Income	12,032	17,486
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Net Income attributable to Connecticut Natural Gas Corporation	$ 12,025	$ 17,479

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net Income	$ 12,032	$ 17,486
Other Comprehensive Income, net of income tax		
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	-	-
Total Other Comprehensive Income, net of income tax	12,032	17,486
Comprehensive Income		
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Comprehensive Income	$ 12,025	$ 17,479

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

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 952	$ 666
Accounts receivable and unbilled revenues, net	91,444	85,964
Accounts receivable from affiliates	1,690	1,441
Regulatory assets	11,105	19,143
Gas in storage	11,267	23,379
Materials and supplies	1,996	1,887
Prepayments and other current assets	2,701	1,138
Total Current Assets	121,155	133,618
Other Investments	1,149	1,158
Property, Plant and Equipment, at cost	900,249	892,596
Less accumulated depreciation	293,416	293,532
Net Property, Plant and Equipment in Service	606,833	599,064
Construction work in progress	41,887	48,422
Total Property, Plant and Equipment	648,720	647,486
Regulatory Assets	109,657	116,875
Deferred Income Taxes Regulatory	34,044	24,588
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	1,061	130
Total Deferred Charges and Other Assets	80,402	79,471
Total Assets	$ 995,127	$ 1,003,196

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

	March 31, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 51,230	$ 89,262
Accounts payable and accrued liabilities	50,874	65,011
Accounts payable to affiliates	4,757	10,353
Other current liabilities	4,931	4,098
Regulatory liabilities	11,098	2,880
Interest accrued	1,676	1,262
Taxes accrued	22,210	8,062
Total Current Liabilities	146,776	180,928
Deferred Income Taxes	27,667	25,547
Regulatory Liabilities	236,105	224,457
Other Noncurrent Liabilities		
Pension and other post-retirement	91,025	90,761
Asset retirement obligations	6,769	6,683
Other	1,427	1,499
Total Other Noncurrent Liabilities	99,221	98,943
Capitalization		
Long-term debt, net of unamortized premium	109,302	109,290
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,304	315,304
Retained earnings	27,179	15,181
Accumulated other comprehensive loss	-	(27)
Net Common Stock Equity	375,716	363,691
Total Capitalization	485,358	473,321
Total Liabilities and Capitalization	$ 995,127	$ 1,003,196

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash Flows From Operating Activities		
Net Income	$ 12,032	$ 17,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,518	8,250
Deferred income taxes	(8,741)	(4,695)
Uncollectible expense	1,292	1,319
Pension expense	930	1,629
Regulatory assets/liabilities amortization	1,188	564
Regulatory assets/liabiities carrying cost	55	87
Other non-cash items, net	328	(7)
Changes in:		
Accounts receivable and unbilled revenues, net	(7,340)	(10,909)
Natural gas in storage	12,112	9,931
Accounts payable and accrued liabilities	(15,495)	(15,702)
Interest accrued	413	636
Taxes accrued/refundable, net	14,147	19,608
Accrued pension and other post-retirement	(666)	(847)
Regulatory assets/liabilities	31,812	9,750
Other assets	(2,612)	(2,344)
Other liabilities	767	918
Total Adjustments	36,708	18,188
Net Cash provided by Operating Activities	48,740	35,674
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(10,415)	(17,118)
Net Cash used in Investing Activities	(10,415)	(17,118)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(12,000)
Payment of preferred stock dividend	(7)	(7)
Notes payable to affiliates	(38,032)	(6,450)
Net Cash used in Financing Activities	(38,039)	(18,457)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	286	99
Balance at beginning of period	666	714
Balance at end of period	$ 952	$ 813
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 2,777	$ 5,318

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2018
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Balance as of December 31, 2017	10,634,436	$ 33,233	$ 315,304	$ 15,181	$ (27)	$ 363,691
Net income				12,032		12,032
Change in accounting policy				(27)	27	-
Payment of preferred stock dividend				(7)		(7)
Balance as of March 31, 2018	10,634,436	$ 33,233	$ 315,304	$ 27,179	$ -	$ 375,716

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF MARCH 31, 2018 AND DECEMBER 31, 2017 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating Revenues	$ 31,535	$ 33,703
Operating Expenses		
Natural gas purchased	14,868	15,085
Operation and maintenance	8,043	6,787
Depreciation and amortization	2,077	1,917
Taxes other than income taxes	1,303	948
Total Operating Expenses	26,291	24,737
Operating Income	5,244	8,966
Other Income and (Expense), net		
Other income	25	44
Other (expense)	(437)	(289)
Total Other Income and (Expense), net	(412)	(245)
Interest Expense, net	842	821
Income Before Income Tax	3,990	7,900
Income Tax	1,118	3,178
Net Income	$ 2,872	$ 4,722

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net Income	$ 2,872	$ 4,722
Other Comprehensive Income, net of income tax	-	4
Comprehensive Income	$ 2,872	$ 4,726

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

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 213	$ 347
Accounts receivable and unbilled revenues, net	14,676	14,592
Accounts receivable from affiliates	247	323
Regulatory assets	7,044	9,025
Gas in storage	800	1,888
Materials and supplies	1,010	870
Other current assets	747	1,944
Total Current Assets	24,737	28,989
Other Investments	2,342	2,331
Property, Plant and Equipment, at cost	241,428	239,471
Less accumulated depreciation	78,571	77,297
Net Property, Plant and Equipment in Service	162,857	162,174
Construction work in progress	867	2,393
Total Property, Plant and Equipment	163,724	164,567
Regulatory Assets	32,758	33,281
Deferred Income Taxes Regulatory	3,972	2,384
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	1,178	21
Total Deferred Charges and Other Assets	53,111	51,954
Total Assets	$ 280,644	$ 283,506

BALANCE SHEET
LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	March 31, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 13,430	$ 14,800
Current portion of long-term debt	2,393	2,393
Accounts payable and accrued liabilities	9,436	12,609
Accounts payable to affiliates	497	6,809
Other current liabilities	1,674	1,315
Interest accrued	614	852
Regulatory liabilities	2,030	2,185
Taxes accrued	898	451
Total Current Liabilities	30,972	41,414
Deferred Income Taxes	21,505	20,354
Regulatory Liabilities	52,309	48,846
Other Noncurrent Liabilities		
Pension	18,605	18,285
Environmental remediation costs	3,950	3,950
Other	2,572	2,585
Total Other Noncurrent Liabilities	25,127	24,820
Capitalization		
Long-term debt	37,802	38,011
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	6,834	3,964
Accumulated other comprehensive income (loss)	-	2
Net Common Stock Equity	112,929	110,061
Total Capitalization	150,731	148,072
Total Liabilities and Capitalization	$ 280,644	$ 283,506

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash Flows From Operating Activities		
Net income	$ 2,872	$ 4,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,016	1,857
Deferred income taxes	(328)	(46)
Uncollectible expense	1,265	178
Pension expense	318	315
Regulatory assets/liabilities amortization	620	639
Other non-cash items, net	47	46
Changes in:		
Accounts receivable and unbilled revenue, net	(1,335)	(3,045)
Natural gas in storage	1,088	685
Accounts payable and accrued liabilities	(8,392)	(8,490)
Taxes accrued/refundable, net	447	10,524
Pension accrued	70	(244)
Environmental liabilities	-	(25)
Regulatory assets/liabilities	4,466	2,362
Other assets	(102)	(1,156)
Other liabilities	(275)	(2,192)
Total Adjustments	(95)	1,408
Net Cash provided by Operating Activities	2,777	6,130
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(1,541)	(2,269)
Net Cash used in Investing Activities	(1,541)	(2,269)
Cash Flows from Financing Activities		
Notes payable to affiliates	(1,370)	(3,650)
Net Cash used in Financing Activities	(1,370)	(3,650)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(134)	211
Balance at beginning of period	347	78
Balance at end of period	$ 213	$ 289
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 65	$ -

THE BERKSHIRE GAS COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2018
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Balance as of December 31, 2017	100	$ -	$ 106,095	$ 3,964	$ 2	$ 110,061
Net income				2,872		2,872
Change in accounting policy				(2)	(2)	(4)
Balance as of March 31, 2018	100	$ -	$ 106,095	$ 6,834	$ -	$ 112,929

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

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March 31, 2018 and 2017

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

Periods ending March 31,		2018		2017
(Thousands)				
Operating Revenues				
Sales and services	$	**205,924**	$	**207,924**
Operating Expenses				
Electricity purchased		4,192		3,388
Operations and maintenance		104,587		97,344
Depreciation and amortization		27,841		26,310
Other taxes		15,919		14,851
Total Operating Expenses		**152,539**		**141,893**
Operating Income		**53,385**		**66,031**
Other Income		2,103		1,269
Other Deductions		(4,182)		(176)
Interest Charges, net		(13,316)		(13,164)
Income Before Income Tax		**37,990**		**53,960**
Income Tax Expense		8,833		20,586
Net Income		**29,157**		**33,374**
Less: net income attributable to noncontrolling interest		342		166
Net Income Attributable to CMP		**28,815**		**33,208**
Preferred Stock Dividends		-		-
Net Income Available for CMP Common Stock	$	**28,815**	$	**33,208**

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

Periods ended March 31,		2017		2016
(Thousands)				
Net Income	$	**29,157**	$	**33,374**
Other Comprehensive Income, Net of Tax				
Unrealized gain on derivatives qualifed as hedges:				
Unrealized (loss) gain during period on derivatives qualified as hedges		(25)		30
Reclassification adjustment for loss included in net income		11		(111)
Reclassification adjustment for loss on settled cash flow treasury hedges		338		321
Other Comprehensive Income, Net of Tax		**324**		**240**
Comprehensive Income		**29,481**		**33,614**
Less:				
Comprehensive income attributable to noncontrolling interests		342		166
Comprehensive Income Attributable to CMP	$	**29,139**	$	**33,448**

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

(Thousands)	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 23,998	$ 15,096
Accounts receivable and unbilled revenues, net	188,903	171,978
Accounts receivable from affiliates	726	30,729
Notes receivable from affiliates	500	28,336
Materials and supplies	18,670	15,349
Prepayments and other current assets	38,375	63,036
Regulatory assets	6,889	12,689
Total Current Assets	**278,061**	**337,213**
Utility plant, at original cost	4,106,579	4,068,887
Less accumulated depreciation	(1,003,326)	(976,602)
Net Utility Plant in Service	**3,103,253**	**3,092,285**
Construction work in progress	168,584	156,247
Total Utility Plant	**3,271,837**	**3,248,532**
Other Property and Investments	1,249	1,268
Regulatory and Other Assets		
Regulatory assets	434,093	437,461
Deferred income taxes regulatory	4,655	-
Goodwill	324,938	324,938
Other	39,782	38,544
Total Regulatory and Other Assets	**803,468**	**800,943**
Total Assets	**$ 4,354,615**	**$ 4,387,956**

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

(Thousands, except share information)	March 31, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 1,472	$ 1,452
Notes payable to affiliates	850	434
Accounts payable and accrued liabilities	147,653	192,244
Accounts payable to affiliates	13,889	41,072
Interest accrued	10,129	17,828
Taxes accrued	4,316	2,043
Other current liabilities	61,684	55,614
Regulatory liabilities	38,004	44,182
Total Current Liabilities	**277,997**	**354,869**
Regulatory and Other Liabilities		
Regulatory liabilities	501,896	489,276
Deferred income taxes regulatory	-	229
Other Non-current liabilities		
Deferred income taxes	397,999	401,254
Pension and other postretirement benefits	207,153	207,997
Other	47,287	46,617
Total Regulatory and Other Liabilities	**1,154,335**	**1,145,373**
Long-term debt	1,040,499	1,040,859
Total Liabilities	**2,472,831**	**2,541,101**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock	156,057	156,057
Capital in excess of par value	764,023	764,004
Retained earnings	948,807	919,992
Accumulated other comprehensive loss	(4,973)	(5,297)
Total CMP Common Stock Equity	**1,863,914**	**1,834,756**
Noncontrolling interest	17,299	11,528
Total Equity	**1,881,213**	**1,846,284**
Total Liabilities and Equity	**$ 4,354,615**	**$ 4,387,956**

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

Three months ended March 31,	2018	2017
(Thousands)		
Cash Flow from Operating Activities		
Net income	**$ 29,157**	**$ 33,208**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	27,841	26,310
Amortization of regulatory assets and liabilities	394	(1,899)
Carrying cost of regulatory assets and liabilities	974	295
Amortization of debt issuance costs	144	139
Deferred taxes	(3,489)	(4,806)
Pension cost	5,434	4,713
Stock-based compensation	19	65
Accretion expenses	11	10
Gain on disposal of property, plant and equipment	-	(5)
Other non-cash Items	(18)	76
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	13,079	(2,778)
Materials and supplies	(3,321)	433
Accounts payable and accrued liabilities	(58,575)	(51,871)
Accrued taxes	7,125	27,196
Other assets/liabilities	12,904	39,065
Regulatory assets/liabilities	8,030	(27,095)
Net Cash Provided by Operating Activities	**39,709**	**43,056**
Cash Flow from Investing Activities		
Utility plant additions	(66,669)	(47,540)
Contributions in aid of construction	2,655	2,889
Notes receivable with affiliates	27,836	4,696
Proceeds from sale of property, plant and equipment	9	223
Investments, net	-	8
Net Cash Used in Investing Activities	**(36,169)**	**(39,724)**
Cash Flow from Financing Activities		
Capital contributions from parent	-	
Long-term note retirements	-	(296)
Repayment of capital leases	(188)	(4,017)
Repayments of non-current debt	(296)	447
Proceeds from other short term debt	-	-
Proceeds of short term debt-affiliates	416	-
Transactions with noncontrolling interest	5,430	-
Common stock dividends	-	-
Net Cash Used in Financing Activities	**5,362**	**(3,866)**
Net Increase in Cash and Cash Equivalents	8,902	(534)
Cash and Cash Equivalents, Beginning of Period	15,096	7,968
Cash and Cash Equivalents, End of Period	**$ 23,998**	**$ 7,434**

Central Maine Power Company and Subsidiaries
Consolidated Statement of Changes in 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 CMP Common Stock Equity	Non-controlling Interest	Total Equity
Balance, January 1, 2018	**31,211,471**	**$ 156,057**	**$ 764,004**	**$ 919,992**	**$ (5,297)**	**$ 1,834,756**	**$ 11,528**	**$ 1,846,284**
Net income	-	-	-	28,815	-	28,815	342	29,157
Other comprehensive income, net of tax	-	-	-	-	324	324	-	324
Comprehensive income								29,481
Stock-based compensation	-	-	19	-	-	19	-	19
Capital contribution from parent	-	-	-	-	-	-	5,429	5,429
Common stock dividends	-	-	-	-	-	-	-	-
Balance, March 31, 2018	**31,211,471**	**156,057**	**764,023**	**948,807**	**(4,973)**	**1,863,914**	**17,299**	**1,881,213**

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

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

Periods ended March 31,		**2018**		**2017**
(Thousands)				
Operating Revenues				
Electric	$	374,184	$	325,542
Natural gas		132,276		115,716
Total Operating Revenues		**506,460**		**441,258**
Operating Expenses				
Electricity purchased		134,846		92,324
Natural gas purchased		53,573		44,097
Operations and maintenance		142,757		135,732
Depreciation and amortization		29,839		27,830
Other taxes		38,500		37,077
Total Operating Expenses		**399,515**		**337,060**
Operating Income		**106,945**		**104,198**
Other Income		2,735		3,632
Other Deductions		(13,560)		(11,419)
Interest Charges, net		(14,857)		(15,091)
Income Before Income Tax		**81,263**		**81,320**
Income Tax Expense		21,264		40,184
Net Income	**$**	**59,999**	**$**	**41,136**

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

Periods ended March 31,		**2018**		**2017**
(Thousands)				
Net Income	**$**	**59,999**	**$**	**41,136**
Other Comprehensive Income, Net of Tax				
Unrealized gain on derivatives qualified as hedges:				
Unrealized loss during period on derivatives qualified as hedges		(59)		(200)
Reclassificiation adjustment for loss included in net income		22		49
Reclassification adjustment for loss on settled cash flow treasury hedges		21		16
Other Comprehensive Income, Net of Tax		**(16)**		**(135)**
Comprehensive Income	**$**	**59,983**	**$**	**41,001**

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

	March 31, 2018	December 31, 2017
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 2,187	$ 3,396
Accounts receivable and unbilled revenues, net	280,081	268,977
Accounts receivable from affiliates	7,639	10,704
Fuel and natural gas in storage, at average cost	2,662	15,231
Materials and supplies	16,030	15,813
Broker margin accounts	12,270	13,334
Income tax receivable	35,465	41,844
Prepaid property taxes	50,637	35,779
Other current assets	2,605	6,060
Regulatory assets	139,446	113,403
Total Current Assets	**549,022**	**524,541**
Utility plant, at original cost	5,639,327	5,588,372
Less accumulated depreciation	(2,118,554)	(2,100,274)
Net Utility Plant in Service	**3,520,773**	**3,488,098**
Construction work in progress	257,954	240,657
Total Utility Plant	**3,778,727**	**3,728,755**
Other Property and Investments	10,395	10,411
Regulatory and Other Assets		
Regulatory assets	880,904	888,255
Deferred income taxes regulatory	31,557	30,376
Other	1,776	1,634
Total Regulatory and Other Assets	**914,237**	**920,265**
Total Assets	**$ 5,252,381**	**$ 5,183,972**

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

(Thousands, except share information)		March 31, 2018		December 31, 2017
Liabilities				
Current Liabilities				
Current portion of long-term debt	$	249	$	322
Notes payable		-		150,000
Notes payable to affiliates		308,450		124,643
Accounts payable and accrued liabilities		290,698		287,925
Accounts payable to affiliates		27,308		78,532
Interest accrued		12,847		5,963
Taxes accrued		540		1,553
Derivative liabilities		85		39
Environmental remediation costs		55,761		51,758
Customer deposits		12,661		12,532
Regulatory liabilities		92,924		78,298
Other		72,007		77,684
Total Current Liabilities		**873,530**		**869,249**
Regulatory and Other Liabilities				
Regulatory liabilities		1,192,686		1,190,333
Other non-current liabilities				
Deferred income taxes		514,891		497,082
Other postretirement benefits		214,591		224,736
Asset retirement obligation		14,204		14,021
Environmental remediation costs		100,196		105,707
Other		43,373		44,009
Total Regulatory and Other liabilities		**2,079,941**		**2,075,888**
Long-term debt		1,041,622		1,041,536
Total Liabilities		**3,995,093**		**3,986,673**
Commitments and Contingencies				
Common Stock Equity				
Common stock		430,057		430,057
Capital in excess of par value		268,409		268,403
Retained earnings		559,743		499,744
Accumulated other comprehensive loss		(921)		(905)
Total Common Stock Equity		**1,257,288**		**1,197,299**
Total Liabilities and Equity	**$**	**5,252,381**	**$**	**5,183,972**

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

Periods ended March 31,	2018	2017
(Thousands)		
Cash Flow from Operating Activities		
Net income	**$ 59,999**	**$ 41,136**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	29,839	27,830
Amortization of regulatory assets and liabilities	13,857	10,050
Carrying cost of regulatory assets and liabilities	1,156	1,556
Amortization of debt issuance costs	318	409
Deferred taxes	(3,489)	22,836
Pension cost	17,547	15,206
Stock-based compensation	123	22
Accretion expenses	183	190
Gain on disposal of property, plant and equipment	(170)	(20)
Other non-cash items	(5,118)	(6,957)
Changes in assets and liabilities		
Accounts receivable and unbilled revenues, net	(8,039)	(9,953)
Materials and supplies	12,353	9,880
Accounts payable and accrued liabilities	(38,493)	(61,009)
Accrued taxes	(1,013)	98
Other assets/liabilities	(32,407)	(15,926)
Regulatory assets/liabilities	750	398
Net Cash Provided by Operating Activities	**47,396**	**35,746**
Cash Flow from Investing Activities		
Utility plant additions	(85,493)	(81,230)
Contributions in aid of construction	3,175	1,783
Proceeds from sale of property, plant and equipment	230	422
Investments, net	-	(2)
Net Cash Used in Investing Activities	**(82,088)**	**(79,027)**
Cash Flow from Financing Activities		
Repayment of capital leases	(306)	(19,967)
Notes payable to affiliates	33,789	61,600
Net Cash Used in Financing Activities	**33,483**	**41,633**
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,209)**	**(1,648)**
Cash and Cash Equivalents, Beginning of Period	**3,396**	**3,646**
Cash and Cash Equivalents, End of Period	**$ 2,187**	**$ 1,998**

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

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, January 1, 2018	**64,508,477**	**$ 430,057**	**$ 268,403**	**$ 499,744**	**$ (905)**	**$ 1,197,299**
Net income	-	-	-	59,999	-	59,999
Other comprehensive income, net of tax	-	-	-	-	(16)	(16)
Comprehensive income						59,983
Stock-based compensation	-	-	6	-	-	6
Common stock dividends	-	-	-	-	-	-
Balance, March 31, 2018	**64,508,477**	**430,057**	**268,409**	**559,743**	**(921)**	**1,257,288**

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2018 and 2017

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Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods ended March 31,		**2018**		**2017**
(Thousands)				
Operating Revenues				
Electric	$	147,306	$	161,060
Natural gas		123,556		103,295
Total Operating Revenues		**270,862**		**264,355**
Operating Expenses				
Electricity purchased and fuel used in generation		33,383		26,369
Natural gas purchased		51,760		38,617
Operations and maintenance		56,851		79,899
Depreciation and amortization		20,228		18,879
Other taxes		31,473		31,639
Total Operating Expenses		**193,695**		**195,403**
Operating Income		**77,167**		**68,952**
Other Income		4,540		3,141
Other Deductions		(6,296)		(5,007)
Interest Charges, net		(15,448)		(17,583)
Income Before Income Tax		**59,963**		**49,503**
Income Tax Expense		15,687		19,378
Net Income	**$**	**44,276**	**$**	**30,125**

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

Periods Ended March 31,		**2018**		**2017**
(Thousands)				
Net Income	**$**	**44,276**	**$**	**30,125**
Other Comprehensive Income, Net of Tax				
Unrealized gain on derivatives qualified as hedges:				
Unrealized (loss) during period on derivatives qualified as hedges		(24)		(94)
Reclassification adjustment for loss included in net income		10		21
Reclassification adjustment for loss on settled cash flow treasury hedges		1,065		877
Other Comprehensive Income, Net of Tax		**1,051**		**804**
Comprehensive Income	**$**	**45,327**	**$**	**30,929**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

(Thousands)	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 2,022	$ 631
Accounts receivable and unbilled revenues, net	170,009	160,303
Accounts receivable from affiliates	2,539	4,318
Notes receivable	26,300	39,727
Natural gas in storage	1,108	9,302
Materials and supplies	11,478	11,005
Broker margin accounts	6,202	6,848
Income tax receivable	7,586	16,589
Prepaid property taxes	42,012	35,120
Other current assets	1,021	3,555
Regulatory assets	70,027	63,627
Total Current Assets	**340,304**	**351,025**
Utility plant, at original cost	3,513,071	3,423,287
Less accumulated depreciation	(964,898)	(948,638)
Net Utility Plant in Service	**2,548,173**	**2,474,649**
Construction work in progress	290,202	332,457
Total Utility Plant in Service	**2,838,375**	**2,807,106**
Other Property and Investments	3,303	3,781
Regulatory and Other Assets		
Regulatory assets	468,544	486,398
Deferred income taxes regulatory	32,305	25,680
Other	1,087	1,021
Total Regulatory and Other Assets	**501,936**	**513,099**
Total Assets	**$ 3,683,918**	**$ 3,675,011**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

	March 31, 2018	December 31, 2017
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ -	$ -
Current portion of long term debt	1,455	1,434
Accounts payable and accrued liabilities	149,588	166,062
Accounts payable to affiliates	13,002	41,685
Interest accrued	11,310	12,329
Taxes accrued	1,253	1,692
Environmental remediation costs	3,747	2,435
Other	34,357	37,579
Regulatory liabilities	39,416	33,463
Total Current Liabilities	**254,128**	**296,679**
Regulatory and Other Liabilities		
Regulatory liabilities	702,118	694,751
Other Non-current Liabilities		
Deferred income taxes	324,451	320,944
Nuclear plant obligations	124,067	123,622
Pension and other postretirement benefits	174,488	175,394
Asset retirement obligations	3,252	3,214
Environmental remediation costs	129,962	131,367
Other	19,558	22,501
Total Regulary and Other Liabilities	**1,477,896**	**1,471,793**
Long-term debt	958,933	958,911
Total Liabilities	**$ 2,690,957**	**2,727,383**
Commitments and Contingencies		
Common Stock Equity		
Common stock	194,429	194,429
Capital in excess of par value	604,981	604,975
Retained earnings	349,150	304,820
Accumulated other comprehensive loss	(38,361)	(39,358)
Treasury stock, at cost (4,379,300 shares at December 31, 2017 and 2016)	(117,238)	(117,238)
Total Common Stock Equity	**992,961**	**947,628**
Total Liabilities and Equity	**$ 3,683,918**	**$ 3,675,011**

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

For the Three Months Ended March 31,	2018	2017
(Thousands)		
Cash Flow From Operating Activities		
Net income	**$ 44,276**	**$ 30,125**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	20,228	18,879
Amortization of regulatory assets and liabilities	2,332	3,762
Carrying cost of regulatory assets and liabilities	1,154	7,681
Amortization of debt issuance costs	372	223
Deferred taxes	(3,489)	23,939
Pension cost	6,912	5,689
Stock-based compensation	(172)	39
Accretion expenses	38	39
Gain on disposal of property, plant and equipment	(8)	(66)
Other non-cash items	(1,748)	(4,494)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(7,926)	(16,579)
Materials and supplies	7,721	5,119
Accounts payable and accrued liabilities	(37,562)	(48,272)
Accrued taxes	(14,732)	1,592
Other assets/liabilities	6,468	30,277
Regulatory assets/liabilities	18,637	(54,365)
Net Cash Provided by Operating Activities	**42,501**	**3,588**
Cash Flow From Investing Activities		
Utility plant additions	(54,886)	(57,670)
Contribution in aid of construction	675	1,024
Proceeds from sale of property, plant and equipment	25	194
Notes receivable from affiliates	13,427	-
Investments, net	-	(71)
Net Cash Used in Investing Activities	**(40,759)**	**(56,523)**
Cash Flow From Financing Activities		
Repayment of capital leases	(351)	(331)
Repayments of non-current debt	-	(784)
Notes payable to affiliates	-	54,933
Net Cash (Used) Provided by Financing Activities	**(351)**	**53,818**
Net Increase in Cash and Cash Equivalents	**1,391**	**883**
Cash and Cash Equivalents, Beginning of Period	**631**	**9**
Cash and Cash Equivalents, End of Period	**$ 2,022**	**$ 892**

Rochester Gas and Electric Corporation
Statement 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
Balance, January 1, 2018	**38,885,813**	**$ 194,429**	**$ 604,975**	**$ 304,820**	**$ (39,358)**	**$ (117,238)**	**$ 947,628**
Net income	-	-	-	44,276	-	-	44,276
Other comprehensive income, net of tax	-	-	-	-	1,051	-	1,051
							45,327
Stock-based compensation	-	-	6	-	-	-	6
Adoption of accounting standards	-	-	-	54	(54)	-	-
Balance, March 31, 2018	**38,885,813**	**194,429**	**604,981**	**349,150**	**(38,361)**	**(117,238)**	**992,961**