The Berkshire Gas Company

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2021 and 2020

The Berkshire Gas Company

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The Berkshire Gas Company
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Operating Revenues	**$ 9,199**	**$ 8,330**	**$ 56,805**	**$ 53,855**
Operating Expenses				
Natural gas purchased	1,079	964	17,026	16,139
Operations and maintenance	8,408	7,059	23,500	21,611
Depreciation and amortization	2,227	2,075	6,695	6,210
Taxes other than income taxes, net	1,452	1,193	4,627	3,834
Total Operating Expenses	**13,166**	**11,291**	**51,848**	**47,794**
Operating Income (Loss)	**(3,967)**	**(2,961)**	**4,957**	**6,061**
Other income	91	75	137	123
Other deductions	(755)	(389)	(752)	(1,095)
Interest expense, net of capitalization	(698)	(713)	(2,116)	(2,200)
Income (Loss) Before Income Tax	**(5,329)**	**(3,988)**	**2,226**	**2,889**
Income tax expense (benefit)	(941)	143	377	707
Net Income (Loss)	**$ (4,388)**	**$ (4,131)**	**$ 1,849**	**$ 2,182**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of		September 30, 2021		December 31, 2020
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	9,255	$	212
Accounts receivable and unbilled revenues, net		4,221		14,862
Accounts receivable from affiliates		—		623
Gas in storage		2,588		2,085
Materials and supplies		1,416		1,309
Income tax receivable		4,322		—
Other current assets		345		1,967
Regulatory assets		11,611		10,977
Total Current Assets		**33,758**		**32,035**
Utility plant, at original cost		247,549		292,545
Less accumulated depreciation		(46,007)		(97,086)
Net Utility Plant in Service		**201,542**		**195,459**
Construction work in progress		2,821		4,657
Total Utility Plant		**204,363**		**200,116**
Other property and investments		2,175		89
Regulatory and Other Assets				
Regulatory assets		27,478		30,119
Goodwill		51,932		51,933
Other		3		2,072
Total Regulatory and Other Assets		**79,413**		**84,124**
Total Assets	**$**	**319,709**	**$**	**316,364**

The Berkshire Gas Company
Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 1,430	$ 1,646
Notes payable to affiliates	—	9,010
Accounts payable and accrued liabilities	5,849	12,615
Accounts payable to affiliates	2,824	861
Interest accrued	510	768
Taxes accrued	116	—
Regulatory liabilities	365	1,152
Other	4,860	2,042
Total Current Liabilities	**15,954**	**28,094**
Regulatory and Other Liabilities		
Regulatory liabilities	51,811	51,390
Other Non-current Liabilities		
Deferred income taxes	32,860	28,064
Pension and other postretirement	19,285	19,854
Environmental remediation costs	2,653	3,950
Other	2,312	2,459
Total Regulatory and Other Liabilities	**108,921**	**105,717**
Non-current debt	59,601	59,498
Total Liabilities	**184,476**	**193,309**
Commitments and Contingencies		
Common Stock Equity		
Additional paid-in capital	116,424	106,095
Retained earnings	18,809	16,960
Total Common Stock Equity	**135,233**	**123,055**
Total Liabilities and Equity	**$ 319,709**	**$ 316,364**

The Berkshire Gas Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2021	2020
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 1,849**	**$ 2,182**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,695	6,301
Regulatory assets/liabilities amortization	1,350	275
Regulatory assets/liabilities carrying cost	(86)	—
Amortization of debt issuance costs	(78)	—
Deferred taxes	3,941	1,194
Pension cost	309	1,598
Stock-based compensation	52	—
Other non-cash items	(274)	843
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	11,264	12,025
Inventories	(610)	174
Accounts payable, to affiliates, and accrued liabilities	(4,540)	(6,356)
Taxes accrued	(2,502)	—
Other assets/liabilities	1,326	(3,832)
Regulatory assets/liabilities	(428)	1,470
Net Cash Provided by Operating Activities	**18,268**	**15,874**
Cash Flow from Investing Activities:		
Capital expenditures	(10,610)	(12,059)
Contributions in aid of construction	173	—
Proceeds from sale of utility plant	222	—
Net Cash Used in Investing Activities	**(10,215)**	**(12,059)**
Cash Flow from Financing Activities:		
Non-current debt issuance	—	25,000
Repayments of non-current debt	—	(8,000)
Notes payable to affiliates	(9,010)	(21,080)
Capital contributions	10,000	—
Other	—	(168)
Net Cash Provided by (Used in) Financing Activities	**990**	**(4,248)**
Net Increase (Decrease) in Cash and Cash Equivalents	**9,043**	**(433)**
Cash and Cash Equivalents, Beginning of Period	**212**	**482**
Cash and Cash Equivalents, End of Period	**$ 9,255**	**$ 49**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Total Common Stock Equity
Balance, December 31, 2019	**100**	**$ —**	**$ 106,095**	**$ 14,575**	**$ 120,670**
Net income	—	—	—	2,182	2,182
Balance, September 30, 2020	**100**	**$ —**	**$ 106,095**	**$ 16,757**	**$ 122,852**
Balance, December 31, 2020	**100**	**$ —**	**$ 106,095**	**$ 16,960**	**$ 123,055**
Net income	—	—	—	1,849	1,849
Stock-based compensation	—	—	329	—	329
Capital contributions	—	—	10,000	—	10,000
Balance, September 30, 2021	**100**	**$ —**	**$ 116,424**	**$ 18,809**	**$ 135,233**

(*) Par value of share amounts is $2.50

Connecticut Natural Gas Corporation

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Connecticut Natural Gas Corporation
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Operating Revenues	**$ 62,420**	**$ 53,368**	**$ 286,585**	**$ 257,233**
Operating Expenses				
Natural gas purchased	20,796	11,079	121,523	95,183
Operations and maintenance	27,508	23,995	75,795	72,664
Depreciation and amortization	11,680	11,155	34,759	33,284
Taxes other than income taxes, net	6,355	6,186	22,749	21,043
Total Operating Expenses	**66,339**	**52,415**	**254,826**	**222,174**
Operating Income (Loss)	**(3,919)**	**953**	**31,759**	**35,059**
Other income	539	160	1,586	756
Other deductions	(4,260)	(911)	(2,495)	(3,123)
Interest expense, net of capitalization	(2,316)	(2,300)	(7,207)	(6,941)
Income (Loss) Before Income Tax	**(9,956)**	**(2,098)**	**23,643**	**25,751**
Income tax expense (benefit)	(2,409)	(798)	5,426	6,287
Net Income (Loss)	**$ (7,547)**	**$ (1,300)**	**$ 18,217**	**$ 19,464**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of		September 30, 2021		December 31, 2020
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	13,864	$	831
Accounts receivable and unbilled revenues, net		68,440		88,797
Accounts receivable from affiliates		3,194		2,419
Notes receivable from affiliates		—		5,050
Gas in storage		30,074		23,393
Materials and supplies		3,351		1,574
Income tax receivable		4,097		2,707
Other current assets		5,428		1,130
Regulatory assets		30,690		29,845
Total Current Assets		**159,138**		**155,746**
Utility plant, at original cost		934,540		1,083,498
Less accumulated depreciation		(183,338)		(354,919)
Net Utility Plant in Service		**751,202**		**728,579**
Construction work in progress		21,637		26,126
Total Utility Plant		**772,839**		**754,705**
Operating lease right-of-use assets		115		475
Other property and investments		847		960
Regulatory and Other Assets				
Regulatory assets		109,304		112,275
Goodwill		79,341		79,341
Other		113		203
Total Regulatory and Other Assets		**188,758**		**191,819**
Total Assets	**$**	**1,121,697**	**$**	**1,103,705**

Connecticut Natural Gas Corporation
Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 37,068	$ 62,658
Accounts payable to affiliates	19,005	6,242
Interest accrued	2,307	2,597
Taxes accrued	4,511	5,534
Operating lease liabilities	33	419
Regulatory liabilities	8,561	10,195
Other	15,817	4,885
Total Current Liabilities	**87,302**	**92,530**
Regulatory and Other Liabilities		
Regulatory liabilities	273,012	252,514
Other Non-current Liabilities		
Deferred income taxes	45,276	35,459
Pension and other postretirement	92,198	97,749
Operating lease liabilities	25	253
Asset retirement obligation	6,499	6,499
Other	3,117	3,101
Total Regulatory and Other Liabilities	**420,127**	**395,575**
Non-current debt	189,071	188,971
Total Liabilities	**696,500**	**677,076**
Commitments and Contingencies		
Preferred Stock	**340**	**340**
Common Stock Equity		
Common stock ($3.125 par value, 20,000,000 shares authorized and 10,634,436 shares outstanding at September 30, 2021 and December 31, 2020)	33,233	33,233
Additional paid-in capital	366,673	386,302
Retained earnings	25,283	7,086
Accumulated other comprehensive loss	(332)	(332)
Total Common Stock Equity	**424,857**	**426,289**
Total Liabilities and Equity	**$ 1,121,697**	**$ 1,103,705**

Connecticut Natural Gas Corporation
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2021	2020
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 18,217**	**$ 19,464**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,759	33,358
Regulatory assets/liabilities amortization	24,530	3,312
Regulatory assets/liabilities carrying cost	376	464
Amortization of debt issuance costs	185	—
Deferred taxes	11,531	9,638
Pension cost	612	6,384
Stock-based compensation	68	—
Other non-cash items	71	448
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	19,582	38,991
Inventories	(8,458)	2,311
Accounts payable, to affiliates, and accrued liabilities	(12,073)	(26,184)
Taxes accrued	(2,409)	(9,135)
Other assets/liabilities	(1,969)	(16,207)
Regulatory assets/liabilities	(16,452)	(7,213)
Net Cash Provided by Operating Activities	**68,570**	**55,631**
Cash Flow from Investing Activities:		
Capital expenditures	(40,890)	(35,114)
Contributions in aid of construction	323	—
Notes receivable from affiliates	5,050	12,300
Net Cash Used in Investing Activities	**(35,517)**	**(22,814)**
Cash Flow from Financing Activities:		
Return of capital	(40,000)	(10,000)
Notes payable to affiliates	—	27,157
Capital contribution	20,000	—
Dividends paid, common stock	—	(50,000)
Dividends paid, preferred stock	(20)	(20)
Net Cash Used in Financing Activities	**(20,020)**	**(32,863)**
Net Increase (Decrease) in Cash and Cash Equivalents	**13,033**	**(46)**
Cash and Cash Equivalents, Beginning of Period	**831**	**576**
Cash and Cash Equivalents, End of Period	**$ 13,864**	**$ 530**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, December 31, 2019	**10,634,436**	**$ 33,233**	**$ 358,302**	**$ 59,661**	**$ —**	**$ 451,196**
Net income	—	—	—	19,464	—	19,464
Common stock dividends	—	—	—	(50,000)	—	(50,000)
Preferred stock dividends	—	—	—	(20)	—	(20)
Return of capital	—	—	(10,000)	—	—	(10,000)
Balance, September 30, 2020	**10,634,436**	**$ 33,233**	**$ 348,302**	**$ 29,105**	**$ —**	**$ 410,640**
Balance, December 31, 2020	**10,634,436**	**$ 33,233**	**$ 386,302**	**$ 7,086**	**$ (332)**	**$ 426,289**
Net income	—	—	—	18,217	—	18,217
Stock-based compensation	—	—	371	—	—	371
Preferred stock dividends	—	—	—	(20)	—	(20)
Capital contributions	—	—	20,000	—	—	20,000
Return of capital	—	—	(40,000)	—	—	(40,000)
Balance September 30, 2021	**10,634,436**	**$ 33,233**	**$ 366,673**	**$ 25,283**	**$ (332)**	**$ 424,857**

(*) Par value of share amounts is $3.125

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

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Operating Revenues	**$ 67,906**	**$ 53,827**	**$ 292,338**	**$ 247,249**
Operating Expenses				
Natural gas purchased	21,314	11,373	115,115	89,662
Operations and maintenance	32,433	21,910	86,411	66,644
Depreciation and amortization	9,470	10,334	28,166	30,845
Taxes other than income taxes, net	6,637	6,213	24,099	21,852
Total Operating Expenses	**69,854**	**49,830**	**253,791**	**209,003**
Operating Income (Loss)	**(1,948)**	**3,997**	**38,547**	**38,246**
Other income	552	1,267	1,424	1,338
Other deductions	(1,966)	(1,429)	(832)	(3,889)
Interest expense, net of capitalization	(3,883)	(3,893)	(9,567)	(11,794)
Income (Loss) Before Income Tax	**(7,245)**	**(58)**	**29,572**	**23,901**
Income tax expense (benefit)	(1,673)	(216)	5,964	2,097
Net Income (Loss)	**(5,572)**	**158**	**23,608**	**21,804**
Less: net income attributable to noncontrolling interest	667	580	2,499	1,631
Net Income (Loss) Attributable to SCG	**$ (6,239)**	**$ (422)**	**$ 21,109**	**$ 20,173**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ —	$ 3,019
Accounts receivable and unbilled revenues, net	58,831	87,314
Accounts receivable from affiliates	2,914	4,558
Notes receivable from affiliates	4,610	6,529
Gas in storage	34,630	25,489
Materials and supplies	2,251	1,860
Income tax receivable	13,722	9,696
Other current assets	4,025	424
Regulatory assets	21,614	27,707
Total Current Assets	**142,597**	**166,596**
Utility plant, at original cost	1,048,163	1,159,949
Less accumulated depreciation	(177,274)	(321,380)
Net Utility Plant in Service	**870,889**	**838,569**
Construction work in progress	21,996	26,266
Total Utility Plant	**892,885**	**864,835**
Operating lease right-of-use assets	6,422	461
Other property and investments	11,253	10,683
Regulatory and Other Assets		
Regulatory assets	156,196	133,522
Goodwill	134,931	134,931
Other	277	181
Total Regulatory and Other Assets	**291,404**	**268,634**
Total Assets	**$ 1,344,561**	**$ 1,311,209**

The Southern Connecticut Gas Company
Consolidated Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ —	$ 25,911
Notes payable to affiliates	5,089	19,028
Accounts payable and accrued liabilities	34,248	58,011
Accounts payable to affiliates	19,375	7,012
Interest accrued	2,247	4,254
Taxes accrued	3,051	5,180
Operating lease liabilities	498	601
Regulatory liabilities	9,893	11,672
Other	24,502	11,541
Total Current Liabilities	**98,903**	**143,210**
Regulatory and Other Liabilities		
Regulatory liabilities	221,047	213,971
Other Non-current Liabilities		
Deferred income taxes	104,180	75,083
Pension and other postretirement	60,186	64,518
Operating lease liabilities	5,964	267
Asset retirement obligation	12,599	12,599
Environmental remediation costs	60,556	41,464
Other	7,768	8,949
Total Regulatory and Other Liabilities	**472,300**	**416,851**
Non-current debt	265,627	267,658
Total Liabilities	**836,830**	**827,719**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($13.33 par value, 2,650,000 shares authorized and 1,407,072 shares outstanding at September 30, 2021 and December 31, 2020)	18,761	18,761
Additional paid-in capital	412,737	427,737
Retained earnings	40,276	19,167
Accumulated other comprehensive loss	(5,032)	(5,032)
Total SCG Common Stock Equity	**466,742**	**460,633**
Noncontrolling interest	40,989	22,857
Total Equity	**507,731**	**483,490**
Total Liabilities and Equity	**$ 1,344,561**	**$ 1,311,209**

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

Periods Ended September 30,	**2021**	**2020**
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 23,608**	**$ 21,804**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,166	31,067
Regulatory assets/liabilities amortization	11,967	1,255
Regulatory assets/liabilities carrying cost	1,763	1,676
Amortization of debt issuance costs	(2,518)	—
Deferred taxes	33,963	11,868
Pension cost	(372)	3,780
Other non-cash items	320	1,328
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	30,127	40,179
Inventories	(9,532)	1,458
Accounts payable, to affiliates, and accrued liabilities	(10,512)	(22,720)
Taxes accrued	(6,154)	(21,995)
Other assets/liabilities	15,428	(8,091)
Regulatory assets/liabilities	(29,928)	1,220
Net Cash Provided by Operating Activities	**86,326**	**62,829**
Cash Flow from Investing Activities:		
Capital expenditures	(54,423)	(56,412)
Contributions in aid of construction	1,454	—
Proceeds from sale of utility plant	11	—
Notes receivable from affiliates	1,919	(1,546)
Net Cash Used in Investing Activities	**(51,039)**	**(57,958)**
Cash Flow from Financing Activities:		
Repayment of non-current debt	(25,000)	—
Return of capital	(40,000)	—
Notes payable to affiliates	(13,939)	24,722
Capital contributions	25,000	—
Contributions from noncontrolling interest	19,431	—
Dividends paid	—	(30,000)
Payment of noncontrolling interest dividend	(3,798)	—
Net Cash Used in Financing Activities	**(38,306)**	**(5,278)**
Net Decrease in Cash and Cash Equivalents	**(3,019)**	**(407)**
Cash and Cash Equivalents, Beginning of Period	**3,019**	**836**
Cash and Cash Equivalents, End of Period	**$ —**	**$ 429**

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

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Common Stock Equity
Balance, December 31, 2019	**1,407,072**	**$ 18,761**	**$ 387,737**	**$ 49,648**	**$ —**	**$ 21,174**	**$ 477,320**
Net income	—	—	—	20,173	—	—	20,173
Net income attributable to noncontrolling interest	—	—	—	—	—	1,631	1,631
Common stock dividends	—	—	—	(30,000)	—	—	(30,000)
Balance, September 30, 2020	**1,407,072**	**$ 18,761**	**$ 387,737**	**$ 39,821**	**$ —**	**$ 22,805**	**$ 469,124**
Balance, December 31, 2020	**1,407,072**	**$ 18,761**	**$ 427,737**	**$ 19,167**	**$ (5,032)**	**$ 22,857**	**$ 483,490**
Net income	—	—	—	21,109	—	—	21,109
Net income attributable to noncontrolling interest	—	—	—	—	—	2,499	2,499
Payment of noncontrolling interest dividend	—	—	—	—	—	(3,798)	(3,798)
Contributions from noncontrolling interest	—	—	—	—	—	19,431	19,431
Capital contributions	—	—	25,000	—	—	—	25,000
Return of capital	—	—	(40,000)	—	—	—	(40,000)
Balance, September 30, 2021	**1,407,072**	**$ 18,761**	**$ 412,737**	**$ 40,276**	**$ (5,032)**	**$ 40,989**	**$ 507,731**

(*) Par value of share amounts is $13.33

The United Illuminating Company

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The United Illuminating Company
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Operating Revenues	**$ 279,022**	**$ 282,312**	**$ 757,085**	**$ 787,389**
Operating Expenses				
Electricity purchased	58,529	63,960	174,351	201,621
Operations and maintenance	128,101	101,715	300,936	270,940
Depreciation and amortization	28,201	26,610	83,347	81,385
Taxes other than income taxes, net	26,549	32,305	78,169	85,791
Total Operating Expenses	**241,380**	**224,590**	**636,803**	**639,737**
Operating Income	**37,642**	**57,722**	**120,282**	**147,652**
Other income	3,688	3,569	8,937	9,503
Other deductions	1,226	(2,096)	(2,130)	(10,888)
Earnings from equity method investments	1,858	1,989	5,849	5,742
Interest expense, net of capitalization	(10,039)	(10,705)	(30,417)	(32,660)
Income Before Income Tax	**34,375**	**50,479**	**102,521**	**119,349**
Income tax expense	7,518	11,259	20,909	25,166
Net Income	**$ 26,857**	**$ 39,220**	**$ 81,612**	**$ 94,183**

The United Illuminating Company
Statements of Comprehensive Income (Unaudited)

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Net Income	**$ 26,857**	**$ 39,220**	**$ 81,612**	**$ 94,183**
Other Comprehensive Loss				
Unrealized loss during the period on derivatives qualifying as cash flow hedges	(8)	—	(9)	—
Other Comprehensive Loss	**(8)**	**—**	**(9)**	**—**
Comprehensive Income	**$ 26,849**	**$ 39,220**	**$ 81,603**	**$ 94,183**

The United Illuminating Company
Balance Sheets (Unaudited)

As of		September 30, 2021		December 31, 2020
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	50,066	$	169
Accounts receivable and unbilled revenues, net		183,547		170,913
Accounts receivable from affiliates		41		15,171
Notes receivable from affiliates		—		14,975
Materials and supplies		8,144		6,264
Prepayments and other current assets		17,767		14,662
Income tax receivable		—		10,536
Derivative assets		417		390
Regulatory assets		30,451		44,415
Total Current Assets		**290,433**		**277,495**
Utility plant, at original cost		2,979,922		3,335,542
Less accumulated depreciation		(472,854)		(863,071)
Net Utility Plant in Service		**2,507,068**		**2,472,471**
Construction work in progress		193,926		193,545
Total Utility Plant		**2,700,994**		**2,666,016**
Operating lease right-of-use assets		9,783		10,041
Equity method investments		87,130		90,951
Other property and investments		15,823		14,513
Regulatory and Other Assets				
Regulatory assets		394,050		411,926
Derivative assets		1,400		1,648
Other		12,739		2,489
Total Regulatory and Other Assets		**408,189**		**416,063**
Total Assets	**$**	**3,512,352**	**$**	**3,475,079**

The United Illuminating Company
Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 129,127	$ —
Accounts payable and accrued liabilities	115,414	135,721
Accounts payable to affiliates	50,700	28,631
Interest accrued	9,964	11,587
Taxes accrued	22,887	16,344
Operating lease liabilities	3,299	1,510
Derivative liabilities	14,257	13,378
Other current liabilities	34,842	30,896
Regulatory liabilities	35,310	16,430
Total Current Liabilities	**415,800**	**254,497**
Regulatory and Other Liabilities		
Regulatory liabilities	357,096	385,474
Other Non-current liabilities		
Deferred income taxes	389,207	379,659
Pension and other postretirement	194,783	204,713
Operating lease liabilities	10,894	12,806
Derivative liabilities	49,792	57,844
Environmental remediation costs	22,973	22,034
Other	17,937	17,432
Total Regulatory and Other Liabilities	**1,042,682**	**1,079,962**
Non-current debt	758,156	886,927
Total Liabilities	**2,216,638**	**2,221,386**
Commitments and Contingencies		
Common Stock Equity		
Common stock (no par value, 30,000,000 shares authorized and 100 shares outstanding at September 30, 2021 and December 31, 2020)	1	1
Additional paid-in capital	806,648	806,230
Retained earnings	495,663	454,051
Accumulated other comprehensive loss	(6,598)	(6,589)
Total Common Stock Equity	**1,295,714**	**1,253,693**
Total Liabilities and Equity	**$ 3,512,352**	**$ 3,475,079**

The United Illuminating Company
Statements of Cash Flows (Unaudited)

Periods Ended September 30,	2021	2020
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 81,612**	**$ 94,183**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,347	82,524
Regulatory assets/liabilities amortization	16,235	1,446
Regulatory assets/liabilities carrying cost	872	568
Amortization of debt issuance costs	655	—
Deferred taxes	3,170	22,345
Pension cost	8,992	13,011
Stock-based compensation	32	—
Earnings from equity method investments	(5,849)	(5,741)
Cash distribution from equity method investments	5,282	5,965
Other non-cash Items	(5,273)	(4,124)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	2,496	584
Inventories	(1,880)	—
Accounts payable, to affiliates, and accrued liabilities	3,916	(597)
Taxes accrued	17,079	8,290
Other assets/liabilities	(22,676)	(34,831)
Regulatory assets/liabilities	(5,151)	(25,227)
Net Cash Provided by Operating Activities	**182,859**	**158,396**
Cash Flow from Investing Activities:		
Capital expenditures	(113,161)	(146,684)
Contributions in aid of construction	874	—
Notes receivable from affiliates	14,975	19,375
Proceeds from sale of utility plant	17	—
Cash distribution from equity method investments	4,333	3,078
Net Cash Used in Investing Activities	**(92,962)**	**(124,231)**
Cash Flow from Financing Activities:		
Notes payable to affiliates	—	3,553
Dividends paid	(40,000)	(40,000)
Net Cash Used in Financing Activities	**(40,000)**	**(36,447)**
Net Increase (Decrease) in Cash and Cash Equivalents	**49,897**	**(2,282)**
Cash and Cash Equivalents, Beginning of Period	**169**	**4,621**
Cash and Cash Equivalents, End of Period	**$ 50,066**	**$ 2,339**

The United Illuminating Company
Statements 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 Common Stock Equity
Balance, December 31, 2019	**100**	**$ 1**	**$ 806,230**	**$ 372,811**	**$ —**	**$ 1,179,042**
Net income	—	—	—	94,183	—	94,183
Common stock dividends	—	—	—	(40,000)	—	(40,000)
Balance, September 30, 2020	**100**	**$ 1**	**$ 806,230**	**$ 426,994**	**$ —**	**$ 1,233,225**
Balance, December 31, 2020	**100**	**$ 1**	**$ 806,230**	**$ 454,051**	**$ (6,589)**	**$ 1,253,693**
Net income	—	—	—	81,612	—	81,612
Other comprehensive loss	—	—	—	—	(9)	(9)
Comprehensive income						81,603
Stock-based compensation	—	—	418	—	—	418
Common stock dividends	—	—	—	(40,000)	—	(40,000)
Balance, September 30, 2021	**100**	**$ 1**	**$ 806,648**	**$ 495,663**	**$ (6,598)**	**$ 1,295,714**

(*) No par value.

Note 1. Significant Accounting Policies

Background and nature of operations: The United Illuminating Company (UI) is a regulated operating electric public utility engaged in the purchase, transmission, distribution, and sale of electricity for residential, commercial and industrial purposes. UI is regulated as an electric distribution company by the Connecticut Public Utilities Regulatory Authority (PURA) and is also subject to regulation by the Federal Energy Regulatory Commission (FERC). UI serves approximately 342,300 customers as of September 30, 2021 in its service territory of approximately 335 square miles in southwestern Connecticut.

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

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

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

Preparation of the accompanying unaudited condensed financial statements requires management to make estimates and assumptions that affect the amounts reported during the periods covered by the related financial statements and accompanying disclosures. We continue to utilize information reasonably available to us; however, the business and economic uncertainty resulting from the global pandemic of the novel coronavirus (COVID-19) has made such estimates and assumptions more difficult to assess and calculate. Impacted estimates include, but are not limited to, evaluations of certain long-lived assets for impairment, expected credit losses and potential regulatory deferral or recovery of certain costs. While we have not yet had material impacts from COVID-19 on our financial results, actual results could differ from those estimates, which could result in material impacts to our financial statements in future reporting periods.

In the opinion of management, the accompanying condensed financial statements contain all adjustments necessary to present fairly our condensed financial statements for the interim periods described herein. All such adjustments are of a normal and recurring nature, except as otherwise disclosed. The results for the nine months ended September 30, 2021, are not necessarily indicative of the results for the entire fiscal year ending December 31, 2021.

Significant Accounting Policies and New Accounting Pronouncements: The new accounting pronouncements we have adopted as of January 1, 2021, and reflected in our condensed financial statements are described below. There have been no other material changes to the significant accounting policies described in our financial statements for the fiscal year ended December 31, 2020, except for those described below resulting from the adoption of new authoritative accounting guidance issued by Financial Accounting Standards Board (FASB).

Adoption of New Accounting Pronouncements

Although we are not a public business entity, our parent company is a public business entity; therefore, we adopt new accounting standards based on the effective date for public entities as permitted.

(a) Simplifying the accounting for income taxes

In December 2019, the FASB issued an accounting standards update that is intended to reduce complexity in accounting for income taxes. The amendments remove specific exceptions to the general principles in ASC 740, *Income Taxes*, eliminating the need for an entity to analyze whether the following apply in a given period: (1) exception to the incremental approach for intra-period tax allocation; (2) exceptions to accounting for basis differences in equity method investments when there are ownership changes in foreign investments; and (3) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The amendments also improve financial statement preparers' application of income-tax related guidance and simplify U.S. GAAP for: (1) franchise taxes that are partially based on income; (2) transactions with a government that result in a step up in the tax basis of goodwill; (3) separate financial statements of legal entities that are not subject to tax; and (4) enacted changes in tax laws in interim periods. We adopted the amendments effective January 1, 2021, with no material effect to our condensed results of operations, financial position, cash flows and disclosures. We are applying the amendments on a retrospective and/or modified retrospective basis, or prospective basis, depending on the amendment requirement.

(b) Improvements to lessor accounting for certain leases with variable lease payments

In July 2021, the FASB issued amendments to make targeted improvements to ASC 842 for lessor's accounting for certain leases with variable lease payments, which affect lease classification. The amendments require a lessor to classify and account for a lease with variable lease payments as an operating lease if (a) the lease would have been classified as a sales-type lease or a direct financing lease and (b) the lessor would have otherwise recognized a day-one loss. The amendments are effective for fiscal years beginning after December 15, 2021, for all entities, and interim periods within those fiscal years for public business entities, with early application permitted. We have elected to early apply the amendments effective October 1, 2021, and apply the amendments prospectively to leases that commence or are modified on or after that date. Our adoption does not materially affect our results of operations, financial position and cash flows.

Accounting Pronouncements Issued But Not Yet Adopted

The following are new accounting pronouncements not yet adopted, including those issued since December 31, 2020, that we have evaluated or are evaluating to determine their effect on our condensed financial statements.

(a) Facilitation of the effects of reference rate reform on financial reporting, and subsequent scope clarification

In March 2020, the FASB issued amendments and created ASC 848 to provide temporary optional guidance to entities to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The amendments respond to concerns about structural risks of interbank offered rates, and particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). The guidance is elective and applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform, around the end of 2021. The guidance applies to contracts that have modified terms that affect, or have the potential to affect, the amount or timing of contractual cash flows resulting from the discontinuance of the reference rate reform. The amendments are effective for all entities as of March 12, 2020, through December 31, 2022, although the FASB has indicated it will monitor developments in the marketplace and consider whether developments warrant an extension.

In January 2021, the FASB issued amendments to clarify the scope of ASC 848 and respond to questions from stakeholders about whether ASC 848 can be applied to derivative instruments that do not reference a rate that is expected to be discontinued but that use an interest rate for margining, discounting, or contract price alignment that is modified because of reference rate reform. The modification, commonly referred to as the "discounting transition," may have accounting implications, raising concerns about the need to reassess previous accounting determinations related to those derivatives and about the possible hedge accounting consequences of the discounting transition. The amendments clarify that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition, capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments are effective immediately, and may be elected retrospectively to eligible modifications as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications made on or after any date within the interim period that includes January 7, 2021.

We expect our adoption of the reference rate reform and the subsequent scope clarification will not materially affect our results of operations, financial position and cash flows.

(b) Accounting for revenue contracts with customers acquired in a business combination

In October 2021, the FASB issued amendments related to the accounting for revenue contracts acquired in a business combination. The amendments require an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. At the acquisition date, an acquirer should account for the related revenue contract in accordance with ASC 606 as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption is permitted. We expect our adoption will not materially affect our results of operations, financial position and cash flows.

Note 2. Industry Regulation

Rates

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

UI's 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.

Connecticut Energy Legislation

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

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

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

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

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

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 an alternative retail electric supplier and have a maximum demand of less than 500 kilowatts, as well as its customers under supplier of last resort service who are not eligible for standard service rates and do not choose to purchase electric generation service from an alternate retail electric supplier. The cost of the purchased power is a “pass-through” to those customers through the General Services Charge (GSC) charge on their bills.

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

UI has wholesale power supply agreements in place for its entire standard service load for the first and second halves of 2021, and 100% of its standard service load for the first half of 2022 and 60% of its standard service load for the second half of 2022. Supplier of last resort service is procured on a quarterly basis and UI has wholesale power supply agreement in place for the fourth quarter of 2021 and the first quarter of 2022. 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, 2021, UI would have had to post an aggregate of approximately $14 million in collateral.

New Renewable Source Generation

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

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

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

Revenues are recorded gross from contracts with customers when UI is a principal if it controls a promised good or service before transferring that good or service to the customer. Revenues are recorded net of expenses and regulatory deferrals from contracts with customers when UI is an agent if it arranges for another entity to provide the goods or services. In 2019, UI entered into a PPA contract to purchase nuclear energy generation from Millstone which it is mandated to sell into ISO-NE at the market price. Such transaction is reflected net because UI is acting as agent to sell the energy into the market.

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

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE. UI's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets. For 2020, UI's overall allowed weighted-average ROE for its transmission business was 11.26%.

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

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

On October 16, 2014, the FERC issued its decision in Complaint I, setting the base ROE at 10.57% and a maximum total ROE of 11.74% (base plus incentive ROEs) for the October 2011 – December 2012 period as well as prospectively from October 16, 2014. On March 3, 2015, the

FERC upheld its decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total average transmission return.

Complaints II and III were consolidated and the administrative law judge issued an initial decision on March 22, 2016. The initial decision determined that, (1) for the fifteen month refund period in Complaint II, the base ROE should be 9.59% and that the ROE Cap (base ROE plus incentive ROEs) should be 10.42% and (2) for the fifteen month refund period in Complaint III and prospectively, the base ROE should be 10.90% and that the ROE Cap should be 12.19%. The initial decision in Complaints II and III is the administrative law judge's recommendation to the FERC Commissioners.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $7.2 million as of September 30, 2021, which has not changed since December 31, 2020, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings.

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

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

On April 15, 2021, the FERC issued a supplemental Notice of Proposed Rulemaking (Supplemental NOPR) that proposes to eliminate the 50 basis-point ROE incentive for utilities who join Regional Transmission Organizations after 3 years of membership. The NETOs submitted initial comments in opposition to the Supplemental NOPR on June 25, 2021. Reply comments were due on July 26, 2021. If the elimination of the 50 basis-point ROE incentive adder becomes final, we estimate we would have an approximately $2 million reduction in earnings per year. We cannot predict the outcome of this proceeding.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with Clearway Energy, Inc. in GenConn, which operates two peaking generation plants in Connecticut. The two peaking generation plants, GenConn Devon and GenConn Middletown, are both participating in the ISO-New England markets.

GenConn filed its annual revenue requirements request with PURA on June 15, 2021, seeking approval of its 2022 revenue requirements for the period commencing January 1, 2022 for both the GenConn Devon and GenConn Middletown facilities and totaling $55.83 million. A PURA Decision is expected in December 2021.

GenConn filed its annual revenue requirements request with PURA on June 12, 2020, seeking approval of its 2021 revenue requirements for the period commencing January 1, 2021 for both the GenConn Devon and GenConn Middletown facilities. A final decision was received on December 23, 2020, approving 2021 revenue requirements of $49.388 million for GenConn ($21.967 million for GenConn Devon, and $27.421 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2021. PURA disallowed $3.236 million from the original 2021 revenue requirements request which includes a disallowance of $2.861 million of interest expense associated with GenConn's debt, and $0.375 million related to a proposed expense project to paint Exhaust Stacks at GenConn Devon. On February 4, 2021, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the $2.861 million interest expense.

PURA had approved revenue requirements for the period from January 1, 2020 through December 31, 2020, however, GenConn filed to reopen the related docket with PURA on April 3, 2020, for the purpose of resetting 2020 revenue requirements after a recalculation of excess deferred income taxes. GenConn received a final decision from PURA on December 23, 2020 approving $1.219 million of the additional $2.118 million requested for 2020 revenue requirements. The $0.899 million difference is due to an acceleration of $0.641 million related to Excess Accumulated Deferred Income Taxes (EADIT's) associated with Intangible Plant that otherwise would have been refunded over a longer period of time, and $0.258 million is related to actual tangible plant timing differences.

Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act significantly changed the federal taxation of business entities including, among other things, implementing a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates will result in amounts previously and currently collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. PURA instituted proceedings in Connecticut to review and address the implications associated with the Tax Act on the utilities providing service in the state and rendered a final decision on January 23, 2019. PURA directed UI to establish a regulatory liability in the amount of the income tax expense to be returned to customers and propose a method of returning such amount to customers in its next rate case filing. However, UI agreed as part of the settlement agreement approved by PURA on June 23, 2021, to begin returning those accumulated income tax expense to customers over a 22-month period, commencing on July 1, 2021 through April 30, 2023.

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

On August 6, 2020, the PURA opened a docket to investigate the preparation for and response to Tropical Storm Isaias by the electric distribution companies in Connecticut including UI. Following hearings and the submission of testimony, PURA issued a final decision on April 15, 2021, finding that UI "generally met standards of acceptable performance in its preparation and response to

Tropical Storm Isaias," subject to certain exceptions noted in the decision, but ordered a 15-basis point reduction to UI’s ROE in its next rate case to incentivize better performance and indicated that penalties could be forthcoming in the penalty phase of the proceedings. On June 11, 2021, UI filed an appeal of PURA's decision with the Connecticut Superior Court.

On May 6, 2021, in connection with its findings in the Storm Isaias Docket, PURA issued a Notice of Violation to UI for allegedly failing to comply with standards of acceptable performance in emergency preparation or restoration of service in an emergency and with orders of the Authority, and for violations of accident reporting requirements. PURA assessed a civil penalty in the total amount of $2 million. PURA held a hearing on this matter and, in an order dated July 14, 2021, reduced the civil penalty to approximately $1 million. UI filed an appeal of PURA’s decision with the Connecticut Superior Court. This appeal and the appeal of PURA’s decision on the Tropical Storm Isaias docket have been consolidated. We cannot predict the outcome of these appeals.

Note 3. Regulatory Assets and Liabilities

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately $342.0 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

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

Current and non-current regulatory assets consisted of:

As of		September 30, 2021		December 31, 2020
(Thousands)				
Current				
Contracts for differences	$	13,114	$	13,378
Deferred transmission expense		(502)		25,594
Excess generation service charge		(722)		—
Non-bypassable charges		3,175		—
Revenue decoupling mechanism		14,887		2,663
Storm costs		—		2,000
Unamortized losses on reacquired debt		499		780
Total current regulatory assets		**30,451**		**44,415**
Non-current				
Contracts for differences		49,107		55,806
COVID-19 cost recovery		7,610		918
Deferred transmission expense		10,585		—
Environmental remediation costs		6,311		6,000
Excess generation service charge		6,160		6,052
Non-bypassable charges		6,309		15,496
Pension and other post-retirement benefit plans		154,302		169,082
Pension and other post retirement benefits cost deferrals		11,523		11,185
Revenue decoupling mechanism		191		15,329
Storm costs		20,038		13,793
Unamortized losses on reacquired debt		5,081		5,007
Unfunded future income taxes		106,678		103,103
Other		10,155		10,155
Total non-current regulatory assets	**$**	**394,050**	**$**	**411,926**

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

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

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

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

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

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

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

Pension and other post-retirement benefits cost deferrals include the difference between actual expense for pension and other post-retirement benefits and the amount provided for in rates for certain of our regulated utilities. The recovery of these amounts will be determined in future proceedings.

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

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

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

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

Other includes items such as deferred loss on sale of non-utility property.

Current and non-current regulatory liabilities consisted of:

As of	September 30, 2021	December 31, 2020
(Thousands)		
Current		
2017 Tax Act	$ 26,274	$ —
Accumulated deferred investment tax credits	730	730
Conservation and load management	1,269	9,875
Earnings sharing provision	570	4,718
Middletown/Norwalk local transmission network service collections	573	573
System benefit charge	4,841	534
Other	1,053	—
Total current regulatory liabilities	**35,310**	**16,430**
Non-current		
2017 Tax Act	236,585	265,642
Accrued removal obligations	71,076	67,138
Accumulated deferred investment tax credits	11,007	11,555
Middletown/Norwalk local transmission network service collections	16,386	16,816
Pension and other post-retirement benefits cost deferrals	10,639	13,950
Rate refund - FERC ROE proceeding	7,538	7,234
Other	3,865	3,139
Total non-current regulatory liabilities	**$ 357,096**	**$ 385,474**

2017 Tax Act represents the impact from remeasurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously and currently collected from utility customers for these deferred taxes to be refundable to such customers. UI will be returning the accumulated income tax expense to customers over the 22-month period from July 1, 2021 through April 30, 2023.

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

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

Earning sharing provisions represents the annual earnings over the earnings sharing threshold. A portion of this balance is amortized through current rates, the remaining portion will be refunded in future periods through future rate cases.

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

Pension and other post-retirement benefits cost deferrals include the difference between actual expense for pension and other post-retirement benefits and the amount provided for in rates for certain of our regulated utilities. A portion of this balance is amortized through current rates, the remaining portion will be refunded in future periods through future rate cases.

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

Systems benefit charge represents various costs or revenues as defined by Connecticut General Statute 16-2451 deferred for future recovery from or return to customers. The amount fluctuates based upon timing differences between revenues collected from rates and actual costs incurred.

Other includes items such as deferral of CAM gross earnings tax expense collected in base distribution rates for periods subsequent to January 1, 2020.

Note 4. Revenue

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

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

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

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

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

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

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

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

Revenues disaggregated by major source for the three and nine months ended September 30, 2021 and 2020, are as follows:

Three Months Ended September 30,		**2021**		**2020**
(Thousands)				
Regulated operations – electricity	$	276,800	$	276,057
Other (a)		553		825
Revenue from contracts with customers		**277,353**		**276,882**
Leasing revenue		779		325
Alternative revenue programs		—		4,736
Other revenue		890		369
Total operating revenues	**$**	**279,022**	**$**	**282,312**

Nine Months Ended September 30,		**2021**		**2020**
(Thousands)				
Regulated operations – electricity	$	720,832	$	752,852
Other (a)		1,934		2,745
Revenue from contracts with customers		**722,766**		**755,597**
Leasing revenue		2,940		972
Alternative revenue programs		29,884		29,635
Other revenue		1,495		1,185
Total operating revenues	**$**	**757,085**	**$**	**787,389**

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

As of September 30, 2021 and December 31, 2020, nearly all of the accounts receivable balances included in “Accounts receivable and unbilled revenues, net” on our condensed balance sheet are related to contracts with customers and include unbilled revenues of $46.8 million and $44.1 million, respectively.

Note 5. Income Taxes

The effective tax rate for the nine months ended September 30, 2021 was 20.4%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and property related flow through tax benefits; partially offset by state taxes. The effective tax rate for the nine months ended September 30, 2020 was 21.1% which was higher than the 21% statutory federal income tax rate due predominately to state taxes and partially offset by property related flow through tax benefits.

Note 6. Bank Loans and Other Borrowings

UI had no short-term debt outstanding as of September 30, 2021 and December 31, 2020. UI funds short-term liquidity needs through an agreement among Avangrid's regulated utility subsidiaries (the Virtual Money Pool Agreement), a bi-lateral intercompany credit agreement with Avangrid (the Bi-Lateral Intercompany Facility), and a bank provided credit facility to which UI is a party (the AGR Credit Facility), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI has a lending/borrowing limit of $100 million under this agreement. UI had no debt outstanding under this agreement at September 30, 2021 and December 31, 2020.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI had no debt outstanding under this agreement at September 30, 2021 and December 31, 2020.

On June 29, 2018, AGR and its investment-grade rated utility subsidiaries (New York State Electric and Gas Corporation ("NYSEG"), Rochester Gas and Electric Corporation ("RG&E"), Central Maine Power Company ("CMP"), The United Illuminating Company ("UI"), Connecticut Natural Gas Corporation ("CNG"), The Southern Connecticut Gas Company ("SCG") and The Berkshire Gas Company ("BGC")) executed a new credit facility with an aggregate limit of $2.5 billion and a termination date of June 29, 2023. Effective on June 29, 2019, the termination date for the AGR Credit Facility was extended to June 29, 2024.

Under the terms of the AGR Credit Facility, each borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit established by the banks. NYSEG, RG&E, CMP and UI have maximum sublimits of $400 million, CNG and SCG have maximum sublimits of $150 million, and BGC has a maximum sublimit of $40 million. Effective on June 29, 2020, the AGR Credit Facility was amended to reduce AGR's maximum sublimit to $1.5 billion and to establish minimum sublimits of $400 million for NYSEG, $250 million for RG&E, $150 million for UI, $100 million for CMP, $40 million for CNG and SCG, and $20 million for BGC. Under the AGR Credit Facility, each of the borrowers are charged a facility fee that is dependent on their credit rating. The facility fees range from 10.0 to 17.5 basis points. UI had no debt outstanding under this agreement at September 30, 2021 and December 31, 2020.

In the AGR Credit Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of indebtedness to total capitalization, the facility excludes from net worth the balance of accumulated other comprehensive loss as it appears on the balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued un-remedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was 0.41 to 1.00 at September 30, 2021. We are not in default as of September 30, 2021.

Note 7. Preferred Stock

At September 30, 2021, UI had 1,119,612 shares of $100 par value preferred stock, 2,400,000 shares of $25 par value preferred stock, and 5,000,000 shares of $25 par value preference stock authorized but unissued.

Note 8. Environmental Liability

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

English Station

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

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

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

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

As of September 30, 2021 and December 31, 2020, the amount reserved related to English Station was $21.8 million and $21.7 million, respectively. We cannot predict the outcome of this matter.

On April 24, 2020, ACV Environmental Services Company (ACV) filed a lawsuit in Connecticut Superior Court against UI arising out of a contract dispute for services rendered by ACV in the demolition of the Station B at the English Station site. The complaint seeks damages in the amount of $5 million on claims of breach of contract, breach of the covenant of good faith and fair dealing, quantum merit, and unjust enrichment. The claims arise from the alleged non-payment of certain change order requests. Arbitration for this matter has been scheduled for the fourth quarter of 2021. We cannot predict the outcome of this matter.

Other

In May 2019, UI obtained an updated remediation evaluation of the property adjacent to the New Haven Harbor Generating Station. As a result, UI recorded an additional $6.0 million reserve in June 2019, the minimum of the range of remediation estimates. As of September 30, 2021 and December 31, 2020, the amount reserved for this property was $8.0 million and $7.8 million, respectively. UI also holds a reserve of $0.5 million for remediation of 801 Bridgeport Ave as of September 30, 2021.

Note 9. Accounting for Derivative Instruments and Hedging Activities

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

Derivatives not designated as hedging instruments

Pursuant to Connecticut's 2005 Energy Independence Act, PURA solicited bids to create new or incremental capacity resources in order to reduce federally mandated congestion charges, and selected four new capacity resources. To facilitate the transactions between the selected capacity resources and Connecticut electric customers, and provide the commitment necessary for owners of these resources to obtain necessary financing, PURA required that UI and The Connecticut Light and Power Company (CL&P) execute long-term contracts with the selected resources. In August 2007, PURA approved four 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, 2021, UI has recorded a gross derivative asset of $1.8 million ($0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of $62.2 million, a gross derivative liability of $64.0 million ($61.8 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of $0. As of December 31, 2020, UI had recorded a gross derivative asset of $2.0 million ($0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of $69.2 million, a gross derivative liability of $71.2 million

($68.7 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of $0.

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets, for the three and nine months ended September 30, 2021 and 2020, respectively, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(Thousands)				
Derivative assets	$ (102)	$ —	$ (221)	$ —
Derivative liabilities	$ 3,421	$ 2,621	$ 7,182	$ 290

Derivatives designated as hedging instruments

The effect of derivatives in cash flow hedging relationships on Other Comprehensive Income (OCI) and income for the three and nine months ended September 30, 2021 and 2020, respectively, consisted of:

Three Months Ended September 30,	Loss Recognized in OCI on Derivatives	Location of Loss Reclassified From Accumulated OCI into Income	Loss Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2021				
Foreign exchange contracts	$ (8)	Operations and maintenance	$ —	$ 128,101
Total	**$ (8)**		**$ —**	

Nine Months Ended September 30,	Loss Recognized in OCI on Derivatives	Location of Loss Reclassified From Accumulated OCI into Income	Loss Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
2021				
Foreign currency exchange contracts	$ (9)	Operations and maintenance	$ —	$ 300,936
Total	**$ (9)**		**$ —**	

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

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

- UI enters into CfDs, which are marked-to-market based on a probability-based expected cash flow analysis that is discounted at risk-free interest rates and an adjustment for non-performance risk using credit default swap rates. We include the fair value measurement for these contracts in Level 3 (Refer to Note 9 for further discussion of CfDs).

- We measure the fair value of the supplemental retirement benefit life insurance trust based on quoted prices in the active markets for the various funds within which the assets are held and include the measurement in Level 2.
- We determine the fair value of our foreign currency exchange derivative instruments based on current exchange rates compared to the rates at inception of the hedge. We include the fair value measurement for these contracts in Level 2.

The financial instruments measured at fair value as of September 30, 2021 and December 31, 2020, respectively, consisted of:

As of September 30, 2021		**Level 1**		**Level 2**		**Level 3**		**Total**
(Thousands)								
Derivative assets								
Contracts for differences	$	—	$	—	$	1,817	$	1,817
Equity investments with readily determinable fair values								
Supplemental retirement benefit trust life insurance policies		—		15,609		—		15,609
Total	**$**	**—**	**$**	**15,609**	**$**	**1,817**	**$**	**17,426**
Derivative liabilities								
Contracts for differences	$	—	$	—	$	(64,040)	$	(64,040)
Foreign exchange contracts		—		(9)		—		(9)
Total	**$**	**—**	**$**	**(9)**	**$**	**(64,040)**	**$**	**(64,049)**

As of December 31, 2020		**Level 1**		**Level 2**		**Level 3**		**Total**
(Thousands)								
Derivative assets								
Contracts for differences	$	—	$	—	$	2,038	$	2,038
Equity investments with readily determinable fair values								
Supplemental retirement benefit trust life insurance policies		—		14,299		—		14,299
Total	**$**	**—**	**$**	**14,299**	**$**	**2,038**	**$**	**16,337**
Derivative liabilities								
Contracts for differences	$	—	$	—	$	(71,222)	$	(71,222)
Total	**$**	**—**	**$**	**—**	**$**	**(71,222)**	**$**	**(71,222)**

The reconciliation of changes in the fair value of financial instruments based on Level 3 inputs for the three and nine months ended September 30, 2021 and 2020, respectively, is as follows:

Three Months Ended September 30,		**2021**		**2020**
(Thousands)				
Beginning balance	$	(65,542)	$	(75,016)
Unrealized gains and (losses), net		3,319		2,621
Ending balance	**$**	**(62,223)**	**$**	**(72,395)**

Nine Months Ended September 30,		2021	2020
(Thousands)			
Beginning balance	$	(69,184) $	(72,686)
Unrealized gains and (losses), net		6,961	291
Ending balance	**$**	**(62,223) $**	**(72,395)**

Level 3 Fair Value Measurement

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

Unobservable Input	Range at September 30, 2021	Range at December 31, 2020
Risk of non-performance	0.39% - 0.53%	0.50% - 0.51%
Discount rate	0.53% - 0.98%	0.17% - 0.36%
Forward pricing ($ per MW)	$2.00 - $4.80	$2.00 - $5.30

Fair Value of Debt

The estimated fair value of debt amounted to $1,043 million as of September 30, 2021 and $1,100 million as of December 31, 2020. The estimated fair value was determined, in most cases, by discounting the future cash flows at market interest rates. The interest rate curve used to make these calculations takes into account the risks associated with the electricity industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

Note 11. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss for the nine months ended September 30, 2021 and 2020, respectively, consisted of:

		Balance December 31, 2019		2020 Change		Balance September 30, 2020		Balance December 31, 2020		2021 Change		Balance September 30, 2021
(Thousands)												
Amortization of pension cost for non-qualified plans, net of income tax expense	$	—	$	—	$	—	$	(6,589)	$	—	$	(6,589)
Unrealized loss during period on derivatives qualified as hedges		—		—		—		—		(9)		(9)
Accumulated Other Comprehensive Loss	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**(6,589)**	**$**	**(9)**	**$**	**(6,598)**

Note 12. Post-Retirement and Similar Obligations

The components of net periodic benefit cost for pension and postretirement benefits for the three and nine months ended September 30, 2021 and 2020, respectively, consisted of:

	Pension Benefits		Postretirement Benefits	
Three Months Ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Net periodic benefit cost				
Service cost	$ 932	$ 1,330	$ 155	$ 163
Interest cost	3,758	4,748	356	457
Expected return on plan assets	(7,348)	(7,081)	(488)	(422)
Amortization of prior service cost (credit)	291	—	(384)	(384)
Amortization of net loss	5,365	5,727	(205)	(200)
Net periodic benefit cost	**$ 2,998**	**$ 4,724**	**$ (566)**	**$ (386)**

	Pension Benefits		Postretirement Benefits	
Nine Months Ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Net periodic benefit cost				
Service cost	$ 2,797	$ 3,991	$ 466	$ 488
Interest cost	11,273	14,243	1,068	1,370
Expected return on plan assets	(22,045)	(21,244)	(1,465)	(1,266)
Amortization of prior service cost (credit)	872	—	(1,153)	(1,153)
Amortization of net loss	16,095	17,181	(616)	(599)
Net periodic benefit cost	**$ 8,992**	**$ 14,171**	**$ (1,700)**	**$ (1,160)**

Note 13. Other Income and Other Deductions

Other income and deductions for the for the three and nine months ended September 30, 2021 and 2020, respectively, consisted of:

Three Months Ended September 30,	**2021**	**2020**
(Thousands)		
Interest and dividends income	$ 1,934	$ 179
Allowance for funds used during construction	2,792	2,497
Carrying costs on regulatory assets	(1,046)	472
Miscellaneous	8	421
Total other income	**$ 3,688**	**$ 3,569**
Pension non-service components	$ 2,308	$ (2,950)
Miscellaneous	(1,082)	854
Total other deductions	**$ 1,226**	**$ (2,096)**

Nine Months Ended September 30,		2021		2020
(Thousands)				
Interest and dividends income		2,075		1,249
Allowance for funds used during construction		6,805		5,801
Carrying costs on regulatory assets		46		1,170
Miscellaneous		11		1,283
Total other income	**$**	**8,937**	**$**	**9,503**
Pension non-service components	$	(712)	$	(9,146)
Miscellaneous		(1,418)		(1,742)
Total other deductions	**$**	**(2,130)**	**$**	**(10,888)**

Note 14. Related Party Transactions

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

AGR, through its affiliates, provides administrative and management services to Networks operating utilities, including UI, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating and capital services provided to UI by AGR and its affiliates for the nine months ended September 30, 2021 and 2020 was $54.7 million and $39.9 million. Charge for services provided by UI to AGR and its subsidiaries were approximately $4.8 million and $5.2 million for the nine months ended September 30, 2021 and 2020. All charges for services are at cost.

The balance in accounts payable to affiliates of $50.7 million at September 30, 2021 and $28.6 million at December 31, 2020 is primarily due to UIL Holdings. The balance in accounts receivable from affiliates of $0.04 million at September 30, 2021 and $15.2 million at December 31, 2020 is receivable from various companies.

There were no notes receivable from affiliates at September 30, 2021. The balance in notes receivable from affiliates of $15.0 million at December 31, 2020 was due from Central Maine Power. Notes receivable from affiliates relate to the Virtual Money Pool Agreement as discussed in Note 6 of these condensed financial statements.

For the nine months ended September 30, 2021, UI paid $40.0 million in dividends to UIL Holdings. For the nine months ended September 30, 2020, UI paid $40.0 million in dividends to UIL Holdings.

UI’s investment in GenConn is being accounted for as an equity investment, the carrying value of which was $87.1 million and $91.0 million as of September 30, 2021 and December 31, 2020, respectively. UI’s pre-tax income from its equity investment in GenConn was $1.9 million and $2.0 million for the three months ended September 30, 2021 and 2020, respectively. UI’s pre-tax income from its equity investment in GenConn was $5.8 million and $5.7 million for the nine months ended September 30, 2021 and 2020, 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 condensed statements of cash flows, respectively. UI received cash distributions from GenConn of $3.9 million and $4.0 million during the three months ended September 30, 2021 and 2020, respectively. UI received cash distributions from GenConn of $9.7 million and $9.0 million during the nine months ended September 30, 2021 and 2020, respectively.

Central Maine Power Company and Subsidiaries

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

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Operating Revenues	**$ 277,949**	**$ 247,776**	**$ 738,812**	**$ 650,993**
Operating Expenses				
Electricity purchased	6,229	4,664	21,747	14,535
Operations and maintenance	139,688	120,262	371,586	334,863
Depreciation and amortization	31,984	31,036	95,921	91,996
Taxes other than income taxes, net	19,193	18,745	57,679	55,317
Total Operating Expenses	**197,094**	**174,707**	**546,933**	**496,711**
Operating Income	**80,855**	**73,069**	**191,879**	**154,282**
Other income	4,870	3,498	14,732	12,269
Other deductions	(2,546)	(3,092)	(8,602)	(9,346)
Interest expense, net of capitalization	(11,396)	(10,566)	(35,394)	(34,876)
Income Before Income Tax	**71,783**	**62,909**	**162,615**	**122,329**
Income tax expense	9,532	13,305	30,521	25,398
Net Income	**62,251**	**49,604**	**132,094**	**96,931**
Less: net income attributable to noncontrolling interest	948	869	2,340	1,919
Net Income Attributable to CMP	**$ 61,303**	**$ 48,735**	**$ 129,754**	**$ 95,012**

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

Periods Ended September 30,	Three Months 2021	Three Months 2020	Nine Months 2021	Nine Months 2020
(Thousands)				
Net Income	**$ 62,251**	**$ 49,604**	**$ 132,094**	**$ 96,931**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gain (loss) during period on derivatives qualifying as cash flow hedges, net of income tax	37	31	296	(246)
Reclassification to net income of loss on cash flow hedges, net of income tax	(62)	11	(105)	132
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	34	7	108	72
Other Comprehensive Income (Loss), Net of Tax	**9**	**49**	**299**	**(42)**
Comprehensive Income	**62,260**	**49,653**	**132,393**	**96,889**
Less:				
Comprehensive income attributable to noncontrolling interests	948	869	2,340	1,919
Comprehensive Income Attributable to CMP	**$ 61,312**	**$ 48,784**	**$ 130,053**	**$ 94,970**

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

As of	September 30, 2021	December 31, 2020
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 11,644	$ 23,855
Accounts receivable and unbilled revenues, net	250,735	241,407
Accounts receivable from affiliates	1,535	1,408
Materials and supplies	33,681	24,674
Prepayments and other current assets	10,842	20,162
Income tax receivable	—	32,727
Regulatory assets	73,222	49,248
Total Current Assets	**381,659**	**393,481**
Utility plant, at original cost	4,840,280	4,699,672
Less accumulated depreciation	(1,344,138)	(1,261,090)
Net Utility Plant in Service	**3,496,142**	**3,438,582**
Construction work in progress	334,819	358,843
Total Utility Plant	**3,830,961**	**3,797,425**
Operating lease right-of-use assets	15,309	15,549
Other property and investments	888	846
Regulatory and Other Assets		
Regulatory assets	444,957	475,985
Goodwill	324,938	324,938
Other	159,860	28,149
Total Regulatory and Other Assets	**929,755**	**829,072**
Total Assets	**$ 5,158,572**	**$ 5,036,373**

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

As of	September 30, 2021	December 31, 2020
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 124,596	$ 149,549
Notes payable to affiliates	13,845	72,974
Accounts payable and accrued liabilities	184,038	229,153
Accounts payable to affiliates	42,242	8,124
Interest accrued	8,716	22,693
Taxes accrued	11,859	9,490
Operating lease liabilities	1,139	1,146
Other current liabilities	81,606	66,487
Regulatory liabilities	41,599	24,135
Total Current Liabilities	**509,640**	**583,751**
Regulatory and Other Liabilities		
Regulatory liabilities	374,698	403,228
Other Non-current liabilities		
Deferred income taxes	635,193	595,593
Pension and other postretirement	153,358	181,503
Operating lease liabilities	15,238	15,204
Other	150,705	36,403
Total Regulatory and Other Liabilities	**1,329,192**	**1,231,931**
Non-current debt	961,340	1,085,966
Total Liabilities	**2,800,172**	**2,901,648**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock ($5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at September 30, 2021 and December 31, 2020)	156,057	156,057
Additional paid-in capital	950,347	824,039
Retained earnings	1,220,417	1,125,689
Accumulated other comprehensive loss	(3,494)	(3,793)
Total CMP Common Stock Equity	**2,323,327**	**2,101,992**
Noncontrolling interest	34,502	32,162
Total Equity	**2,357,829**	**2,134,154**
Total Liabilities and Equity	**$ 5,158,572**	**$ 5,036,373**

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

Periods Ended September 30,	2021	2020
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 132,094**	**$ 96,931**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,921	91,996
Regulatory assets/liabilities amortization	19,539	(1,930)
Regulatory assets/liabilities carrying cost	(3,261)	(713)
Amortization of debt issuance costs	421	438
Deferred taxes	36,597	19,793
Pension cost	9,028	10,858
Stock-based compensation	295	229
Accretion expenses	39	37
Gain on disposal of assets	(77)	52
Other non-cash Items	(6,449)	(3,658)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(9,455)	(37,894)
Inventories	(9,007)	(3,102)
Accounts payable, to affiliates, and accrued liabilities	5,809	3,916
Taxes accrued	7,474	3,379
Other assets/liabilities	(13,809)	79,727
Regulatory assets/liabilities	(19,406)	(29,109)
Net Cash Provided by Operating Activities	**245,753**	**230,950**
Cash Flow from Investing Activities:		
Utility plant additions	(159,056)	(250,236)
Contributions in aid of construction	18,636	12,578
Notes receivable from affiliates	—	23,020
Proceeds from sale of utility plant	763	864
Investments, net	—	57
Net Cash Used in Investing Activities	**(139,657)**	**(213,717)**
Cash Flow from Financing Activities:		
Repayments of non-current debt	(150,000)	(887)
Repayments of capital leases	(254)	(669)
Proceeds of short term debt - affiliates	(59,129)	79,780
Capital contribution	126,076	(60,000)
Dividends paid	(35,000)	(30,000)
Net Cash Used in Financing Activities	**(118,307)**	**(11,776)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(12,211)**	**5,457**
Cash and Cash Equivalents, Beginning of Period	**23,855**	**15,287**
Cash and Cash Equivalents, End of Period	**$ 11,644**	**$ 20,744**

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

(Thousands, except per share amounts)	CMP Stockholder: Number of shares (*)	CMP Stockholder: Common stock	CMP Stockholder: Capital in Excess of Par Value	CMP Stockholder: Retained Earnings	CMP Stockholder: Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Non-controlling Interest	Total Common Stock Equity
As of December 31, 2019	**31,211,471**	**$ 156,057**	**$ 764,170**	**$1,067,514**	**$ (3,723)**	**$1,984,018**	**$ 29,732**	**$2,013,750**
Adoption of accounting standards			(275)			(275)		(275)
Net income	—	—	—	95,012	—	95,012	1,919	96,931
Other comprehensive income, net of tax	—	—	—	—	(42)	(42)	—	(42)
Comprehensive income								96,889
Stock-based compensation	—	—	117	—	—	117	—	117
Capital contribution from parent	—	—	60,000	—	—	60,000	—	60,000
Preferred stock dividends				(26)		(26)		(26)
Common stock dividends	—	—	—	(30,000)	—	(30,000)	—	(30,000)
As of September 30, 2020	**31,211,471**	**$ 156,057**	**$ 824,012**	**$1,132,500**	**$ (3,765)**	**$2,108,804**	**$ 31,651**	**$2,140,455**
As of December 31, 2020	**31,211,471**	**$ 156,057**	**$ 824,039**	**$1,125,689**	**$ (3,793)**	**$2,101,992**	**$ 32,162**	**$2,134,154**
Net income	—	—	—	129,754	—	129,754	2,340	132,094
Other comprehensive income, net of tax	—	—	—	—	299	299	—	299
Comprehensive income								132,393
Stock-based compensation	—	—	232	—	—	232	—	232
Capital contribution from parent	—	—	126,076	—	—	126,076	—	126,076
Preferred stock dividends	—	—	—	(26)	—	(26)	—	(26)
Common stock dividends	—	—	—	(35,000)	—	(35,000)	—	(35,000)
As of September 30, 2021	**31,211,471**	**$ 156,057**	**$ 950,347**	**$1,220,417**	**$ (3,494)**	**$2,323,327**	**$ 34,502**	**$2,357,829**

(*) Par value of share amounts is $5

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2021 and 2020

New York State Electric & Gas Corporation

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

	Three Months		Nine Months	
Periods Ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Operating Revenues	**$ 431,712**	**$ 348,738**	**$ 1,303,063**	**$ 1,120,284**
Operating Expenses				
Electricity purchased	119,448	80,266	279,097	202,070
Natural gas purchased	9,018	4,666	71,657	57,822
Operations and maintenance	195,585	178,919	577,305	504,543
Depreciation and amortization	43,100	40,711	128,997	119,476
Taxes other than income taxes, net	39,063	38,973	119,560	119,188
Total Operating Expenses	**406,214**	**343,535**	**1,176,616**	**1,003,099**
Operating Income	**25,498**	**5,203**	**126,447**	**117,185**
Other income	9,154	8,978	25,009	22,721
Other deductions	(3,832)	(5,771)	(11,348)	(20,545)
Interest expense, net of capitalization	(12,928)	(18,812)	(39,773)	(57,824)
Income (Loss) Before Income Tax	**17,892**	**(10,402)**	**100,335**	**61,537**
Income tax expense (benefit)	(1,482)	(2,000)	6,379	15,032
Net Income (Loss)	**$ 19,374**	**$ (8,402)**	**$ 93,956**	**$ 46,505**

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

	Three Months		Nine Months	
Periods Ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Net Income (Loss)	**$ 19,374**	**$ (8,402)**	**$ 93,956**	**$ 46,505**
Other Comprehensive Income (Loss), Net of Tax				
Unrealized gain (loss) during the period on derivatives qualifying as cash flow hedges, net of income tax	26	(127)	455	(664)
Reclassification to net income of loss (gain) on settled cash flow commodity hedges, net of income tax	(96)	125	(155)	329
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	17	19	51	58
Total Other Comprehensive Income (Loss), Net of Tax	**(53)**	**17**	**351**	**(277)**
Comprehensive Income (Loss)	**$ 19,321**	**$ (8,385)**	**$ 94,307**	**$ 46,228**

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

As of	September 30, 2021	December 31, 2020
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 115,001	$ 266
Accounts receivable and unbilled revenues, net	245,822	254,762
Accounts receivable from affiliates	542	4,790
Notes receivable from affiliates	15,000	7,150
Fuel and natural gas in storage, at average cost	23,326	10,181
Materials and supplies	23,295	21,231
Derivative assets	47,970	—
Broker margin accounts	—	6,521
Income tax receivable	17,748	—
Prepaid property taxes	60,892	38,109
Other current assets	5,931	5,272
Regulatory assets	99,909	98,096
Total Current Assets	**655,436**	**446,378**
Utility plant, at original cost	7,172,347	6,816,853
Less accumulated depreciation	(2,331,001)	(2,263,857)
Net Utility Plant in Service	**4,841,346**	**4,552,996**
Construction work in progress	601,282	531,695
Total Utility Plant	**5,442,628**	**5,084,691**
Operating lease right-of-use assets	8,303	8,896
Other property and investments	10,116	10,447
Regulatory and Other Assets		
Regulatory assets	839,300	867,559
Other	43,964	41,417
Total Regulatory and Other Assets	**883,264**	**908,976**
Total Assets	**$ 6,999,747**	**$ 6,459,388**

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

As of	September 30, 2021	December 31, 2020
(Thousands, except share information)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ 73,083	$ —
Accounts payable and accrued liabilities	435,268	413,454
Accounts payable to affiliates	75,093	33,989
Interest accrued	15,084	11,233
Taxes accrued	5,406	6,284
Operating lease liabilities	883	1,015
Derivative liabilities	11	270
Environmental remediation costs	35,294	31,695
Customer deposits	19,760	13,978
Regulatory liabilities	141,157	107,565
Other	89,465	72,922
Total Current Liabilities	**890,504**	**692,405**
Regulatory and Other Liabilities		
Regulatory liabilities	1,085,284	1,144,783
Other Non-current Liabilities		
Deferred income taxes	678,533	595,376
Pension and other postretirement	221,644	261,218
Operating lease liabilities	8,216	8,659
Asset retirement obligation	12,767	12,284
Environmental remediation costs	63,596	78,661
Other	30,554	40,547
Total Regulatory and Other Liabilities	**2,100,594**	**2,141,528**
Non-current debt	1,997,892	1,724,239
Total Liabilities	**4,988,990**	**4,558,172**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($6.66 2/3 par value, 90,000,000 shares authorized and 64,508,477 shares outstanding at September 30, 2021 and December 31, 2020)	430,057	430,057
Additional paid-in capital	1,053,920	868,686
Retained earnings	527,951	603,995
Accumulated other comprehensive loss	(1,171)	(1,522)
Total Common Stock Equity	**2,010,757**	**1,901,216**
Total Liabilities and Equity	**$ 6,999,747**	**$ 6,459,388**

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

Periods Ended September 30,	2021	2020
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 93,956**	**$ 46,505**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	128,997	119,476
Regulatory assets/liabilities amortization	15,588	48,229
Regulatory assets/liabilities carrying cost	(38)	1,078
Amortization of debt issuance costs	1,552	677
Deferred taxes	45,612	50,133
Pension cost	25,346	38,297
Stock-based compensation	328	291
Accretion expenses	483	510
Gain on disposal of assets	(1,196)	(681)
Other non-cash items	(40,292)	(20,284)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	13,188	50,280
Inventories	(15,209)	(1,172)
Accounts payable, to affiliates, and accrued liabilities	71,068	41,090
Taxes accrued	(18,627)	(27,250)
Other assets/liabilities	(39,477)	(103,839)
Regulatory assets/liabilities	(50,332)	(5,929)
Net Cash Provided by Operating Activities	**230,947**	**237,411**
Cash Flow from Investing Activities:		
Capital expenditures	(493,714)	(505,337)
Contributions in aid of construction	21,277	14,940
Proceeds from sale of utility plant	2,503	1,437
Notes receivable from affiliates	(7,850)	(74,177)
Other current and non-current investments	—	463
Net Cash Used in Investing Activities	**(477,784)**	**(562,674)**
Cash Flow from Financing Activities:		
Non-current debt issuance	346,807	198,006
Repayments of finance leases	(235)	(1,488)
Notes payable to affiliates	—	(71,255)
Capital contributions	185,000	200,000
Dividends paid	(170,000)	—
Net Cash Provided by Financing Activities	**361,572**	**325,263**
Net Increase in Cash and Cash Equivalents	**114,735**	**—**
Cash and Cash Equivalents, Beginning of Period	**266**	**1**
Cash and Cash Equivalents, End of Period	**$ 115,001**	**$ 1**

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

(Thousands, except per share amounts)	Number of shares (*)		Common stock		Capital in Excess of Par Value		Retained Earnings		Accumulated Other Comprehensive Loss		Total Common Stock Equity
As of December 31, 2019	**64,508,477**	**$**	**430,057**	**$**	**468,459**	**$**	**574,153**	**$**	**(1,070)**	**$**	**1,471,599**
Adoption of accounting standards	—		—		—		(106)		—		(106)
Net income	—		—		—		46,505		—		46,505
Other comprehensive loss, net of tax	—		—		—		—		(277)		(277)
Comprehensive income											46,228
Stock-based compensation	—		—		206		—		—		206
Capital contributions	—		—		200,000		—		—		200,000
As of September 30, 2020	**64,508,477**	**$**	**430,057**	**$**	**668,665**	**$**	**620,552**	**$**	**(1,347)**	**$**	**1,717,927**
As of December 31, 2020	**64,508,477**	**$**	**430,057**	**$**	**868,686**	**$**	**603,995**	**$**	**(1,522)**	**$**	**1,901,216**
Net income	—		—		—		93,956		—		93,956
Other comprehensive income, net of tax	—		—		—		—		351		351
Comprehensive income											94,307
Stock-based compensation	—		—		234		—		—		234
Common stock dividends	—		—		—		(170,000)		—		(170,000)
Capital contributions	—		—		185,000		—		—		185,000
As of September 30, 2021	**64,508,477**	**$**	**430,057**	**$**	**1,053,920**	**$**	**527,951**	**$**	**(1,171)**	**$**	**2,010,757**

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

Rochester Gas and Electric Corporation

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Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

	Three Months		Nine Months	
Periods ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Operating Revenues	**$ 224,197**	**$ 201,991**	**$ 692,548**	**$ 647,848**
Operating Expenses				
Electricity purchased and fuel used in generation	45,715	35,350	102,262	81,533
Natural gas purchased	7,898	4,395	64,950	54,028
Operations and maintenance	79,868	72,072	227,146	208,995
Depreciation and amortization	27,538	27,744	78,834	78,845
Taxes other than income taxes, net	35,853	33,587	107,475	98,348
Total Operating Expenses	**196,872**	**173,148**	**580,667**	**521,749**
Operating Income	**27,325**	**28,843**	**111,881**	**126,099**
Other income	4,874	8,664	13,320	20,688
Other deductions	(1,916)	(2,014)	(5,134)	(6,917)
Interest expense, net of capitalization	(11,005)	(16,053)	(33,442)	(50,018)
Income Before Tax	**19,278**	**19,440**	**86,625**	**89,852**
Income tax expense (benefit)	(144)	4,292	12,675	20,254
Net Income	**$ 19,422**	**$ 15,148**	**$ 73,950**	**$ 69,598**

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

	Three Months		Nine Months	
Periods ended September 30,	**2021**	**2020**	**2021**	**2020**
(Thousands)				
Net Income	**$ 19,422**	**$ 15,148**	**$ 73,950**	**$ 69,598**
Other Comprehensive Income, Net of Tax				
Unrealized gain (loss) during the period on derivatives qualifying as cash flow hedges, net of income tax	16	(24)	160	(171)
Reclassification to net income of loss on settled cash flow commodity hedges, net of income tax	(40)	31	(69)	89
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	681	678	2,039	2,037
Other Comprehensive Income, Net of Tax	**657**	**685**	**2,130**	**1,955**
Comprehensive Income	**$ 20,079**	**$ 15,833**	**$ 76,080**	**$ 71,553**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of		September 30, 2021		December 31, 2020
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	7,491	$	1
Accounts receivable and unbilled revenues, net		141,295		146,321
Accounts receivable from affiliates		2,521		4,761
Notes receivable from affiliates		—		19,200
Fuel and gas in storage		16,135		6,535
Materials and supplies		15,556		14,202
Broker margin accounts		—		5,072
Income tax receivable		15,939		26,305
Prepaid property taxes		57,371		40,053
Regulatory assets		64,702		49,295
Other current assets		21,992		3,413
Total Current Assets		**343,002**		**315,158**
Utility plant, at original cost		4,601,565		4,481,101
Less accumulated depreciation		(1,184,863)		(1,123,051)
Net Utility Plant in Service		**3,416,702**		**3,358,050**
Construction work in progress		352,328		245,206
Total Utility Plant		**3,769,030**		**3,603,256**
Operating lease right of use assets		1,411		1,774
Regulatory and Other Assets				
Regulatory assets		403,267		413,798
Other		52,782		50,195
Total Regulatory and Other Assets		**456,049**		**463,993**
Total Assets	**$**	**4,569,492**	**$**	**4,384,181**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2021	December 31, 2020
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ —	$ 123,738
Accounts payable and accrued liabilities	188,788	218,475
Accounts payable to affiliates	34,879	16,332
Interest accrued	12,459	10,067
Taxes accrued	2,593	1,250
Operating lease liabilities	249	142
Environmental remediation costs	3,632	1,142
Regulatory liabilities	129,527	103,528
Other	45,876	47,518
Total Current Liabilities	**418,003**	**522,192**
Regulatory and Other Liabilities		
Regulatory liabilities	699,221	703,806
Other Non-current Liabilities		
Deferred income taxes	399,924	365,121
Nuclear plant obligations	129,400	129,349
Pension and other postretirement	144,026	154,199
Operating lease liabilities	2,461	2,618
Asset retirement obligations	2,663	2,562
Environmental remediation costs	96,170	95,056
Other	62,428	71,252
Total Regulatory and Other Liabilities	**1,536,293**	**1,523,963**
Non-current debt	1,119,088	1,118,136
Total Liabilities	**3,073,384**	**3,164,291**
Commitments and Contingencies		
Common Stock Equity		
Common stock ($5 par value, 50,000,000 shares authorized, 38,885,813 shares outstanding at September 30, 2021 and December 31, 2020)	194,429	194,429
Additional paid-in capital	855,249	655,111
Retained earnings	599,929	525,979
Accumulated other comprehensive loss	(36,261)	(38,391)
Treasury stock, at cost (4,379,300 shares at September 30, 2021 and December 31, 2020)	(117,238)	(117,238)
Total Common Stock Equity	**1,496,108**	**1,219,890**
Total Liabilities and Equity	**$ 4,569,492**	**$ 4,384,181**

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

Periods ended September 30,	2021	2020
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 73,950**	**$ 69,598**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,834	78,845
Regulatory assets/liabilities amortization	(33,589)	(2,807)
Regulatory assets/liabilities carrying cost	2,231	8,808
Amortization of debt issuance costs	1,081	720
Deferred taxes	19,702	19,430
Pension cost	6,546	13,193
Stock-based compensation	167	109
Accretion expenses	101	107
Gain on disposal of assets	(259)	(66)
Other non-cash items	(7,267)	(12,184)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	7,266	19,988
Inventories	(10,954)	594
Accounts payable, to affiliates, and accrued liabilities	(4,984)	15,859
Taxes accrued	11,873	(9,628)
Other assets/liabilities	4,644	(52,333)
Regulatory assets/liabilities	4,014	12,136
Net Cash Provided by Operating Activities	**153,356**	**162,369**
Cash Flow From Investing Activities:		
Capital expenditures	(248,983)	(259,174)
Contributions in aid of construction	10,306	5,361
Proceeds from sale of utility plant	1,286	246
Notes receivable from affiliates	19,200	(9)
Investments	—	179
Net Cash Used in Investing Activities	**(218,191)**	**(253,397)**
Cash Flow From Financing Activities:		
Repayments of non-current debt	(125,000)	—
Repayments of finance leases	(2,675)	(1,525)
Notes payable to affiliates	—	71,975
Capital contributions	200,000	20,000
Net Cash Provided by Financing Activities	**72,325**	**90,450**
Net Increase (Decrease) in Cash and Cash Equivalents	**7,490**	**(578)**
Cash and Cash Equivalents, Beginning of Period	**1**	**579**
Cash and Cash Equivalents, End of Period	**$ 7,491**	**$ 1**

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Stock Equity
Balance, December 31, 2019	**38,885,813**	**$ 194,429**	**$ 605,022**	**$ 462,501**	**$ (40,289)**	**$ (117,238)**	**$ 1,104,425**
Adoption of accounting standards	—	—	—	(16)	—	—	(16)
Net income	—	—	—	69,598	—	—	69,598
Other comprehensive income, net of tax	—	—	—	—	1,955	—	1,955
Comprehensive income							71,553
Stock-based compensation	—	—	82	—	—	—	82
Capital contributions	—	—	20,000	—	—	—	20,000
Balance, September 30, 2020	**38,885,813**	**$ 194,429**	**$ 625,104**	**$ 532,083**	**$ (38,334)**	**$ (117,238)**	**$ 1,196,044**
Balance, December 31, 2020	**38,885,813**	**$ 194,429**	**$ 655,111**	**$ 525,979**	**$ (38,391)**	**$ (117,238)**	**$ 1,219,890**
Net income	—	—	—	73,950	—	—	73,950
Other comprehensive income, net of tax	—	—	—	—	2,130	—	2,130
Comprehensive income							76,080
Stock-based compensation	—	—	138	—	—	—	138
Capital contributions	—	—	200,000	—	—	—	200,000
Balance, September 30, 2021	**38,885,813**	**$ 194,429**	**$ 855,249**	**$ 599,929**	**$ (36,261)**	**$ (117,238)**	**$ 1,496,108**

(*) Par value of share amounts is $5