THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017 AND

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Revenues	$ 261,560	$ 245,175	$ 726,050	$ 681,843
Operating Expenses				
Purchased power	53,004	40,798	153,104	125,644
Operation and maintenance	105,396	95,930	287,642	268,227
Depreciation and amortization	19,798	19,351	59,054	58,320
Taxes other than income taxes	32,023	29,223	84,956	80,380
Total Operating Expenses	210,221	185,302	584,756	532,571
Operating Income	51,339	59,873	141,294	149,272
Other Income and (Expense), net				
Other income	1,358	692	5,677	4,661
Other (expense)	(3,843)	(3,900)	(11,524)	(11,716)
Total Other Income and (Expense), net	(2,485)	(3,208)	(5,847)	(7,055)
Interest Expense, net	10,390	10,727	31,289	31,324
Income from Equity Investments	2,601	3,293	7,999	9,532
Income Before Income Tax	41,065	49,231	112,157	120,425
Income Tax	8,283	16,759	23,205	39,824
Net Income	$ 32,782	$ 32,472	$ 88,952	$ 80,601

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

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash Flows From Operating Activities		
Net income	$ 88,952	$ 80,601
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	59,980	59,394
Deferred income taxes	7,463	16,632
Uncollectible expense	17,894	13,914
Pension expense	18,108	21,618
Allowance for funds used during construction (AFUDC) - equity	(587)	(1,219)
Undistributed (earnings) in equity investments	(7,999)	(9,531)
Regulatory assets/liabilities amortization	5,450	1,397
Regulatory assets/liabiities carrying cost	(1,696)	(1,177)
Other non-cash items, net	(577)	(339)
Changes in:		
Accounts receivable and unbilled revenues, net	(32,701)	(37,926)
Accounts payable and accrued liabilties	(19,754)	(4,798)
Cash distribution received from GenConn	7,887	9,412
Taxes accrued and refundable	3,218	18,137
Pension and post-retirement	(10,315)	(9,940)
Regulatory assets/liabilities	22,815	5,444
Environmental liabilities	(6,676)	(5,909)
Other assets	(13,598)	(15,251)
Other liabilities	(2,752)	(3,521)
Total Adjustments	46,160	56,337
Net Cash provided by Operating Activities	135,112	136,938
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(110,831)	(120,357)
Cash distribution from GenConn	3,976	4,043
Net Cash used in Investing Activities	(106,855)	(116,314)
Cash Flows from Financing Activities		
Line of credit borrowings	(100,000)	-
Payment of long-term debt	-	(40,000)
Payment of common stock dividend	-	(125,000)
Notes payable to affiliates	72,230	142,650
Other	454	(30)
Net Cash used in Financing Activities	(27,316)	(22,380)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	941	(1,756)
Balance at beginning of period	1,988	4,319
Balance at end of period	$ 2,929	$ 2,563
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 17,763	$ 12,708

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1,416	$ -
Accounts receivable and unbilled revenues, net	194,868	154,261
Accounts receivable from affiliates	5,622	31,623
Regulatory assets	33,296	61,328
Materials and supplies	5,717	5,507
Derivative assets	4,894	6,912
Prepayments and other current assets	16,350	2,982
Total Current Assets	262,163	262,613
Other Investments		
Equity investment in GenConn	98,291	102,160
Other	11,374	10,592
Total Other Investments	109,665	112,752
Property, Plant and Equipment, at cost	2,820,155	2,688,738
Less accumulated depreciation	630,459	586,088
Net Property, Plant and Equipment in Service	2,189,696	2,102,650
Construction work in progress	164,983	200,478
Total Property, Plant and Equipment	2,354,679	2,303,128
Regulatory Assets	451,311	453,920
Deferred Charges and Other Assets		
Derivative assets	1,974	4,735
Other	3,223	4,197
Total Deferred Charges and Other Assets	5,197	8,932
Total Assets	$ 3,183,015	$ 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)

	September 30, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Line of credit borrowings	$ -	$ 100,000
Notes payable to affiliates	141,130	68,900
Current portion of long-term debt	131,000	100,000
Accounts payable and accrued liabilities	96,412	113,443
Accounts payable to affiliates	14,815	25,151
Regulatory liabilities	7,434	7,058
Interest accrued	9,066	9,903
Taxes accrued	28,717	25,499
Derivative liabilities	12,848	15,776
Other liabilities	21,842	20,383
Total Current Liabilities	463,264	486,113
Deferred Income Taxes	283,789	287,764
Regulatory Liabilities	454,469	440,618
Deferred Income Taxes Regulatory	9,276	17,762
Other Noncurrent Liabilities		
Pension and post-retirement	254,157	246,363
Derivative liabilities	69,197	63,317
Environmental remediation costs	13,988	20,664
Other	14,063	16,160
Total Other Noncurrent Liabilities	351,405	346,504
Capitalization		
Long-term debt	598,378	629,102
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	313,203	224,251
Net Common Stock Equity	1,022,434	933,482
Total Capitalization	1,620,812	1,562,584
Total Liabilities and Capitalization	$ 3,183,015	$ 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
September 30, 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							88,952		88,952
Balance as of September 30, 2018	100	$	1	$	709,230		313,203		1,022,434

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

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

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

UI is also a party to a joint venture with Clearway Energy, Inc. (formerly NRG Yield, Inc.), a subsidiary of Global Infrastructure Partners (GIP), pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly owned subsidiary, GenConn Energy LLC, or GenConn, operates peaking generation plants in Devon, Connecticut, or GenConn Devon, and Middletown, Connecticut, or GenConn Middletown. In February 2018, NRG Energy, Inc. (NRG) announced that it had agreed to sell its ownership stake in NRG Yield, Inc. to GIP. The sale closed on August 31, 2018 and did not 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)			
Nine Months Ended September 30, 2017			
Operating Expenses			
Operation and maintenance	268,227	279,926	(11,699)
Other Income and (Expense), net			
Other (expense)	(11,716)	(17)	(11,699)
Three Months Ended September 30, 2017			
Operating Expenses			
Operation and maintenance	95,930	99,830	(3,900)
Other Income and (Expense), net			
Other (expense)	(3,900)	-	(3,900)

Changes in the current presentation are as a result of UIL Holdings presenting such information consistent with its parent Avangrid, Inc.

UI has evaluated subsequent events through the date its financial statements were available to be issued, November 2, 2018.

Revenues

UI derives its revenues primarily from tariff-based sales of electricity. For such revenues, UI recognizes revenues in an amount derived from the electricity delivered to customers. Other major sources of revenue are electricity transmission and wholesale sales of electricity. Tariff-based sales are subject to PURA, which determines prices and other terms of service through the ratemaking process. Customers have the option to obtain the electricity directly from the UI or from another supplier. For customers that receive their electricity from another supplier, 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:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
(Thousands)		
Regulated operations – electricity	$ 256,854	$ 695,095
Other(a)	1,265	3,762
Revenue from contracts with customers	**258,119**	**698,857**
Leasing revenue	696	2,266
Alternative revenue programs	2,745	24,927
Total operating revenues	**$ 261,560**	**$ 726,050**

(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.

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

Unless otherwise stated below, all of UI's regulatory assets earn a return. UI's regulatory assets and liabilities as of September 30, 2018 and December 31, 2017 included the following:

	Remaining Period	September 30, 2018	December 31, 2017
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	4 to 16 years	$ 7,542	$ 8,127
Pension and other post-retirement benefit plans	(a)	215,560	215,560
Unfunded future income taxes	(b)	143,449	144,406
Contracts for differences	(c)	75,177	67,445
Deferred transmission expense	(e)	15,852	36,673
Other	(f)	27,027	43,037
Total regulatory assets		484,607	515,248
Less current portion of regulatory assets		33,296	61,328
Regulatory Assets, Net		$ 451,311	$ 453,920
Regulatory Liabilities:			
Accumulated deferred investment tax credits	17.5 - 21 years	$ 13,766	$ 14,032
Excess generation service charge	(d)	9,630	2,388
Middletown/Norwalk local transmission network service collections	33 years	18,678	19,109
Pension and other post-retirement benefit plans	(a)	14,514	14,514
Asset removal costs	(f)	65,186	68,051
Deferred income taxes	(b)	9,276	17,762
Tax reform remeasurement	(g)	323,576	312,776
Other	(f)	16,553	16,806
Total regulatory liabilities		471,179	465,438
Less current portion of regulatory liabilities		7,434	7,058
Regulatory Liabilities, Net		$ 463,745	$ 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; liability amount as of September 30, 2018 includes decoupling ($2.3 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 September 30, 2018, UI has recorded a gross derivative asset of $6.9 million, a regulatory asset of $75.2 million and a gross derivative liability of $82.0 million ($73.5 million of which is related to UI's portion of the CfD signed by CL&P). See Note (J) "Fair Value of Financial Instruments" for additional CfD information.

The gross derivative assets and liabilities as of September 30, 2018 and December 31, 2017 were as follows:

	September 30, 2018		December 31, 2017	
	(In Thousands)			
Gross derivative assets:				
Current Assets	$	4,894	$	6,912
Deferred Charges and Other Assets	$	1,974	$	4,735
Gross derivative liabilties:				
Current Liabilities	$	12,848	$	15,776
Noncurrent Liabilities	$	69,197	$	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 and nine-month periods September 30, 2018 and 2017, were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	(In Thousands)				(In Thousands)			
Regulatory Assets - Derivative liabilities	$	(474)	$	(2,378)	$	7,732	$	(4,203)

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 $98.3 million and $102.2 million as of September 30, 2018 and December 31, 2017, respectively. As of September 30, 2018, there was an immaterial amount of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $2.6 million and $3.3 million for the three-month periods ended September 30, 2018 and 2017, respectively. UI's pre-tax income from its equity investment in GenConn was $8.0 million and $9.5 million for the nine-month periods ended September 30, 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 GenConn of $4.7 million and $5.3 million during the three-month periods ended September 30, 2018 and 2017, respectively. UI received cash distributions from GenConn of $11.9 million and $13.5 million during the nine-month periods ended September 30, 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

<u>Adoption of New Accounting Pronouncements</u>

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 current GAAP. 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 continues to assess the corrections and improvements, but does not expect they will have a significant effect. Also, in July 2018 the FASB issued amendments to the leases standard to allow entities an additional option for transition. The guidance currently requires a modified retrospective transition method of adoption, under which lessees and lessors are to recognize and measure leases at the beginning of the earliest comparative period presented. The additional, optional transition method allows an entity to initially apply the requirements of the leases standard at the adoption date. If an entity adopts the optional transition method, it would not restate amounts reported for comparative periods presented in the consolidated financial statements, and not provide disclosures required under the new standard for dates and periods before January 1, 2019. UI continues to assess the additional transition option to decide which method to adopt based on the outcome of the implementation plan and steps, described below.

The new standard provides a number of optional transition practical expedients, as well as practical expedients for an entity's ongoing accounting. An entity may elect a "package of transition practical expedients," which will permit the entity not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and separately elect a use-of-hindsight transition practical expedient to determine lease term and assess impairment. For ongoing accounting, an entity may elect a short-term lease recognition exemption, by class of underlying asset, and not recognize right-of-use assets or lease liabilities, including for existing short-term leases of those assets in transition. In addition, an entity may elect a practical expedient to not separate lease and non-lease components, also by class of underlying asset.

UI has reviewed its contracts and continues to execute a broad implementation plan in preparation for the adoption of the new leases guidance on January 1, 2019. The key components of the implementation plan and steps that have been underway include: 1) uploading complete and pertinent lease contract data into a new accounting system that integrates with existing systems;

2) identifying, evaluating and documenting related technical accounting issues, industry implementation issues, policy considerations and financial reporting implications; 3) identifying and implementing changes to processes and controls to ensure all aspects of the new guidance are effectively addressed; and 4) simulating the effects of the leases standard to assess the expected impact upon adoption and to finalize transition option and practical expedient selections. Through September 2018, UI has substantially completed step 1; including a final reviews of information and lease contract data uploaded in the new accounting system database, and validating the simulation and outputs from the new lease accounting system. UI continues to make progress with Steps 2 through 4 and plans to complete them in the fourth quarter of 2018. UI expects the adoption of the new leases guidance will materially affect its financial position due to recording operating leases on the balance sheet as right-of-use assets, along with the corresponding liabilities, but as yet management is not able to reasonably estimate the full effect of the adoption on the financial statements. However, management does not expect significant changes to the pattern of expense recognition as a result of applying the new leases standard. Also, management does not expect a significant change in UI's leasing activities between now and adoption.

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.

In August 2018, as part of its disclosure framework project, the FASB issued amendments related to disclosure requirements for both fair value (FV) measurement and defined benefit plans: ASU 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" and ASU 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans". The amendments concerning FV measurement remove, modify, or add certain disclosure requirements, in order to improve the overall usefulness of the disclosures to financial statement users and reduce unnecessary costs to companies to prepare the disclosures. The disclosures removed are in connection with information about transfers between specified levels of the FV hierarchy, and valuation processes for Level 3 FV measurements. The disclosure requirements modified affect measurement uncertainty to clarify that it is as of the reporting date, and investments in certain companies that calculate net asset value. The new disclosure requirements relate to Level 3 FV measurements for: changes in unrealized gains and losses included in OCI, and the range and weighted average of significant observable inputs used, or other quantitative information for certain unobservable inputs that are used, to develop the measurements. The amendments to FV measurement disclosures are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted as specified. Certain amendments are to be applied prospectively, and all others are to be applied retrospectively. UI has not early adopted the amendments as of September 30, 2018 and expects that the adoption of the amendments will not materially affect its consolidated results of operations, financial position, cash flows, and disclosures.

The amendments concerning disclosure requirements for defined benefit plans are narrow in scope and apply to all employers that sponsor defined benefit pension or other postretirement plans. They remove disclosures that are no longer considered cost beneficial, add certain new relevant disclosures, and clarify specific requirements of disclosures concerning information for defined benefit pension plans. The disclosure requirements removed relate to amounts in AOCI expected to be recognized in net periodic benefit cost over the next year, the amount and timing of plan assets expected to be returned to the employer, related party disclosures, and the effects on certain costs and obligations of a one-percentage point change in health care cost trend rates. The disclosure requirements added are: the weighted-average interest crediting rates for cash balance and other plans with promised interest crediting rates, and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation. The clarifying amendments relate to the projected benefit obligation (PBO) and accumulated benefit obligation (ABO), as applicable, and FV of plan assets, for plans with PBOs in excess of plans assets, and plans with ABOs in excess of plan assets. The amendments to defined benefit plan disclosures are effective for fiscal years ending after December 15, 2020. Early adoption is permitted, and application is to be on a retrospective basis. UI has not early adopted the amendments as of September 30, 2018 and does not expect our adoption of the amendments to have a materially affect the consolidated 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 September 30, 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 the first half of 2019 and for 50% of its standard service load for the second 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 September 30, 2018, UI would have had to post an aggregate of approximately $14.0 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 7^{th} and 8^{th} 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.

In October of 2018, UI entered into five PPAs totaling approximately 50 MW from developers of offshore wind a fuel cell generation. These PPAs originated from RFP issued by DEEP, under PA 17-144 which provides that the net costs of the PPAs are recoverable through electric rates. The PPAs were filed for PURA approval on October 25, 2018. PURA has 60 days to review the PPAs and issue a decision.

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 2018, UI's overall allowed weighted-average ROE for its transmission business was 11.31%.

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 sought an order from the FERC reducing the 11.14% base ROE 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 an ROE 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 ROEs) for the October 2011 – December 2012 period as well as prospectively from October 16, 2014, and ordered the NETOs to file a refund report. On November 17, 2014 the NETOs filed the requested refund report.

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

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, the FERC accepted Complaint II, established a 15-month refund effective date of December 27, 2012, and set the matter for hearing using the methodology established in 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, the FERC accepted Complaint III, established a 15-month refund effective date of July 31, 2014, and consolidated this matter 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 the FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the Court. 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 FERC administrative law judge's recommendation to the FERC Commissioners.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 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 September 30, 2018 which has not changed since December 31, 2017. If adopted as final, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings.

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, the 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 the FERC taking action on the Court order described above. That request was denied by the FERC administrative law judge. On November 21, 2017, the parties submitted updates to their ROE analyses and recommendations with the NETOs continuing to advocate that the existing base ROE of 10.57% should remain in effect. Hearings were held in December 2017. On March 27, 2018, the FERC administrative law judge issued an initial decision rejecting Complaint IV, finding the currently-filed base ROE of 10.57%, which, with incentive adders, may reach a maximum ROE of 11.74%, is not unjust and unreasonable, and hence is not unlawful. Briefs on Exceptions to the FERC administrative law judge's initial decision were filed on April 26, 2018, and Briefs Opposing Exceptions were filed on May 23, 2018. The FERC has not yet issued its final decision in this docket. 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 the 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 the FERC does not complete its review of a complaint within the 15-month period. In the event the FERC chooses not to dismiss the complaints, the NETOs request that the FERC consolidate the complaints for decision as the evidentiary records are either closed or advanced enough for the FERC to address the requirements of the Court decision and expeditiously issue a final order. The FERC has not yet ruled on this Motion. UI cannot predict the outcome of this proceeding.

On October 16, 2018, the FERC issued an order directing briefs and proposing a new methodology to calculate the NETOs ROE that is contained in NETOs' transmission formula rate on file at FERC (the October 2018 Order). The FERC proposes to use this new methodology to resolve Complaints I, II, III, and IV filed by the New England state consumer advocates. The new proposed ROE methodology set forth in the October 2018 Order considers more than just the two-step discounted cash flow (DCF) analysis adopted in the FERC order on Complaint I vacated by the Court. The new proposed ROE methodology uses three financial analyses (i.e., DCF, the capital-asset pricing model, and the expected earnings analysis) to produce a range of returns to narrow the zone of reasonableness when assessing whether a complainant has met its initial burden of demonstrating that the utility's existing ROE is unjust and unreasonable. The new proposed ROE methodology establishes a range of just and reasonable ROEs of 9.60% to 10.99% and proposes a just and reasonable base ROE of 10.41% with a new ROE cap of 13.08%. The October 2018 Order directs the NETOs to file briefs with objections and rates consistent with the proposed methodology in all four Complaints by December 17, 2018. UI cannot predict the outcome of this proceeding.

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 $50.9 million and $24.4 million outstanding under this agreement as of September 30, 2018 and December 31, 2017, respectively.

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 $90.3 million and $44.4 million outstanding under this agreement as of September 30, 2018 and December 31, 2017, respectively.

On June 29, 2018, Avangrid, Inc. and its subsidiaries, including UI, entered into a new credit facility agreement with a syndicate of banks (Avangrid Credit Facility) that provides for maximum borrowings of up to $2.5 billion in the aggregate. This Avangrid Credit Facility replaces and supersedes the prior revolving credit facility entered into by Avangrid, Inc. and its subsidiaries on April 6, 2016, which provided maximum borrowings of up to $1.5 billion in the aggregate.

Under the Avangrid Credit Facility, UI has a maximum sublimit of $400 million. Additionally, under the Avangrid Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 12.5 to 17.5 basis points. The maturity date for the Avangrid Credit Facility is June 29, 2023. As of September 30, 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 previous and superseded Avangrid Credit Facility.

On October 2, 2018, UI remarketed $64.5 million in aggregate principal amount of Pollution Control Refunding Revenue Bonds, issued through the Business Finance Authority of the State of New Hampshire, with mandatory tender date in 2023 and an interest rate of 2.80%.

In September 2018, UI offered $150 million of debt securities in the private placement market. In connection with the offer, on October 4, 2018, UI executed a note purchase agreement to issue senior unsecured notes and on October 4, 2018, issued $100 million of senior unsecured notes maturing in 2028 at an interest rate of 4.07%. The remaining $50 million in aggregate amount of notes/bonds are expected to be issued in January 2019, subject to certain closing conditions.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The annualized effective income tax rates for the nine-month period ended September 30, 2018 and 2017 were 20.69% and 32.8%, 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 made pension contributions of $9.0 million during the nine months ended September 30, 2018. UI currently expects to make pension contributions of approximately $3.3 million in the remainder of 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 and nine-month periods ended September 30, 2018 and 2017:

The components of net periodic benefit cost are:

	Three Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2018	2017	2018	2017
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,603	$ 1,403	$ 232	$ 235
Interest cost	5,398	5,747	583	675
Expected return on plan assets	(6,706)	(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	$ (168)	$ 167

	Nine Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2018	2017	2018	2017
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 4,810	$ 4,208	$ 698	$ 706
Interest cost	16,193	17,240	1,749	2,025
Expected return on plan assets	(20,119)	(18,872)	(1,238)	(1,088)
Amortization of:				
Prior service costs	(3)	(5)	(1,153)	(1,154)
Actuarial (gain) loss	17,729	18,556	(558)	11
Net periodic benefit cost	$ 18,610	$ 21,127	$ (502)	$ 500
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 and nine-month periods ended September 30, 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 nine-month periods ended September 30, 2018 and 2017, UI recorded inter-company expenses of $41.3 million and $39.2 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

UI makes 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 nine-month period ended September 30, 2018, UI did not accrue dividends to UIL Holdings.

(H) COMMITMENTS AND CONTINGENCIES

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

Environmental Matters

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

Site Decontamination, Demolition and Remediation Costs

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then and current owners of a former generation site on the Mill River in New Haven (the English Station site) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut against UI seeking, among other things: (i) an order directing UI to reimburse the plaintiffs for costs they have incurred and will incur for the testing, investigation and remediation of hazardous substances at the English Station site and (ii) an order directing UI to investigate and remediate the site. This proceeding had been stayed in 2014 pending resolutions of other proceedings before the Connecticut Department of Energy and Environmental Protection (DEEP) concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party. In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the English Station site; (ii) reimbursement of remediation costs; (iii) termination of UI's easement rights; (iv) reimbursement for costs associated with securing the property; and (v) punitive damages. This lawsuit had been stayed in May 2014 pending mediation. Due to lack of activity in the case, the court terminated the stay and scheduled a status conference for July 6, 2017. On July 5, 2017, Asnat filed a pretrial memorandum claiming damages of $10 million for "environmental remediation activities" and lost use of the property. 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. Plaintiffs filed a revised complaint with the court on April 16, 2018 alleging fraud and unjust enrichment against UIL and UI and adding former UIL officers as named defendants alleging fraud. The complaint was further revised July 3, 2018. A Motion to Dismiss was filed in August 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 September 30, 2018 and December 31, 2017, the amount reserved for this matter was $20 million and $25 million, respectively. 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 September 30, 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
September 30, 2018		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	6,868	$ 6,868
Supplemental retirement benefit trust life insurance policies	-	11,192	-	11,192
	-	11,192	6,868	18,060
Liabilities:				
Derivative liabilities	-	-	82,045	82,045
	-	-	82,045	82,045
Net fair value assets/(liabilities), June 30, 2018	$ -	$ 11,192	$ (75,177)	$ (63,985)
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, 2018 or December 31, 2017 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

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

Unobservable Input	Range at September 30, 2018	Range at December 31, 2017
Risk of non-performance	0% - 0.59%	0.11% - 0.49%
Discount rate	2.59% - 3.05%	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 September 30, 2018 and December 31, 2017 in the active markets for the various funds within which the assets are held.

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

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 six-month period ended September 30, 2018:

	Nine Months Ended September 30, 2018 (In Thousands)	
Net derivative assets/(liabilities), December 31, 2017	$	(67,446)
Unrealized gains and (losses), net		(7,731)
Net derivative assets/(liabilities), September 30, 2018	$	(75,177)
Change in unrealized gains (losses), net relating to net derivative	$	(7,731)

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Revenues	$ 54,800	$ 54,654	$ 267,430	$ 256,934
Operating Expenses				
Natural gas purchased	19,960	22,146	123,605	117,610
Operation and maintenance	21,097	20,427	66,646	66,101
Depreciation and amortization	7,289	6,636	21,618	19,296
Taxes other than income taxes	5,565	5,526	21,550	19,935
Total Operating Expenses	53,911	54,735	233,419	222,942
Operating Income (Loss)	889	(81)	34,011	33,992
Other Income and (Expense), net				
Other income	213	264	1,137	3,429
Other (expense)	(1,408)	(1,593)	(5,408)	(4,991)
Total Other Income and (Expense), net	(1,195)	(1,329)	(4,271)	(1,562)
Interest Expense, net	3,837	3,497	11,846	10,012
Income (Loss) Before Income Tax	(4,143)	(4,907)	17,894	22,418
Income Tax	(1,050)	(1,820)	3,864	7,541
Net Income (Loss)	$ (3,093)	$ (3,087)	$ 14,030	$ 14,877
Less: Net Income (Loss) Attributable to Noncontrolling Interest	421	589	1,058	1,495
Net Income (Loss) Attributable to The Southern Connecticut Gas Company	$ (3,514)	$ (3,676)	$ 12,972	$ 13,382

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Income (Loss)	$ (3,093)	$ (3,087)	$ 14,030	$ 14,877
Other Comprehensive Income, net of income tax	-	218	-	647
Comprehensive Income (Loss)	(3,093)	(2,869)	14,030	15,524
Less: Comprehensive Income attributable to Noncontrolling Interest	421	589	1,058	1,495
Comprehensive Income (Loss) Attributable to The Southern Connecticut Gas Company	$ (3,514)	$ (3,458)	$ 12,972	$ 14,029

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

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

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 2,143	$ 622
Accounts receivable and unbilled revenues, net	46,050	80,972
Accounts receivable from affiliates	1,433	8,992
Notes receivable from affiliates	-	4,437
Regulatory assets	21,152	26,240
Gas in storage	32,065	27,693
Materials and supplies	1,780	1,787
Prepayments and other current assets	11,697	1,298
Total Current Assets	116,320	152,041
Other Investments	10,235	10,584
Property, Plant and Equipment, at cost	964,635	929,416
Less accumulated depreciation	247,118	234,646
Net Property, Plant and Equipment in Service	717,517	694,770
Construction work in progress	15,675	12,323
Total Property, Plant and Equipment	733,192	707,093
Regulatory Assets	128,435	140,059
Deferred Income Taxes Regulatory	16,908	10,864
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	54	130
Total Deferred Charges and Other Assets	134,985	135,061
Total Assets	$ 1,140,075	$ 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)

	September 30, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 49,627	$ 38,898
Current portion of long-term debt	51,202	52,517
Accounts payable and accrued liabilities	40,011	57,533
Accounts payable to affiliates	5,598	9,395
Regulatory liabilities	10,045	9,557
Other current liabilities	7,504	8,208
Interest accrued	2,482	2,201
Taxes accrued	2,884	7,594
Total Current Liabilities	169,353	185,903
Deferred Income Taxes	48,482	34,239
Regulatory Liabilities	202,339	197,090
Other Noncurrent Liabilities		
Pension and other post-retirement	59,251	59,790
Asset retirement obligations	12,562	12,089
Environmental remediation costs	47,287	46,886
Other	7,957	8,943
Total Other Noncurrent Liabilities	127,057	127,708
Capitalization		
Long-term debt, net of unamortized premium	169,868	170,316
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	15,936	27,266
Accumulated other comprehensive income	-	698
Net Common Stock Equity of The Southern Connecticut Gas Company	404,434	416,462
Noncontrolling interest	18,542	23,984
Total Common Stock Equity	422,976	440,446
Total Capitalization	592,844	610,762
Total Liabilities and Capitalization	$ 1,140,075	$ 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)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash Flows From Operating Activities		
Net income	$ 14,030	$ 14,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,886	19,436
Uncollectible expense	5,872	4,758
Deferred income taxes	(3,861)	6,590
Pension expense	1,593	3,492
Regulatory assets/liabilities amortization	(1,351)	10,251
Regulatory assets/liabilities carrying cost	808	174
Other non-cash items, net	427	(305)
Changes in:		
Accounts receivable and unbilled revenue, net	36,531	25,833
Gas in storage	(4,372)	(6,688)
Accounts payable and accrued liabilities	(23,498)	(8,164)
Taxes accrued/refundable, net	(4,710)	(6,127)
Interest accrued	282	(785)
Accrued pension and other post-retirement	(2,132)	(761)
Regulatory assets/liabilities	29,749	1,030
Other assets	(10,522)	(6,448)
Other liabilities	(575)	232
Total Adjustments	46,127	42,518
Net Cash provided by Operating Activities	60,157	57,395
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(42,472)	(38,826)
Notes receivable from affiliates	(2,063)	(1,704)
Net Cash used in Investing Activities	(44,535)	(40,530)
Cash Flows from Financing Activities		
Payment of common stock dividend	(25,000)	(27,000)
Notes payable to affililiates	10,729	9,550
Other	170	-
Net Cash used in Financing Activities	(14,101)	(17,450)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	1,521	(585)
Balance at beginning of period	622	794
Balance at end of period	$ 2,143	$ 209
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 6,856	$ 5,749
Notes receivable from affiliates	$ 6,500	$ -
Non-cash financing activity:		
Payment of noncontrolling interest dividend	$ (6,500)	$ -

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

THE SOUTHERN CONNECTICUT GAS COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2018

(Thousands of Dollars)

(Unaudited)

	Common Stock									Accumulated Other Comprehensive		Noncontrolling		
	Shares		Amount		Paid-in Capital		Retained 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							12,972							12,972
Net income attributable to Noncontrolling interest												1,058		1,058
Payment of common stock dividend							(25,000)							(25,000)
Payment of noncontrolling interest dividend												(6,500)		(6,500)
Change in accounting policy							698			(698)				-
Balance as of September 30, 2018	1,407,072	$	18,761	$	369,737	$	15,936	$		-	$	18,542	$	422,976

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

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Revenues	$ 55,028	$ 53,465	$ 262,840	$ 256,640
Operating Expenses				
Natural gas purchased	16,799	21,053	120,253	118,579
Operation and maintenance	24,096	23,446	74,845	69,322
Depreciation and amortization	9,068	8,512	26,109	24,963
Taxes other than income taxes	4,887	4,947	19,732	18,889
Total Operating Expenses	54,850	57,958	240,939	231,753
Operating Income (Loss)	178	(4,493)	21,901	24,887
Other Income and (Expense), net				
Other income	202	10	862	600
Other (expense)	(1,347)	(1,363)	(5,525)	(3,999)
Total Other Income and (Expense), net	(1,145)	(1,353)	(4,663)	(3,399)
Interest Expense, net	2,065	1,644	6,254	5,254
Income (Loss) Before Income Tax	(3,032)	(7,490)	10,984	16,234
Income Tax	(649)	(2,379)	1,864	5,517
Net Income (Loss)	(2,383)	(5,111)	9,120	10,717
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	13	6	20	20
Net Income (Loss) attributable to Connecticut Natural Gas Corporation	$ (2,396)	$ (5,117)	$ 9,100	$ 10,697

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Income (Loss)	$ (2,383)	$ (5,111)	$ 9,120	$ 10,717
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	13	6	20	20
Comprehensive Income (Loss)	$ (2,396)	$ (5,117)	$ 9,100	$ 10,697

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

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 308	$ 666
Accounts receivable and unbilled revenues, net	48,839	85,964
Accounts receivable from affiliates	685	1,441
Regulatory assets	14,216	19,143
Gas in storage	29,273	23,379
Materials and supplies	1,901	1,887
Prepayments and other current assets	11,400	1,138
Total Current Assets	106,622	133,618
Other Investments	1,100	1,158
Property, Plant and Equipment, at cost	963,346	892,596
Less accumulated depreciation	300,739	293,532
Net Property, Plant and Equipment in Service	662,607	599,064
Construction work in progress	6,830	48,422
Total Property, Plant and Equipment	669,437	647,486
Regulatory Assets	108,397	116,875
Deferred Income Taxes Regulatory	32,567	24,588
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	1,163	130
Total Deferred Charges and Other Assets	80,504	79,471
Total Assets	$ 998,627	$ 1,003,196

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

	September 30, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 74,275	$ 89,262
Accounts payable and accrued liabilities	45,487	65,011
Accounts payable to affiliates	4,981	10,353
Other current liabilities	4,221	4,098
Regulatory liabilities	4,051	2,880
Interest accrued	1,801	1,262
Taxes accrued	3,412	8,062
Total Current Liabilities	138,228	180,928
Deferred Income Taxes	38,132	25,547
Regulatory Liabilities	239,517	224,457
Other Noncurrent Liabilities		
Pension and other post-retirement	91,750	90,761
Asset retirement obligations	6,945	6,683
Other	1,600	1,499
Total Other Noncurrent Liabilities	100,295	98,943
Capitalization		
Long-term debt, net of unamortized premium	109,325	109,290
Preferred Stock, not subject to mandatory redemption	339	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,304	315,304
Retained earnings	24,254	15,181
Accumulated other comprehensive loss	-	(27)
Net Common Stock Equity	372,791	363,691
Total Capitalization	482,455	473,321
Total Liabilities and Capitalization	$ 998,627	$ 1,003,196

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash Flows From Operating Activities		
Net income	$ 9,120	$ 10,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,171	25,020
Deferred income taxes	(3,229)	7,853
Uncollectible expense	5,513	5,138
Pension expense	2,790	4,896
Regulatory assets/liabilities amortization	2,395	1,442
Regulatory assets/liabiities carrying cost	843	362
Other non-cash items, net	(23)	99
Changes in:		
Accounts receivable and unbilled revenues, net	32,448	20,968
Natural gas in storage	(5,894)	(6,963)
Accounts payable and accrued liabilities	(22,376)	(19,153)
Interest accrued	539	(425)
Taxes accrued/refundable, net	(4,651)	(4,372)
Accrued pension and other post-retirement	(1,802)	(3,447)
Regulatory assets/liabilities	23,731	(3,025)
Other assets	(10,196)	(2,495)
Other liabilities	248	887
Total Adjustments	46,507	26,785
Net Cash provided by Operating Activities	55,627	37,502
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(39,831)	(58,009)
Net Cash used in Investing Activities	(39,831)	(58,009)
Cash Flows from Financing Activities		
Payment of common stock dividend	-	(19,000)
Payment of preferred stock dividend	(20)	(20)
Payment of long-term debt	-	(20,000)
Notes payable to affiliates	(14,987)	59,162
Other	170	-
Net Cash provided by (used in) Financing Activities	(14,837)	20,142
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	959	(365)
Balance at beginning of period	666	714
Balance at end of period	$ 1,625	$ 349
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 4,494	$ 8,385

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
September 30, 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				9,120		9,120
Change in accounting policy				(27)	27	-
Payment of preferred stock dividend				(20)		(20)
Balance as of September 30, 2018	10,634,436	$ 33,233	$ 315,304	$ 24,254	$ -	$ 372,791

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(UNAUDITED)

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Operating Revenues	$ 7,953	$ 6,876	$ 55,080	$ 52,134
Operating Expenses				
Natural gas purchased	1,157	574	19,290	18,210
Operation and maintenance	6,396	6,218	22,430	19,261
Depreciation and amortization	2,082	2,147	6,207	6,036
Taxes other than income taxes	1,013	891	3,626	2,993
Total Operating Expenses	10,648	9,830	51,553	46,500
Operating Income (Loss)	(2,695)	(2,954)	3,527	5,634
Other Income and (Expense), net				
Other income	76	68	94	115
Other (expense)	(384)	(309)	(1,220)	(942)
Total Other Income and (Expense), net	(308)	(241)	(1,126)	(827)
Interest Expense, net	870	812	2,668	2,434
Income (Loss) Before Income Tax	(3,873)	(4,007)	(267)	2,373
Income Tax	(1,032)	(1,653)	(72)	995
Net Income (Loss)	$ (2,841)	$ (2,354)	$ (195)	$ 1,378

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Income (Loss)	$ (2,841)	$ (2,354)	$ (195)	$ 1,378
Other Comprehensive Income, net of income tax	-	2	-	9
Comprehensive Income (Loss)	$ (2,841)	$ (2,352)	$ (195)	$ 1,387

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

	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 119	$ 347
Accounts receivable and unbilled revenues, net	3,273	14,592
Accounts receivable from affiliates	181	323
Regulatory assets	5,353	9,025
Gas in storage	2,619	1,888
Materials and supplies	924	870
Other current assets	1,612	1,944
Total Current Assets	14,081	28,989
Other Investments	2,264	2,331
Property, Plant and Equipment, at cost	249,301	239,471
Less accumulated depreciation	81,288	77,297
Net Property, Plant and Equipment in Service	168,013	162,174
Construction work in progress	3,077	2,393
Total Property, Plant and Equipment	171,090	164,567
Regulatory Assets	33,210	33,281
Deferred Income Taxes Regulatory	3,652	2,384
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	52	21
Total Deferred Charges and Other Assets	51,985	51,954
Total Assets	$ 276,282	$ 283,506

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

	September 30, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 18,430	$ 14,800
Current portion of long-term debt	12,393	2,393
Accounts payable and accrued liabilities	6,746	12,609
Accounts payable to affiliates	651	6,809
Other current liabilities	1,454	1,315
Interest accrued	622	852
Regulatory liabilities	687	2,185
Taxes accrued	694	451
Total Current Liabilities	41,677	41,414
Deferred Income Taxes	20,350	20,354
Regulatory Liabilities	51,242	48,846
Other Noncurrent Liabilities		
Pension	19,244	18,285
Environmental remediation costs	3,950	3,950
Other	2,569	2,585
Total Other Noncurrent Liabilities	25,763	24,820
Capitalization		
Long-term debt	27,384	38,011
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	3,771	3,964
Accumulated other comprehensive income (loss)	-	2
Net Common Stock Equity	109,866	110,061
Total Capitalization	137,250	148,072
Total Liabilities and Capitalization	$ 276,282	$ 283,506

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash Flows From Operating Activities		
Net income (loss)	$ (195)	$ 1,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,290	5,857
Deferred income taxes	1,158	692
Uncollectible expense	1,826	152
Pension expense	954	945
Regulatory assets/liabilities amortization	1,137	1,202
Regulatory assets/liabilities carrying costs	128	-
Other non-cash items, net	432	211
Changes in:		
Accounts receivable and unbilled revenue, net	9,270	8,831
Natural gas in storage	(731)	(343)
Accounts payable and accrued liabilities	(12,497)	(12,681)
Taxes accrued/refundable, net	243	7,502
Pension accrued	211	(63)
Environmental liabilities	-	1,000
Regulatory assets/liabilities	(1,116)	300
Other assets	194	(518)
Other liabilities	(381)	(1,959)
Total Adjustments	7,118	11,128
Net Cash provided by Operating Activities	6,923	12,506
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(10,828)	(13,528)
Net Cash used in Investing Activities	(10,828)	(13,528)
Cash Flows from Financing Activities		
Notes payable to affiliates	3,630	1,000
Other	47	-
Net Cash provided by Financing Activities	3,677	1,000
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(228)	(22)
Balance at beginning of period	347	78
Balance at end of period	$ 119	$ 56
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,412	$ 1,075

THE BERKSHIRE GAS COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
September 30, 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 loss				(195)		(195)
Change in accounting policy				2	(2)	-
Balance as of September 30, 2018	100	$ -	$ 106,095	$ 3,771	$ -	$ 109,866

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2018 and 2017

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September 30, 2018 and 2017

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

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Operating Revenues				
Sales and services	**$ 241,046**	**$ 228,415**	**$ 635,254**	**$ 634,098**
Operating Expenses				
Electricity purchased	2,939	2,664	10,541	9,034
Operating expenses and Maintenance Expenses	112,463	97,942	309,175	285,751
Depreciation and amortization	26,705	13,732	80,068	66,675
Other taxes	16,574	15,571	48,407	45,116
Total Operating Expenses	**158,681**	**129,909**	**448,191**	**406,576**
Operating Income	**82,365**	**98,506**	**187,063**	**227,522**
Other Income	2,253	4,437	7,611	8,728
Other Deductions	(4,113)	(632)	(13,036)	(791)
Interest Charges, Net	(13,201)	(12,940)	(40,089)	(38,794)
Income Before Income Taxes	**67,304**	**89,371**	**141,549**	**196,665**
Income Taxes	15,772	34,204	37,372	75,106
Net Income	**51,532**	**55,167**	**104,177**	**121,559**
Less: Net Income Attributable to Noncontrolling Interest	729	480	1,823	818
Net Income Attributable to CMP	**50,803**	**54,687**	**102,354**	**120,741**
Preferred Stock Dividends	**-**	**-**	**-**	**-**
Earnings Available for CMP Common Stock	**$ 50,803**	**$ 54,687**	**$ 102,354**	**$ 120,741**

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

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Net Income	**$ 51,532**	**$ 55,167**	**$ 104,177**	**$ 121,559**
Other Comprehensive Income, Net of Tax				
Unrealized gain on derivatives qualifed as hedges:				
Unrealized gain (loss) during period on derivatives qualified as hedges	3	(231)	4	(149)
Reclassification adjustment for loss included in net income	(7)	323	(2)	124
Reclassification adjustment for loss on settled cash flow treasury hedges	390	321	1,171	964
Other Comprehensive Income, Net of Tax	**386**	**413**	**1,173**	**939**
Comprehensive Income	**51,918**	**55,580**	**105,350**	**122,498**
Less:				
Comprehensive income attributable to noncontrolling interests	729	480	1,823	818
Comprehensive Income Attributable to CMP	**$ 51,189**	**$ 55,100**	**$ 103,527**	**$ 121,680**

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

	September 30, 2018	December 31, 2017
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 5,456	$ 15,096
Accounts receivable and unbilled revenues, net	202,997	171,978
Accounts receivable from affiliates	2,134	30,729
Notes receivable from affiliates	123	28,336
Materials and supplies	16,408	15,349
Prepayments and other current assets	31,802	63,036
Regulatory assets	35,920	12,689
Total Current Assets	**294,840**	**337,213**
Utility plant, at original cost	4,195,765	4,068,887
Less accumulated depreciation	(1,046,814)	(976,602)
Net Utility Plant in Service	**3,148,951**	**3,092,285**
Construction work in progress	177,552	156,247
Total Utility Plant	**3,326,503**	**3,248,532**
Other Property and Investments	1,366	1,268
Regulatory and Other Assets		
Regulatory assets	393,870	437,461
Goodwill	324,938	324,938
Other	56,207	38,544
Total Regulatory and Other Assets	**775,015**	**800,943**
Total Assets	**$ 4,397,724**	**$ 4,387,956**

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

	September 30, 2018	December 31, 2017
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 151,576	$ 1,452
Notes payable to affiliates	61,525	434
Accounts payable and accrued liabilities	142,126	192,244
Accounts payable to affiliates	33,584	41,072
Interest accrued	10,215	17,828
Taxes accrued	11,334	2,043
Other current liabilities	55,633	55,614
Regulatory liabilities	34,477	44,182
Total Current Liabilities	**500,470**	**354,869**
Regulatory and Other Liabilities		
Regulatory liabilities	478,454	489,276
Deferred income taxes regulatory	660	229
Other Non-current liabilities		
Deferred income taxes	414,271	401,254
Pension and other postretirement benefits	186,055	207,997
Other	42,840	46,617
Total Regulatory and Other Liabilities	**1,122,280**	**1,145,373**
Long-term debt	889,438	1,040,859
Total Liabilities	**2,512,188**	**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	764,066	764,004
Retained earnings	947,346	919,992
Accumulated other comprehensive loss	(4,124)	(5,297)
Total CMP Common Stock Equity	**1,863,345**	**1,834,756**
Noncontrolling interest	21,620	11,528
Total Equity	**1,884,965**	**1,846,284**
Total Liabilities and Equity	**$ 4,397,724**	**$ 4,387,956**

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

Nine months ended September 30,	**2018**	**2017**
(Thousands)		
Cash Flow from Operating Activities		
Net income	**$ 104,177**	**$ 121,559**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	80,068	66,675
Amortization of regulatory assets and liabilities	568	7,458
Carrying cost of regulatory assets and liabilities	814	(1,823)
Amortization of debt issuance costs	442	428
Deferred taxes	(1,914)	36,219
Pension cost	16,302	14,139
Stock-based compensation	62	332
Accretion expenses	33	31
Gain on disposal of property, plant and equipment	(816)	(135)
Other non-cash Items	(588)	(919)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(2,424)	(10,658)
Materials and supplies	(1,058)	248
Accounts payable and accrued liabilities	(74,628)	(33,696)
Accrued taxes	56,445	(382)
Other assets/liabilities	(3,140)	69,962
Regulatory assets/liabilities	14,566	(48,683)
Net Cash Provided by Operating Activities	**188,909**	**220,755**
Cash Flow from Investing Activities		
Utility plant additions	(168,762)	(153,885)
Contributions in aid of construction	9,147	9,332
Notes receivable with affiliates	28,213	(67,899)
Proceeds from sale of property, plant and equipment	1,385	803
Investments, net	-	21
Net Cash Used in Investing Activities	**(130,017)**	**(211,628)**
Cash Flow from Financing Activities		
Repayment of capital leases	(460)	(4,360)
Repayments of non-current debt	(887)	(887)
Proceeds of short term debt-affiliates	(454)	-
Transactions with noncontrolling interest	8,269	-
Common stock dividends	(75,000)	-
Net Cash Used in Financing Activities	**(68,532)**	**(5,247)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(9,640)**	**3,880**
Cash and Cash Equivalents, Beginning of Period	**15,096**	**7,968**
Cash and Cash Equivalents, End of Period	**$ 5,456**	**$ 11,848**

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**	**$**	**1,846,284**
Net income	-		-		-		102,354		-		102,354		1,823		104,177
Other comprehensive income, net of tax	-		-		-		-		1,173		1,173		-		1,173
Comprehensive income															105,350
Stock-based compensation	-		-		62		-		-		62		-		62
Capital contribution from parent	-		-		-		-		-		-		8,269		8,269
Common stock dividends	-		-		-		(75,000)		-		(75,000)		-		(75,000)
Balance, September 30, 2018	**31,211,471**	**$**	**156,057**	**$**	**764,066**	**$**	**947,346**	**$**	**(4,124)**	**$**	**1,863,345**	**$**	**21,620**	**$**	**1,884,965**

(*) Par value of share amounts is $5

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2018 and 2017

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September 30, 2018 and 2017

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

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Operating Revenues				
Electric	$ 359,396	$ 309,247	$ 1,035,489	$ 933,345
Natural gas	34,450	33,479	223,213	206,715
Total Operating Revenues	**393,846**	**342,726**	**1,258,702**	**1,140,060**
Operating Expenses				
Electricity purchased	129,580	78,996	341,115	241,079
Natural gas purchased	5,151	4,137	74,151	60,603
Operations and maintenance	149,064	157,804	439,188	456,217
Depreciation and amortization	33,829	45,822	99,218	102,636
Other taxes	36,494	35,877	112,163	108,871
Total Operating Expenses	**354,118**	**322,636**	**1,065,835**	**969,406**
Operating Income	**39,728**	**20,090**	**192,867**	**170,654**
Other Income	4,265	3,536	9,466	10,998
Other Deductions	(13,235)	(1,057)	(40,352)	(1,547)
Interest Charges, Net	(16,401)	(15,932)	(45,767)	(46,179)
Income Before Income Taxes	**14,357**	**6,637**	**116,214**	**133,926**
Income Tax Expense	3,648	2,518	30,114	60,681
Net Income	**$ 10,709**	**$ 4,119**	**$ 86,100**	**$ 73,245**

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

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Net Income	**$ 10,709**	**$ 4,119**	**$ 86,100**	**$ 73,245**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gain on derivatives qualified as hedges				
Unrealized loss (gain) during period on derivatives qualified as hedges	11	145	11	(198)
Reclassificiation adjustment for loss included in net income	(29)	23	(30)	148
Reclassification adjustment for loss on settled cash flow treasury hedges	61	5	58	37
Other Comprehensive Income (Loss), Net of Tax	**43**	**173**	**39**	**(13)**
Comprehensive Income	**$ 10,752**	**$ 4,292**	**$ 86,139**	**$ 73,232**

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

(Thousands)	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 34	$ 3,396
Accounts receivable and unbilled revenues, net	269,778	268,977
Accounts receivable from affiliates	5,310	10,704
Fuel and natural gas in storage, at average cost	21,292	15,231
Materials and supplies	17,420	15,813
Derivative assets	4,561	-
Broker margin accounts	157	13,334
Income tax receivable	17,076	41,844
Prepaid property taxes	53,650	35,779
Other current assets	8,160	6,060
Regulatory assets	112,003	113,403
Total Current Assets	**509,441**	**524,541**
Utility plant, at original cost	5,831,172	5,588,372
Less accumulated depreciation	(2,162,343)	(2,100,274)
Net Utility Plant in Service	**3,668,829**	**3,488,098**
Construction work in progress	275,846	240,657
Total Utility Plant	**3,944,675**	**3,728,755**
Other Property and Investments	10,329	10,411
Regulatory and Other Assets		
Regulatory assets	860,853	888,255
Deferred income taxes regulatory	37,119	30,376
Other	6,187	1,634
Total Regulatory and Other Assets	**904,159**	**920,265**
Total Assets	**$ 5,368,604**	**$ 5,183,972**

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

(Thousands)	September 30, 2018	December 31, 2017
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 286	$ 322
Notes payable	-	150,000
Notes payable to affiliates	13,375	124,643
Accounts payable and accrued liabilities	343,461	287,925
Accounts payable to affiliates	64,488	78,532
Interest accrued	13,835	5,963
Taxes accrued	5,290	1,553
Derivative liabilities	65	39
Environmental remediation costs	54,733	51,758
Customer deposits	13,043	12,532
Regulatory liabilities	90,690	78,298
Other	63,361	77,684
Total Current Liabilities	**662,627**	**869,249**
Regulatory and Other Liabilities		
Regulatory liabilities	1,179,283	1,190,333
Other non-current liabilities		
Deferred income taxes	553,923	497,082
Other postretirement benefits	195,561	224,736
Asset retirement obligation	14,578	14,021
Environmental remediation costs	91,483	105,707
Other	23,966	44,009
Total Regulatory and Other liabilities	**2,058,794**	**2,075,888**
Long-term debt	1,213,724	1,041,536
Total Liabilities	**3,935,145**	**3,986,673**
Commitments and Contingencies		
Common Stock Equity		
Common stock	430,057	430,057
Capital in excess of par value	418,424	268,403
Retained earnings	585,844	499,744
Accumulated other comprehensive loss	(866)	(905)
Total Common Stock Equity	**1,433,459**	**1,197,299**
Total Liabilities and Equity	**$ 5,368,604**	**$ 5,183,972**

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

Nine months ended September 30,	2018	2017
(Thousands)		
Cash Flow from Operating Activities		
Net income	$ 86,100	$ 73,245
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	99,218	102,636
Amortization of regulatory assets and liabilities	34,305	51,696
Carrying cost of regulatory assets and liabilities	1,573	556
Amortization of debt issuance costs	986	1,303
Deferred taxes	20,588	36,219
Pension cost	52,642	45,619
Stock-based compensation	137	146
Accretion expenses	557	577
Gain on disposal of property, plant and equipment	(610)	(1,070)
Other non-cash items	(13,393)	(17,485)
Changes in assets and liabilities		
Accounts receivable and unbilled revenues, net	4,593	22,046
Materials and supplies	(7,668)	(7,632)
Accounts payable and accrued liabilities	38,424	65,739
Accrued taxes	28,504	5,255
Other assets/liabilities	(188,993)	(96,201)
Regulatory assets/liabilities	(29,681)	(2,709)
Net Cash Provided by Operating Activities	**127,282**	**279,940**
Cash Flow from Investing Activities		
Utility plant additions	(322,130)	(248,258)
Contributions in aid of construction	17,818	15,439
Proceeds from sale of property, plant and equipment	2,565	1,756
Investments, net	-	(26)
Net Cash Used in Investing Activities	**(301,747)**	**(231,089)**
Cash Flow from Financing Activities		
Capital contributions from Parent	150,000	-
Non-current debt issuance	172,699	-
Repayment of capital leases	(1,142)	(20,590)
Notes payable to affiliates	(150,454)	71,940
Common stock dividends	-	(100,000)
Net Cash Provided by (Used in) Financing Activities	**171,103**	**(48,650)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(3,362)**	**201**
Cash and Cash Equivalents, Beginning of Period	**3,396**	**3,646**
Cash and Cash Equivalents, End of Period	**$ 34**	**$ 3,847**

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)**	**$**	**1,197,299**
Net income	-		-		-		86,100		-		86,100
Other comprehensive income, net of tax	-		-		-		-		39		39
Comprehensive income											86,139
Stock-based compensation	-		-		21		-		-		21
Common stock dividends	-		-		-		-		-		-
Capital contribution	-		-		150,000		-		-		150,000
Balance, September 30, 2018	**64,508,477**	**$**	**430,057**	**$**	**418,424**	**$**	**585,844**	**$**	**(866)**	**$**	**1,433,459**

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

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2018 and 2017

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September 30, 2018 and 2017

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Operating Revenues				
Electric	$ 171,261	$ 157,853	$ 455,331	$ 436,913
Natural gas	32,043	30,433	206,604	181,439
Total Operating Revenues	**203,304**	**188,286**	**661,935**	**618,352**
Operating Expenses				
Electricity purchased and fuel used in generation	41,204	29,898	99,587	78,934
Natural gas purchased	5,081	3,393	74,493	56,467
Operations and maintenance expense	67,050	74,444	189,579	206,576
Depreciation and amortization	21,506	13,005	62,944	51,700
Other taxes	30,238	29,623	91,854	91,099
Total Operating Expenses	**165,079**	**150,363**	**518,457**	**484,776**
Operating Income	**38,225**	**37,923**	**143,478**	**133,576**
Other Income	5,650	5,077	15,506	11,267
Other Deductions	(5,923)	(466)	(18,238)	(750)
Interest Charges, Net	(19,012)	(15,464)	(50,744)	(48,395)
Income Before Income Taxes	**18,940**	**27,070**	**90,002**	**95,698**
Income Tax Expense	4,956	10,658	23,560	37,584
Net Income	**$ 13,984**	**$ 16,412**	**$ 66,442**	**$ 58,114**

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

Periods ended September 30,	Three Months 2018	Three Months 2017	Nine Months 2018	Nine Months 2017
(Thousands)				
Net Income	**$ 13,984**	**$ 16,412**	**$ 66,442**	**$ 58,114**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain on derivatives qualified as hedges:				
Unrealized (loss) gain during period on derivatives qualified as hedges	(2)	31	(1)	(125)
Reclassification adjustment for loss included in net income	(2)	26	(2)	79
Reclassification adjustment for loss on settled cash flow treasury hedges	1,066	880	3,196	2,633
Other Comprehensive Income, Net of Tax	**1,062**	**937**	**3,193**	**2,587**
Comprehensive Income	**$ 15,046**	**$ 17,349**	**$ 69,635**	**$ 60,701**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

(Thousands)	September 30, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 1	$ 631
Accounts receivable and unbilled revenues, net	152,976	160,303
Accounts receivable from affiliates	5,798	4,318
Notes receivable	106,550	39,727
Natural gas in storage	14,503	9,302
Materials and supplies	11,707	11,005
Derivative assets	2,206	-
Broker margin accounts	587	6,848
Income tax receivable	9,411	16,589
Prepaid property taxes	62,704	35,120
Other current assets	4,058	3,555
Regulatory assets	61,001	63,627
Total Current Assets	**431,502**	**351,025**
Utility plant, at original cost	3,653,986	3,423,287
Less accumulated depreciation	(995,099)	(948,638)
Net Utility Plant in Service	**2,658,887**	**2,474,649**
Construction work in progress	265,971	332,457
Total Utility Plant in Service	**2,924,858**	**2,807,106**
Other Property and Investments	3,177	3,781
Regulatory and Other Assets		
Regulatory assets	448,688	486,398
Deferred income taxes regulatory	49,311	25,680
Other	1,508	1,021
Total Regulatory and Other Assets	**499,507**	**513,099**
Total Assets	**$ 3,859,044**	**$ 3,675,011**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

	September 30, 2018	December 31, 2017
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long term debt	$ 150,050	$ 1,434
Accounts payable and accrued liabilities	189,011	166,062
Accounts payable to affiliates	34,305	41,685
Interest accrued	12,422	12,329
Taxes accrued	1,353	1,692
Environmental remediation costs	4,635	2,435
Other	33,704	37,579
Regulatory liabilities	46,357	33,463
Total Current Liabilities	**471,837**	**296,679**
Regulatory and Other Liabilities		
Regulatory liabilities	727,699	694,751
Other Non-current Liabilities		
Deferred income taxes	344,230	320,944
Nuclear plant obligations	125,232	123,622
Pension and other postretirement benefits	161,913	175,394
Asset retirement obligations	3,330	3,214
Environmental remediation costs	127,153	131,367
Other	22,841	22,501
Total Regulary and Other Liabilities	**1,512,398**	**1,471,793**
Long-term debt	897,528	958,911
Total Liabilities	**2,881,763**	**2,727,383**
Commitments and Contingencies		
Common Stock Equity		
Common stock	194,429	194,429
Capital in excess of par value	604,993	604,975
Retained earnings	331,316	304,820
Accumulated other comprehensive loss	(36,219)	(39,358)
Treasury stock, at cost	(117,238)	(117,238)
Total Common Stock Equity	**977,281**	**947,628**
Total Liabilities and Equity	**$ 3,859,044**	**$ 3,675,011**

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

Nine months ended September 30,	2018	2017
(Thousands)		
Cash Flow From Operating Activities		
Net income	$ 66,442	$ 58,114
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	62,944	51,700
Amortization of regulatory assets and liabilities	6,777	9,278
Carrying cost of regulatory assets and liabilities	3,975	5,787
Amortization of debt issuance costs	1,152	875
Deferred taxes	(973)	36,219
Pension cost	20,735	18,117
Stock-based compensation	(160)	255
Accretion expenses	116	118
Gain on disposal of property, plant and equipment	(53)	(20)
Other non-cash items	(5,809)	(6,021)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	5,847	16,775
Materials and supplies	(5,903)	(7,571)
Accounts payable and accrued liabilities	6,358	(35,785)
Accrued taxes	6,839	13,826
Other assets/liabilities	(39,304)	(11,820)
Regulatory assets/liabilities	47,035	(20,928)
Net Cash Provided by Operating Activities	**176,018**	**128,919**
Cash Flow From Investing Activities		
Utility plant additions	(162,490)	(199,271)
Contribution in aid of construction	4,652	3,511
Proceeds from sale of property, plant and equipment	511	582
Notes receivable from affiliates	(66,823)	(51,190)
Investments, net	-	7
Net Cash Used in Investing Activities	**(224,150)**	**(246,361)**
Cash Flow From Financing Activities		
Capital contributions from Parent	-	75,000
Repayment of capital leases	(1,068)	(1,008)
Proceeds from non-current note issuance, net	151,174	294,012
Repayments of other short term debt, net	(62,150)	(784)
Notes payable to affiliates	(454)	(249,167)
Common stock dividends	(40,000)	-
Net Cash Provided by Financing Activities	**47,502**	**118,053**
Net (Decrease) Increase in Cash and Cash Equivalents	**(630)**	**611**
Cash and Cash Equivalents, Beginning of Period	**631**	**9**
Cash and Cash Equivalents, End of Period	**$ 1**	**$ 620**

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	-		-		-		66,442		-		-		66,442
Other comprehensive income, net of tax	-		-		-		-		3,193		-		3,193
													69,635
Stock-based compensation	-		-		18		-		-		-		18
Adoption of accounting standards	-		-		-		54		(54)		-		-
Common stock dividends	-		-		-		(40,000)		-		-		(40,000)
Balance, September 30, 2018	**38,885,813**	**$**	**194,429**	**$**	**604,993**	**$**	**331,316**	**$**	**(36,219)**	**$**	**(117,238)**	**$**	**977,281**

(*) Par value of share amounts is $5