THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Revenues	$ 257,019	$ 261,560	$ 747,035	$ 726,050
Operating Expenses				
Purchased power	51,650	53,004	165,127	153,104
Operation and maintenance	97,094	105,396	277,923	287,642
Depreciation and amortization	25,322	19,798	74,030	59,054
Taxes other than income taxes	29,183	32,023	82,957	84,956
Total Operating Expenses	203,249	210,221	600,037	584,756
Operating Income	53,770	51,339	146,998	141,294
Other Income and (Expense), net	(2,344)	(2,485)	(4,367)	(5,847)
Interest Expense, net	11,064	10,390	31,653	31,289
Income from Equity Investments	2,305	2,601	6,728	7,999
Income Before Income Tax	42,667	41,065	117,706	112,157
Income Tax	8,323	8,283	21,340	23,205
Net Income	$ 34,344	$ 32,782	$ 96,366	$ 88,952

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

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows From Operating Activities		
Net income	$ 96,366	$ 88,952
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,156	59,980
Deferred income taxes	1,379	7,463
Uncollectible expense	21,375	17,894
Pension expense	16,722	18,108
Allowance for funds used during construction (AFUDC) - equity	(4,115)	(587)
Undistributed (earnings) in equity investments	(6,728)	(7,999)
Regulatory assets/liabilities amortization	3,907	5,450
Regulatory assets/liabiities carrying cost	783	(1,696)
Other non-cash items, net	(40)	(577)
Changes in:		
Accounts receivable and unbilled revenues, net	(8,962)	(32,701)
Accounts payable and accrued liabilties	(41,022)	(19,754)
Cash distribution received from GenConn	6,813	7,887
Taxes accrued and refundable	(3,717)	3,218
Pension and post-retirement	(15,435)	(10,315)
Regulatory assets/liabilities	10,050	22,815
Environmental liabilities	(4,301)	(6,676)
Other assets	(15,767)	(13,598)
Other liabilities	2,196	(2,752)
Total Adjustments	38,294	46,160
Net Cash provided by Operating Activities	134,660	135,112
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(114,996)	(110,831)
Cash distribution from GenConn	3,997	3,976
Notes receivable from affiliates	10,850	-
Net Cash used in Investing Activities	(100,149)	(106,855)
Cash Flows from Financing Activities		
Issuances of long-term debt	50,000	-
Line of credit borrowings	(31,000)	(100,000)
Notes payable to affiliates	38,521	72,230
Payment of common stock dividend	(90,000)	-
Other	(365)	454
Net Cash provided by (used in) Financing Activities	(32,844)	(27,316)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	1,667	941
Balance at beginning of period	2,819	1,988
Balance at end of period	$ 4,486	$ 2,929
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 21,945	$ 17,763

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 3,638	$ 1,305
Accounts receivable and unbilled revenues, net	157,772	165,140
Accounts receivable from affiliates	7,783	13,028
Notes receivable from affiliates	-	10,850
Regulatory assets	24,250	26,430
Materials and supplies	6,892	5,619
Derivative assets	309	3,413
Prepayments and other current assets	16,698	3,492
Total Current Assets	217,342	229,277
Other Investments		
Equity investment in GenConn	94,367	98,473
Other	12,057	9,990
Total Other Investments	106,424	108,463
Net Property, Plant and Equipment	2,528,408	2,481,423
Operating lease right of use assets	14,817	-
Regulatory Assets	468,141	454,358
Deferred Charges and Other Assets		
Derivative assets	1,900	1,942
Other	3,835	3,213
Total Deferred Charges and Other Assets	5,735	5,155
Total Assets	$ 3,340,867	$ 3,278,676

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

LIABILITIES AND CAPITALIZATION
(In Thousands)
(Unaudited)

	September 30, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ -	$ 31,000
Notes payable to affiliates	38,625	-
Accounts payable and accrued liabilities	92,373	108,178
Accounts payable to affiliates	16,286	45,529
Regulatory liabilities	20,880	5,395
Interest accrued	10,690	11,189
Taxes accrued	22,509	26,226
Derivative liabilities	10,731	11,966
Operating lease liabilities	1,863	-
Other liabilities	24,078	23,893
Total Current Liabilities	238,035	263,376
Deferred Income Taxes	324,139	318,169
Regulatory Liabilities	449,748	443,064
Other Noncurrent Liabilities		
Pension and post-retirement	253,832	252,545
Derivative liabilities	66,573	67,969
Environmental remediation costs	9,803	8,104
Operating lease liabilities	14,757	-
Other	16,567	14,474
Total Other Noncurrent Liabilities	361,532	343,092
Capitalization		
Long-term debt	861,626	811,554
Common Stock Equity		
Common stock	1	1
Paid-in capital	759,230	759,230
Retained earnings	346,556	340,190
Net Common Stock Equity	1,105,787	1,099,421
Total Capitalization	1,967,413	1,910,975
Total Liabilities and Capitalization	$ 3,340,867	$ 3,278,676

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

THE UNITED ILLUMINATING COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2019

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance as of December 31, 2018	100	$ 1	$ 759,230	$ 340,190	$ 1,099,421
Net income				96,366	96,366
Payment of common stock dividend				(90,000)	(90,000)
Balance as of September 30, 2019	100	$ 1	$ 759,230	$ 346,556	$ 1,105,787

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

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

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

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

Accounting Records

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

Basis of Presentation

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

UI's total comprehensive income is equal to net income for the nine months ended September 30, 2019 and 2018.

UI has evaluated subsequent events through the date its financial statements were available to be issued, November 8, 2019.

Revenues

UI presents revenue in accordance with Accounting Standards Codification (ASC), Topic 606 "Revenue from Contracts with Customers" (ASC 606). UI derives its revenues primarily from tariff-based sales of electricity. For such revenues, UI recognizes revenues in an amount derived from the electricity delivered to customers. Other major sources of revenue are electricity transmission and wholesale sales of electricity.

Tariff-based sales are subject to PURA, which determines prices and other terms of service through the ratemaking process. Customers have the option to obtain the electricity directly from the UI or from another supplier. For customers that receive their electricity from another supplier, the UI acts as an agent and delivers the electricity by that supplier. Revenue in those cases is only for providing the service of delivery of the electricity. UI calculates revenue earned but not yet billed based on the number of days not billed in the month, the estimated amount of energy delivered during those days and the estimated average price per customer class for that month. Differences between actual and estimated unbilled revenue are immaterial.

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

The performance obligation in all arrangements is satisfied over time because the customer simultaneously receives and consumes the benefits as UI delivers or sells the electricity or provides the transmission service. UI records revenue for all of those sales based upon the regulatory-approved tariff and the volume delivered or transmitted, which corresponds to the amount that UI has a right to invoice. There are no material initial incremental costs of obtaining a contract in any of the arrangements. UI does not adjust the promised consideration for the effects of a significant financing component if it expects, at contract inception, that the time between the delivery of promised goods or service and customer payment will be one year or less. UI does not have any material significant payment terms because it receives payment at or shortly after the point of sale.

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

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

Revenues disaggregated by major source are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
(Thousands)				
Regulated operations – electricity	$ 251,468	$ 256,854	$ 724,035	$ 695,095
Other (a)	1,793	1,265	5,268	3,762
Revenue from contracts with customers	**253,261**	**258,119**	**729,303**	**698,857**
Leasing revenue	327	696	992	2,266
Alternative revenue programs	3,062	2,745	15,569	24,927
Other Revenue	369	-	1,171	-
Total operating revenues	**$ 257,019**	**$ 261,560**	**$ 747,035**	**$ 726,050**

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

(b)

Refer to "-New Accounting Pronouncements" and Note (H) "Leases" for details on the adoption of ASC 842 including a discussion regarding the classification of lease revenues.

Regulatory Accounting

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

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

If a change in accounting were to occur, it could have a material adverse effect on the earnings and retained earnings of UI in that year and could also have a material adverse effect on the ongoing financial condition of UI.

Unless otherwise stated below, all of UI's regulatory assets earn a return. UI's regulatory assets and liabilities as of September 30, 2019 and December 31, 2018 included the following:

	Remaining Period	September 30, 2019	December 31, 2018
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	3 to 15 years	$ 6,762	$ 7,347
Pension and other post-retirement benefit plans	(a)	217,503	217,503
Unfunded future income taxes	(b)	152,378	148,391
Contracts for differences	(c)	75,095	74,580
Deferred transmission expense	(e)	-	11,316
Other	(f)	40,653	21,651
Total regulatory assets		492,391	480,788
Less current portion of regulatory assets		24,250	26,430
Regulatory Assets, Net		$ 468,141	$ 454,358
Regulatory Liabilities:			
Accumulated deferred investment tax credits	16.5 - 20 years	$ 13,218	$ 13,586
Excess generation service charge	(d)	15,114	6,686
Middletown/Norwalk local transmission network service collections	32 years	18,105	18,535
Pension and other post-retirement benefit plans	(a)	17,368	17,368
Asset removal costs	(f)	65,146	65,332
Tax reform	(g)	314,647	309,018
Deferred transmission expense	(e)	1,452	-
Other	(f)	25,578	17,934
Total regulatory liabilities		470,628	448,459
Less current portion of regulatory liabilities		20,880	5,395
Regulatory Liabilities, Net		$ 449,748	$ 443,064

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

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

(c) Asset life is equal to delivery term of related contracts (which vary from approximately 5 - 7 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note J); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "Contracts for Differences" discussion above for additional information.

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

(e) Regulatory asset or liability which defers transmission income or expense and fluctuates based upon actual revenues and revenue requirements.

(f) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; asset amount as of September 30, 2019 includes decoupling ($3.3 million) and certain other amounts that are not currently earning a return.

(g) Balance includes customer impacts from the remeasurement of deferred income tax balances as a result of the Tax Act enacted by the U.S. federal government on December 22, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates from 35% to 21% under the provisions of the Tax Act will result in amounts previously and currently collected from customers for these deferred taxes to be refundable to such customers, generally through future rates. The amount and timing of potential settlement are determined PURA and IRS Normalization rules.

Derivatives

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

Contracts for Differences (CfDs)

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of September 30, 2019, UI has recorded a gross derivative asset of $2.3 million, a regulatory asset of $75.8 million and a gross derivative liability of $78.1 million ($75.3 million of which is related to UI's portion of the CfD signed by CL&P). See Note (J) "Fair Value of Financial Instruments" for additional CfD information.

The gross derivative assets and liabilities as of September 30, 2019 and December 31, 2018 were as follows:

	September 30, 2019	December 31, 2018
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 309	$ 3,413
Deferred Charges and Other Assets	$ 1,900	$ 1,942
Gross derivative liabilties:		
Current Liabilities	$ 10,731	$ 11,966
Noncurrent Liabilities	$ 66,573	$ 67,969

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, for the three and nine-month periods September 30, 2019 and 2018, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In Thousands)		(In Thousands)	
Regulatory Assets - Derivative liabilities	$ (719)	$ (474)	$ 516	$ 7,732

Equity Investments

UI is party to a 50-50 joint venture with Clearway Energy, Inc., in GenConn, which operates two peaking generation plants in Connecticut. UI's investment in GenConn is being accounted for as an equity investment, the carrying value of which was $94.4 million and $98.5 million as of September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019, there was $0.1 million of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $2.3 million and $2.6 million for the three-month periods ended September 30, 2019 and 2018, respectively. UI's pre-tax income from its equity investment in GenConn was $6.7 million and $8.0 million for the nine-month periods ended September 30, 2019 and 2018, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections of the Statement of Cash Flows, respectively. UI received cash distributions from GenConn of $4.3 million and $4.7 million during the three-month periods ended September 30, 2019 and 2018, respectively. UI received cash distributions from GenConn of $10.8 million and $11.9 million during the nine-month periods ended September 30, 2019 and 2018, respectively.

Leases

UI determines if an arrangement is a lease at inception. UI classifies a lease as a finance lease if it meets any one of specified criteria that in essence transfers ownership of the underlying asset to us by the end of the lease term. If a lease does not meet any of those criteria, UI classifies it as an operating lease. On the balance sheets, UI includes, for operating leases: "Operating lease right-of-use (ROU) assets", and "Operating lease liabilities (current and non-current)"; and for finance leases: finance lease ROU assets in "Other assets," and liabilities in "Other current liabilities" and "Other liabilities."

ROU assets represent UI's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. UI recognizes lease ROU assets and liabilities at commencement of an arrangement based on the present value of lease payments over the lease term. Most of UI's leases do not provide an implicit rate, so UI uses its incremental borrowing rate based on information available at the lease commencement date to determine the present value of future payments. A lease ROU asset also includes any lease payments made at or before commencement date, minus any lease incentives received, and includes initial direct costs incurred. UI does not record leases with an initial term of 12 months or less on the balance sheet, for all classes of underlying assets, and UI recognizes lease expense for those leases on a straight-line basis over the lease term. UI includes variable lease payments that depend on an index or a rate in the ROU asset and lease liability measurement based on the index or rate at the commencement date, or upon a modification. UI does not include variable lease payments that do not depend on an index or a rate in the ROU asset and lease liability measurement. A lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option. UI recognizes lease (rent) expense for operating lease payments on a straight-line basis over the lease term, or the amount eligible for recovery under UI's rate plan. UI amortizes finance lease ROU assets on a straight-line basis over the lease term and recognize interest expense based on the outstanding lease liability.

UI has lease agreements with lease and non-lease components, and account for lease components and associated non-lease components together as a single lease component, for all classes of underlying assets.

Variable Interest Entities

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

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

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

New Accounting Pronouncements

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, "Leases", with subsequent amendments issued in 2018. The new leases guidance affects all companies and organizations that lease assets, and requires them to record on their balance sheet ROU assets and lease liabilities for the rights and obligations created by those leases. Under ASC 842, a lease is an arrangement that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new guidance retains a distinction between finance leases and operating leases, while requiring companies to recognize both types of leases on their balance sheet. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the criteria for distinguishing between capital leases and operating leases in legacy U.S. GAAP - ASC 840. Lessor accounting remains substantially the same as ASC 840, but with some targeted improvements to align lessor accounting with the lessee accounting model and with the revised revenue recognition guidance under ASC 606. The new standard and amendments require new qualitative and quantitative disclosures for both lessees and lessors.

UI adopted ASC 842 effective January 1, 2019, and elected the optional transition method under which the standard was initially applied on that date without adjusting amounts for prior periods, which UI continues to present in accordance with ASC 840, including related disclosures. UI recorded the cumulative effect of applying the new leases guidance as an adjustment to beginning retained earnings. In connection with our adoption, UI:

- did not elect the package of three practical expedients available under the transition provisions which would have allowed them to not reassess: (i) whether expired or existing contracts were or contained leases, (ii) the lease classification for expired or existing leases, and (iii) whether previously capitalized initial direct costs for existing leases would qualify for capitalization under ASC 842.
- elected the land easement practical expedient and did not reassess land easements that did not meet the definition of a lease prior to adoption.
- used hindsight for determining the lease term and assessing the likelihood that a lease purchase option will be exercised in applying the new leases guidance.

- did not separate lease and associated non-lease components for transitioned leases, but instead are accounting for them together as a single lease component.

In March 2019, the FASB issued additional amendments to ASC 842 for minor codification improvements, which UI early applied effective January 1, 2019, with no material effect to its results of operations, financial position and cash flows.

The cumulative effects of the changes to UI's balance sheet as of January 1, 2019, were as follows:

	Balance at December 31, 2018	Adjustment Due to Topic 842	Balance at January 1, 2019
(In Thousands)			
Assets			
Operating lease right of use assets	$ -	$ 15,664	$ 15,664
Liabilities			
Operating lease liabilities	$ -	$ 15,664	$ 15,664

UI's adoption did not change the classification of lease-related expenses in its statements of income, and UI does not expect significant changes to our pattern of expense recognition. As a result, we expect our adoption will not materially affect our cash flows.

In comparison to our operating leases obligations disclosed as of December 31, 2018, certain land easement contracts that previously met the definition of a lease do not meet the ASC 842 definition of a lease, and therefore UI excluded them from the transition adjustment. UI's accounting for finance (formerly capital) leases is substantially unchanged. Refer to Note (H) "Leases" for further details.

In August 2017, the FASB issued ASU 2017-12 "Derivatives and Hedging". The ASU contains targeted amendments with the objective to better align hedge accounting with an entity's risk management activities in the financial statements, and to simplify the application of hedge accounting. The amendments address concerns of financial statement preparers over difficulties with applying hedge accounting and limitations for hedging both nonfinancial and financial risks and concerns of financial statement users over how hedging activities are reported in financial statements. Changes to the hedge accounting guidance to address those concerns will: 1) expand hedge accounting for nonfinancial and financial risk components and amend measurement methodologies to more closely align hedge accounting with an entity's risk management activities; 2) eliminate the separate measurement and reporting of hedge ineffectiveness, to reduce the complexity of preparing and understanding hedge results; 3) enhance disclosures and change the presentation of hedge results to align the effects of the hedging instrument and the hedged item in order to enhance transparency, comparability, and understandability of hedge results; and 4) simplify the way assessments of hedge effectiveness may be performed to reduce the cost and complexity of applying hedge accounting. The amendments ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness going forward. UI adopted the hedge accounting amendments January 1, 2019 and had no cumulative-effect adjustment to retained earnings because there were no amounts of ineffectiveness recorded for any existing hedges as of that date. Concurrently with the above targeted improvements, we adopted the additional amendments the FASB issued in October 2018 that permit use of the Overnight Index Swap rate based on the Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes. Use of that rate is in addition to the already eligible benchmark interest rates, which are: interest rates on direct Treasury obligations of the U.S. government, the London Interbank Offered Rate swap rate, the OIS Rate based on the Fed Funds Effective Rate and the Securities Industry and Financial Markets Association Municipal Swap Rate.

In February 2018, the FASB issued ASU 2018-02 "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which contains amendments to address a narrow-scope financial reporting issue that arose as a consequence of the Tax Cuts and Jobs Act of 2017 (the Tax Act) enacted on December 22, 2017 by the U.S. federal government. Under current guidance, the adjustment of deferred taxes for the effect of a change in tax laws or rates is required to be included in income from continuing operations, thus the associated tax effects of items within accumulated other comprehensive income (AOCI) (referred to as stranded tax effects) do not reflect the appropriate tax rate. The amendments allow a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Act. As a result, the amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. The amendments only relate to the reclassification of the income tax effects of the Tax Act, and do not affect the underlying guidance that requires the effect of a change in tax laws or rates to be included in income from continuing operations. UI adopted the amendments effective January 1, 2019, which had no impact on its results of operations, financial position and cash flows.

Accounting Pronouncements Issued But Not Yet Adopted

There have been no new accounting pronouncements issued since December 31, 2018, but not yet adopted that have an effect on UI's financial statements.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at September 30, 2019 and December 31, 2018.

(C) REGULATORY PROCEEDINGS

Rates

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

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

Power Supply Arrangements

Under Connecticut law, UI's retail electricity customers are able to choose their electricity supplier while UI remains their electric distribution company. UI purchases power for those of its customers under standard service rates who do not choose 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 all of 2019 and the first half of 2020 and 30% of the second half of 2020. Supplier of last resort service is procured on a quarterly basis, however, from time to time there are no bidders in the procurement process for supplier of last resort service and in such cases UI manages the load directly.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 "Derivatives and Hedging" and elected the "normal purchase, normal sale" exception under ASC 815 "Derivatives and Hedging." UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI's credit rating on senior debt were to fall below investment grade. If such an event had occurred as of September 30, 2019, UI would have had to post an aggregate of approximately $11.9 million in collateral.

New Renewable Source Generation

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

On October 23, 2013, PURA approved UI's renewable connections program filed in accordance with PA 11-80, through which UI has developed 10 MW of renewable generation. The costs for this program will be recovered on a cost of service basis. PURA established a base ROE to be calculated as the greater of: (A) the current UI authorized distribution ROE (currently 9.10%) plus 25 basis points and (B) the current authorized distribution ROE for Connecticut Light and Power Company, or CL&P (currently 9.25%), less target equivalent market revenues (reflected as 25 basis points). In addition, UI will retain a percentage of the market revenues from the program, which percentage is expected to equate to approximately 25 basis points on a levelized basis over the life of the program. The cost of this program, a 2.8 MW fuel cell facility in New Haven, solar photovoltaic and fuel cell facilities totaling 5 MW in Bridgeport, and a 2.2 MW fuel cell facility in Woodbridge, all of which are operational, was approximately $41.5 million.

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

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

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

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

On December 28, 2018, DEEP issued a directive to UI to negotiate and enter into PPAs with twelve projects, totaling approximately 12 million MWh that were selected as a result of the Zero Carbon RFP issued by DEEP pursuant to PA 17-3, which provides that the net costs of the PPAs are recoverable through electric rates. One of the selected projects is the Millstone nuclear facility located in Waterford, Connecticut which is owned by Dominion Energy, Inc. UI completed negotiations, and executed, the PPA with the Millstone nuclear facility which was filed with PURA on March 29, 2019, in which regulatory review remains pending. UI finalized negotiations and executed ten PPAs with ten of the remaining selected projects which were filed with PURA on May 31, 2019, and for which regulatory review remains pending. PURA is expected to issue its final decision regarding the approval of the Millstone PPA by September 25, 2019 and by November 27, 2019 for the remaining ten PPAs. The twelfth selected project has declined to continue negotiations.

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 2019, UI is using an estimated overall allowed weighted-average ROE for its transmission business of 11.28% as of September 30, 2019.

On December 28, 2015, the FERC issued an order instituting section 206 proceedings and establishing hearing and settlement judge procedures. Pursuant to section 206 of the FPA, the FERC instituted proceedings because it found that ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. The FERC stated that ISO-NE's Tariff lacks adequate transparency and challenge procedures with regard to the formula rates for ISO-NE Participating Transmission Owners, including UI. The FERC also found that the current Regional Network Service (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. A settlement judge has been appointed and on August 17, 2018, the PTOs submitted a formula rate settlement opposed by certain parties and supported by the settlement judge. On November 5, 2018, the settlement judge reported that the parties had reached a settlement. On May 22, 2019, FERC rejected the settlement and remanded the proceeding to the chief judge to resume hearing proceedings. UI is unable to predict the outcome of this proceeding at this time.

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

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

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $6.6 million as of September 30, 2019, which has not changed since December 31, 2018. 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). The FERC proposes to use this new methodology to resolve Complaints I, II, III and IV filed by the New England state consumer advocates.

The new proposed ROE methodology set forth in the October 2018 Order considers more than just the two-step discounted cash flow (DCF) analysis adopted in the FERC order on Complaint I vacated by the Court. The new proposed ROE methodology uses three financial analyses (i.e., DCF, the capital-asset pricing model and the expected earnings analysis) to produce a range of returns to narrow the zone of reasonableness when assessing whether a complainant has met its initial burden of demonstrating that the utility's existing ROE is unjust and unreasonable. The new proposed ROE methodology establishes a range of just and reasonable ROEs of

9.60% to 10.99% and proposes a just and reasonable base ROE of 10.41% with a new ROE cap of 13.08%. Pursuant to the October 2018 Order, the NETOs filed initial briefs on the proposed methodology in all four Complaints on January 11, 2019 and replies to the initial briefs on March 8, 2019. UI 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. PURA has approved revenue requirements for the period from January 1, 2019 through December 31, 2019 of $23.0 million and $28.8 million for GenConn Devon and GenConn Middletown, respectively.

(D) SHORT-TERM CREDIT ARRANGEMENTS

UI funds short-term liquidity needs through an agreement among Avangrid's regulated utility subsidiaries (the Virtual Money Pool Agreement), a bi-lateral intercompany credit agreement with Avangrid (the Bi-Lateral Intercompany Facility) and a bank provided credit facility to which UI is a party (the Avangrid Credit Facility), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI has a lending/borrowing limit of $100 million under this agreement. There were $38.6 million in borrowings under this agreement as of September 30, 2019 and no borrowings under this agreement as of December 31, 2018. There were no receivables under this agreement as of September 30, 2019 and $10.9 million in note receivables under this arrangement as of December 31, 2018.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. There were no borrowings under this agreement as of September 30, 2019 and December 31, 2018.

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

Under the Avangrid Credit Facility, UI has a maximum sublimit of $400 million. Additionally, under the Avangrid Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 12.5 to 17.5 basis points. The maturity date for the Avangrid Credit Facility is June 29, 2023. As of September 30, 2019 and December 31, 2018, UI did not have any outstanding borrowings under the Avangrid Credit Facility.

(E) INCOME TAXES

The significant portion of UI's income tax expense, including deferred taxes, is recovered through its regulated utility rates. UI's annual income tax expense and associated effective tax rate is impacted by differences between the timing of deferred tax temporary difference activity and deferred tax recovery. UI's effective tax rate is also impacted by permanent differences between the book and tax treatment of certain costs. UI uses an estimated annual effective tax rate approach to calculate interim period income tax expense for ordinary income. UI also records separate income tax effects for significant unusual or infrequent items. The annualized effective income tax rates for the six-month periods ended September 30, 2019 and 2018 were 18.13% and 20.69% respectively.

(F) PENSION AND OTHER BENEFITS

UI made pension contributions of $13.9 million during the nine months ended September 30, 2019. UI currently expects to make additional pension contributions of approximately $3.7 million in 2019. Such contribution levels will be adjusted, if necessary, based on actuarial calculations.

The following table represents the components of net periodic benefit cost for pension and other postretirement benefits (OPEB) as well as the actuarial weighted-average assumptions used in calculating net periodic benefit costs for the three-month and nine-month periods ended September 30, 2019 and 2018:

	Three Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2019	2018	2019	2018
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,298	$ 1,603	$ 189	$ 232
Interest cost	5,553	5,398	563	583
Expected return on plan assets	(6,024)	(6,706)	(404)	(413)
Amortization of:				
Prior service costs	(602)	(1)	(384)	(384)
Actuarial (gain) loss	5,795	5,910	(275)	(186)
Net periodic benefit cost	$ 6,020	$ 6,204	$ (312)	$ (168)

	Nine Months Ended September 30,			
	Pension Benefits		Other Post-Retirement	
	2019	2018	2019	2018
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 3,895	$ 4,810	$ 566	$ 698
Interest cost	16,658	16,193	1,689	1,749
Expected return on plan assets	(18,073)	(20,119)	(1,212)	(1,238)
Amortization of:				
Prior service costs	(1,805)	(3)	(1,153)	(1,153)
Actuarial (gain) loss	17,384	17,729	(824)	(558)
Net periodic benefit cost	$ 18,059	$ 18,610	$ (935)	$ (502)
Discount rate	4.09%	3.80%	4.09%	3.80%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.40%	7.40%	6.25%	6.25%
Health care trend rate (current year - pre/post-65)	N/A	N/A	7.00%/5.75%	7.50%/5.75
Health care trend rate (2029/2025 - pre/post-65)	N/A	N/A	4.50%/4.50%	4.50%/4.50

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

During the three-month and nine-month periods ended September 30, 2019 and 2018, UI received cash distributions from GenConn. See Note (A) “Business Organization and Statement of Accounting Policies – Equity Investments.”

Inter-company Transactions

UI receives various administrative and management services from and enters into certain inter-company transactions with UIL Holdings and its subsidiaries. For the nine-month periods ended September 30, 2019 and 2018, UI recorded inter-company expenses of $40.3 million and $41.3 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of UIL Holdings' regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers and are included in Accounts receivable from affiliates and Accounts payable to affiliates in the accompanying balance sheets.

Dividends/Capital Contributions

UI periodically makes wire transfers to UIL Holdings in order to maintain its capitalization structure as allowed per PURA's final decision in UI's 2008 distribution rate proceeding. For the nine-month period ended September 30, 2019, UI accrued dividends to UIL Holdings of $90 million. For the year ended December 31, 2018, UI did not accrue dividends to UIL Holdings.

(H) LEASES

UI has operating leases for land, office buildings, facilities, and certain equipment. UI does not have any finance leases. Certain of UI's lease agreements include rental payments adjusted periodically for inflation or are based on other periodic input measures. UI's leases do not contain any material residual value guarantees or material restrictive covenants. UI's leases have remaining lease terms of 0.25 years to 31.25 years, some of which may include options to extend the leases, and some of which may include options to terminate. UI considers extension or termination options in the lease term if it is reasonably certain UI will exercise the option.

The components of lease cost and other information related to leases were as follows:

(In Thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	$ 654	$ 2,304

(In Thousands)	As of September 30, 2019
Operating Leases	
Operating lease right of use assets	$ 14,817
Operating lease liabilities, current	$ 1,863
Operating lease liabilities, long-term	14,757
Total operating lease liabilities	$ 16,620
Weighted-average Remaining Lease Term (years):	
Operating leases	21.06
Weighted-average Discount Rate:	
Operating leases	3.82%

Supplemental cash flow information related to leases was as follows:

(In Thousands)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 440	$ 1,332

As of September 30, 2019, maturities of lease liabilities were as follows:

(In Thousands) Year ending December 31,	Operating Leases
October 1, 2019 - December 31, 2019	$ 374
2020	1,171
2021	1,142
2022	3,134
2023	332
Thereafter	10,385
Total lease payments	16,538
Less: imputed interest	-
Total	$ 16,538

Most of UI's leases do not provide an implicit rate in the lease; thus UI uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. UI used the incremental borrowing rate on January 1, 2019, for operating leases that commenced prior to that date.

Comparative 2018 and 2017 Leases Disclosures

Operating leases, which are charged to operating expense, consist principally of leases for land office space and facilities, land, railroad rights of way and a wide variety of equipment.

The future minimum lease payments under these operating leases are estimated to be as follows:

Year	(In Thousands) UI
2019	$ 1,919
2020	1,643
2021	1,573
2022	3,543
2023	766
2024-after	29,885
	$ 39,329

Rental payments charged to operating expenses in 2018 and 2017 totaled $1.1 million and $5.3 million, respectively.

(I) COMMITMENTS AND CONTINGENCIES

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

Connecticut Yankee Atomic Power Company

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

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

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

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

Environmental Matters

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

<u>Site Decontamination, Demolition and Remediation Costs</u>

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then and current owners of a former generation site on the Mill River in New Haven (the English Station site) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut 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 filed a motion to appeal the court's dismissal. UI cannot predict the outcome of this matter.

On April 8, 2013, DEEP issued an administrative order addressed to UI, Evergreen Power, Asnat and others, ordering the parties to take certain actions related to investigating and remediating the English Station site. 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, 2019 and December 31, 2018, the amount reserved for this matter was $15.8 million and $20.0 million, respectively. UI cannot predict the outcome of this matter.

Other

In May 2019, UI obtained an updated remediation evaluation of the property adjacent to the New Haven Harbor Generating Station. As a result, UI recorded an additional $6.0 million reserve in June 2019, the minimum of the range of remediation estimates. As of September 30, 2019 and December 31, 2018, the amount reserved for this property was $7.8 million and $1.9 million, respectively.

(J) FAIR VALUE MEASUREMENTS

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

The following tables set forth the fair value of UI's financial assets and liabilities, other than pension benefits and other postretirement benefits, as of September 30, 2019 and December 31, 2018:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2019		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	2,209	$ 2,209
Supplemental retirement benefit trust life insurance policies	-	11,849	-	11,849
	-	11,849	2,209	14,058
Liabilities:				
Derivative liabilities	-	-	77,304	77,304
	-	-	77,304	77,304
Net fair value assets/(liabilities), September 30, 2019	$ -	$ 11,849	$ (75,095)	$ (63,246)
December 31, 2018				
Assets:				
Derivative assets	$ -	$ -	$ 5,355	$ 5,355
Supplemental retirement benefit trust life insurance policies	-	9,806	-	9,806
	-	9,806	5,355	15,161
Liabilities:				
Derivative liabilities	-	-	79,935	79,935
	-	-	79,935	79,935
Net fair value assets/(liabilities), December 31, 2018	$ -	$ 9,806	$ (74,580)	$ (64,774)

Fair value measurements categorized in Level 3 of the fair value hierarchy are prepared by individuals with expertise in valuation techniques, pricing of energy and energy-related products, and accounting requirements. The derivative assets consist primarily of CfDs. The determination of fair value of the CfDs was based on a probability-based expected cash flow analysis that was discounted at the September 30, 2019 or December 31, 2018 risk-free interest rates, as applicable, and an adjustment for non-performance risk using credit default swap rates. Certain management assumptions were required, including development of pricing that extended over the term of the contracts. UI believes this methodology provides the most reasonable estimates of the amount of future discounted cash flows associated with the CfDs.

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

	Unobservable Input	Range at September 30, 2019	Range at December 31, 2018
Contracts for differences	Risk of non-performance	0.33% - 0.60%	0.87% - 0.88%
	Discount rate	1.55% - 1.62%	2.51% - 2.63%
	Forward pricing ($ per MW)	$3.80 - $7.03	$4.30 - $9.55

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

The determination of the fair value of the supplemental retirement benefit trust life insurance policies was based on quoted prices as of September 30, 2019 and December 31, 2018 in the active markets for the various funds within which the assets are held.

The following tables set forth a reconciliation of changes in the fair value of the assets and liabilities above that are classified as Level 3 in the fair value hierarchy for the nine month period ended September 30, 2019:

	Nine Months Ended September 30, 2019 (In Thousands)
Net derivative assets/(liabilities), December 31, 2018	$ (74,580)
Unrealized gains and (losses), net	(515)
Net derivative assets/(liabilities), September 30, 2019	$ (75,095)
Change in unrealized gains (losses), net relating to net derivative	$ (515)

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Revenue	$ 53,467	$ 55,028	$ 285,761	$ 262,840
Operating Expenses				
Natural gas purchased	15,143	16,799	126,161	120,253
Operation and maintenance	25,236	24,096	73,688	74,845
Depreciation and amortization	10,757	9,068	31,696	26,109
Taxes other than income taxes	5,724	4,887	21,752	19,732
Total Operating Expenses	56,860	54,850	253,297	240,939
Operating Income	(3,393)	178	32,464	21,901
Other Income and (Expense), net	(973)	(1,145)	(2,574)	(4,663)
Interest Expense, net	2,366	2,065	7,161	6,254
Income Before Income Tax	(6,733)	(3,032)	22,729	10,984
Income Tax	(1,146)	(649)	7,239	1,864
Net Income	(5,587)	(2,383)	15,490	9,120
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	13	20	20
Net Income attributable to Connecticut Natural Gas Corporation	$ (5,594)	$ (2,396)	$ 15,470	$ 9,100

CONNECTICUT NATURAL GAS CORPORATION
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 1,101	$ 1,202
Accounts receivable and unbilled revenues, net	50,909	90,671
Accounts receivable from affiliates	1,833	1,017
Regulatory assets	17,925	31,180
Gas in storage	28,689	27,954
Materials and supplies	1,584	2,024
Prepayments and other current assets	5,131	1,290
Total Current Assets	107,172	155,338
Other Investments	1,062	1,090
Net Property, Plant and Equipment	719,923	701,598
Operating lease right of use assets	1,041	-
Regulatory Assets	112,035	113,735
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	275	1,569
Total Deferred Charges and Other Assets	79,616	80,910
Total Assets	$ 1,020,849	$ 1,054,650

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

	September 30, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 35,775	$ 108,375
Accounts payable and accrued liabilities	41,292	68,849
Accounts payable to affiliates	4,497	12,749
Other current liabilities	4,693	3,918
Regulatory liabilities	14,288	9,866
Interest accrued	2,292	1,645
Taxes accrued	3,836	6,064
Operating lease liabilities	416	-
Total Current Liabilities	107,089	211,466
Deferred Income Taxes	92	-
Regulatory Liabilities	245,750	240,549
Other Noncurrent Liabilities		
Pension and other postretirement	100,965	101,450
Asset retirement obligations	6,896	6,637
Operating lease liabilities	851	-
Other	2,141	2,724
Total Other Noncurrent Liabilities	110,853	110,811
Capitalization		
Long-term debt, net of unamortized premium	159,087	109,336
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,302	315,302
Retained earnings	49,103	33,613
Net Common Stock Equity	397,638	382,148
Total Capitalization	557,064	491,824
Total Liabilities and Capitalization	$ 1,020,849	$ 1,054,650

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows From Operating Activities		
Net Income	$ 15,510	$ 9,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,769	26,171
Deferred income taxes	2,070	(3,229)
Uncollectible expense	7,100	5,513
Pension expense	5,832	2,790
Regulatory assets/liabilities amortization	1,810	2,395
Regulatory assets/liabiities carrying cost	210	843
Other non-cash items, net	1,004	(23)
Changes in:		
Accounts receivable and unbilled revenues, net	31,096	32,448
Natural gas in storage	(735)	(5,894)
Accounts payable and accrued liabilities	(35,630)	(22,376)
Interest accrued	647	539
Taxes accrued/refundable, net	(2,228)	(4,651)
Accrued pension and other post-retirement	(6,317)	(1,802)
Regulatory assets/liabilities	10,404	23,731
Other assets	(3,361)	(10,196)
Other liabilities	(551)	248
Total Adjustments	43,120	46,507
Net Cash provided by Operating Activities	58,630	55,627
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(37,036)	(39,831)
Net Cash used in Investing Activities	(37,036)	(39,831)
Cash Flows from Financing Activities		
Issuance of long-term debt	50,000	-
Payment of preferred stock dividend	(20)	(20)
Notes payable to affiliates	(72,642)	(14,987)
Other	(287)	170
Net Cash used in Financing Activities	(22,949)	(14,837)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(1,355)	959
Balance at beginning of period	2,519	666
Balance at end of period	$ 1,164	$ 1,625
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 5,326	$ 4,494

CONNECTICUT NATURAL GAS CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2019

(Thousands of Dollars)

(Unaudited)

	Common Stock				Paid-in		Retained		
	Shares		Amount		Capital		Earnings		Total
Balance as of December 31, 2018	10,634,436	$	33,233	$	315,302	$	33,613	$	382,148
Net income attributable to Connecticut Natural Gas Corporation							15,470		15,470
Payment of preferred stock dividend							20		20
Balance as of September 30, 2019	10,634,436	$	33,233	$	315,302	$	49,103	$	397,638

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)

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

	Three Months Ended Septembrer 30,		Nine Months Ended Septembrer 30,	
	2019	2018	2019	2018
Operating Revenues	$ 57,827	$ 54,800	$ 279,711	$ 267,430
Operating Expenses				
Natural gas purchased	19,122	19,960	125,896	123,605
Operation and maintenance	22,020	21,097	63,725	66,646
Depreciation and amortization	9,730	7,289	28,340	21,618
Taxes other than income taxes	6,089	5,565	22,562	21,550
Total Operating Expenses	56,961	53,911	240,523	233,419
Operating Income	866	889	39,188	34,011
Other Income and (Expense), net	(2,033)	(1,195)	(4,097)	(4,271)
Interest Expense, net	3,665	3,837	11,287	11,846
Income Before Income Tax	(4,832)	(4,143)	23,804	17,894
Income Tax	(860)	(1,050)	4,881	3,864
Net Income	$ (3,972)	$ (3,093)	$ 18,923	$ 14,030
Less: Net Income Attributable to Noncontrolling Interest	432	421	1,116	1,058
Net Income Attributable to The Southern Connecticut Gas Company	$ (4,404)	$ (3,514)	$ 17,807	$ 12,972

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

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

	September 30, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 502	$ 2,316
Accounts receivable and unbilled revenues, net	45,637	86,097
Accounts receivable from affiliates	2,988	2,913
Notes receivable from affiliates	1,651	-
Regulatory assets	18,587	32,503
Gas in storage	29,937	29,607
Materials and supplies	1,800	1,695
Prepayments and other current assets	7,136	2,109
Total Current Assets	108,238	157,240
Other Investments	9,548	9,141
Net Property, Plant and Equipment	811,861	773,296
Operating lease right of use assets	748	-
Regulatory Assets	137,595	138,522
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	504	143
Total Deferred Charges and Other Assets	135,435	135,074
Total Assets	$ 1,203,425	$ 1,213,273

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

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

	September 30, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 45,811	$ 138,727
Current portion of long-term debt	911	911
Accounts payable and accrued liabilities	41,848	65,342
Accounts payable to affiliates	5,085	13,975
Regulatory liabilities	10,972	9,080
Other current liabilities	7,617	7,909
Interest accrued	2,282	2,774
Taxes accrued	3,476	6,693
Operating lease liabilities	94	-
Total Current Liabilities	118,096	245,411
Deferred Income Taxes	25,647	23,676
Regulatory Liabilities	209,916	203,690
Other Noncurrent Liabilities		
Pension and other postretirement	64,766	67,424
Asset retirement obligations	12,744	12,264
Operating lease liabilities	763	-
Environmental remediation costs	45,636	46,333
Other	9,143	8,736
Total Other Noncurrent Liabilities	133,052	134,757
Capitalization		
Long-term debt, net of unamortized premium	243,766	169,714
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	387,737	369,737
Retained earnings	46,081	28,274
Net Common Stock Equity of The Southern Connecticut Gas Company	452,579	416,772
Noncontrolling interest	20,369	19,253
Total Common Stock Equity	472,948	436,025
Total Capitalization	716,714	605,739
Total Liabilities and Capitalization	$ 1,203,425	$ 1,213,273

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

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows From Operating Activities		
Net income	$ 18,923	$ 14,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,570	21,886
Uncollectible expense	6,550	5,872
Deferred income taxes	3,060	(3,861)
Pension expense	4,608	1,593
Regulatory assets/liabilities amortization	(994)	(1,351)
Regulatory assets/liabilities carrying cost	867	808
Other non-cash items, net	452	427
Changes in:		
Accounts receivable and unbilled revenue, net	33,085	36,531
Gas in storage	(330)	(4,372)
Accounts payable and accrued liabilities	(31,450)	(23,498)
Taxes accrued/refundable, net	(3,217)	(4,710)
Interest accrued	(492)	282
Accrued pension and other post-retirement	(7,266)	(2,132)
Regulatory assets/liabilities	17,256	29,749
Other assets	(5,124)	(10,522)
Other liabilities	(276)	(575)
Total Adjustments	45,299	46,127
Net Cash provided by Operating Activities	64,222	60,157
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(63,604)	(42,472)
Notes receivable from affiliates	(1,651)	(2,063)
Net Cash used in Investing Activities	(65,255)	(44,535)
Cash Flows from Financing Activities		
Issuances of long-term debt	75,000	-
Equity infusion from parent	18,000	-
Payment of common stock dividend	-	(25,000)
Notes payable to affiliates	(92,956)	10,729
Other	(456)	170
Net Cash used in Financing Activities	(412)	(14,101)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(1,445)	1,521
Balance at beginning of period	2,459	622
Balance at end of period	$ 1,014	$ 2,143
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 8,319	$ 6,856
Notes receivable from affiliates	$ -	$ 6,500
Non-cash financing activity:		
Payment of noncontrolling interest dividend	$ -	$ (6,500)

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

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
September 30, 2019
(Thousands of Dollars)
(Unaudited)

	Common Stock			Paid-in		Retained		Noncontrolling		
	Shares		Amount		Capital		Earnings		Interest		Total
Balance as of December 31, 2018	1,407,072	$	18,761	$	369,737	$	28,274	$	19,253	$	436,025
Net income attributable to The Southern Connecticut Gas Company							17,807				17,807
Net income attributable to Noncontrolling interest									1,116		1,116
Equity infusion from parent					18,000						18,000
Balance as of September 30, 2019	1,407,072	$	18,761	$	387,737	$	46,081	$	20,369	$	472,948

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

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

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September 30, 2019 and 2018

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods Ended September 30,	Three Months 2019	2018	Nine Months 2019	2018
(Thousands)				
Operating Revenues	**$ 194,481**	**$ 203,304**	**$ 662,543**	**$ 661,935**
Operating Expenses				
Electricity purchased and fuel used in generation	28,692	41,204	73,565	99,587
Natural gas purchased	4,268	5,081	77,417	74,493
Operations and maintenance	69,513	67,050	205,885	189,579
Depreciation and amortization	23,200	21,506	68,642	62,944
Taxes other than income taxes, net	30,604	30,238	94,646	91,854
Total Operating Expenses	**156,277**	**165,079**	**520,155**	**518,457**
Operating Income	**38,204**	**38,225**	**142,388**	**143,478**
Other income	6,097	5,650	18,081	15,506
Other deductions	(2,543)	(5,923)	(7,901)	(18,238)
Interest expense, net of capitalization	(16,604)	(19,012)	(54,085)	(50,744)
Income Before Tax	**25,154**	**18,940**	**98,483**	**90,002**
Income tax expense	6,544	4,956	25,723	23,560
Net Income	**$ 18,610**	**$ 13,984**	**$ 72,760**	**$ 66,442**

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

Periods Ended September 30,	Three Months 2019	2018	Nine Months 2019	2018
(Thousands)				
Net Income	**$ 18,610**	**$ 13,984**	**$ 72,760**	**$ 66,442**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain during the year on derivatives qualified as cash flow hedges, net of income taxes:				
Unrealized (loss) gain during period on derivatives qualified as hedges	(35)	(2)	32	(1)
Reclassification adjustment for loss included in net income	38	(2)	109	(2)
Reclassification adjustment for loss on settled cash flow treasury hedges	679	1,066	2,809	3,196
Other Comprehensive Income, Net of Tax	**682**	**1,062**	**2,950**	**3,193**
Comprehensive Income	**$ 19,292**	**$ 15,046**	**$ 75,710**	**$ 69,635**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of		September 30, 2019		December 31, 2018
(Thousands)				
Assets				
Current Assets				
Cash and cash equivalents	$	1,551	$	170
Accounts receivable and unbilled revenues, net		122,569		175,409
Accounts receivable from affiliates		14,303		2,674
Notes receivable from affiliates		37,775		106,350
Fuel and gas in storage		12,326		10,927
Materials and supplies		12,639		11,824
Derivative assets		-		1,717
Broker margin accounts		3,935		2,661
Income tax receivable		17,578		1,591
Prepaid property taxes		63,938		36,708
Other current assets		4,938		2,622
Regulatory assets		44,544		51,876
Total Current Assets		**336,096**		**404,529**
Utility plant, at original cost		3,786,460		3,711,126
Less accumulated depreciation		(1,046,050)		(1,008,290)
Net Utility Plant in Service		**2,740,410**		**2,702,836**
Construction work in progress		452,068		312,111
Total Utility Plant		**3,192,478**		**3,014,947**
Operating lease right of use assets		9,975		-
Other property and investments		185		2,662
Regulatory and Other Assets				
Regulatory assets		426,545		446,997
Other		10,671		2,032
Total Regulatory and Other Assets		**437,216**		**449,029**
Total Assets	**$**	**3,975,950**	**$**	**3,871,167**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

As of	September 30, 2019	December 31, 2018
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ -	$ 150,532
Accounts payable and accrued liabilities	209,898	203,480
Accounts payable to affiliates	31,816	42,739
Interest accrued	12,308	13,379
Taxes accrued	-	1,449
Operating lease liabilities	1,390	-
Environmental remediation costs	9,804	3,633
Regulatory liabilities	59,155	55,531
Other	36,218	43,885
Total Current Liabilities	**360,589**	**514,628**
Regulatory and Other Liabilities		
Regulatory liabilities	748,701	720,901
Other Non-current Liabilities		
Deferred income taxes	255,274	244,260
Nuclear plant obligations	128,166	125,930
Pension and other postretirement	158,119	169,888
Operating lease liabilities	9,298	-
Asset retirement obligations	2,958	2,846
Environmental remediation costs	120,195	127,943
Other	74,390	68,610
Total Regulary and Other Liabilities	**1,497,101**	**1,460,378**
Non-current debt	1,045,022	898,652
Total Liabilities	**2,902,712**	**2,873,658**
Commitments and Contingencies		
Common Stock Equity		
Common stock	194,429	194,429
Additional paid-in capital	605,017	604,998
Retained earnings	431,763	350,360
Accumulated other comprehensive loss	(40,733)	(35,040)
Treasury stock	(117,238)	(117,238)
Total Common Stock Equity	**1,073,238**	**997,509**
Total Liabilities and Equity	**$ 3,975,950**	**$ 3,871,167**

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

Periods Ended September 30,	**2019**	**2018**
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 72,760**	**$ 66,442**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,642	62,944
Regulatory assets/liabilities amortization	3,494	6,777
Regulatory assets/liabilities carrying cost	4,625	3,975
Amortization of debt issuance costs	439	1,152
Deferred taxes	14,374	(973)
Pension cost	9,846	20,735
Stock-based compensation	18	(160)
Accretion expenses	112	116
Gain on disposal of assets	(144)	(53)
Other non-cash items	(7,445)	(5,809)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	41,210	5,847
Inventories	(2,214)	(5,903)
Accounts payable, to affiliates, and accrued liabilities	5,923	6,358
Taxes accrued	(17,436)	6,839
Other assets/liabilities	(65,744)	(39,304)
Regulatory assets/liabilities	46,247	47,035
Net Cash Provided by Operating Activities	**174,707**	**176,018**
Cash Flow From Investing Activities:		
Capital expenditures	(256,487)	(162,490)
Contributions in aid of construction	9,281	4,652
Proceeds from sale of utility plant	1,152	511
Notes receivable from affiliates	68,575	(66,823)
Investments	2,473	-
Net Cash Used in Investing Activities	**(175,006)**	**(224,150)**
Cash Flow From Financing Activities:		
Non-current note issuance	153,454	151,174
Repayments of non-current debt	(150,000)	-
Repayments of other short-term debt, net	-	(62,150)
Repayments of capital leases	(1,774)	(1,068)
Notes payable to affiliates	-	(454)
Dividends paid	-	(40,000)
Net Cash Provided by Financing Activities	**1,680**	**47,502**
Net Increase (Decrease) in Cash and Cash Equivalents	**1,381**	**(630)**
Cash and Cash Equivalents, Beginning of Period	**170**	**631**
Cash and Cash Equivalents, End of Period	**$ 1,551**	**$ 1**

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

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Stock Equity
Balance, January 1, 2019	**38,885,813**	**$ 194,429**	**$ 604,998**	**$ 350,360**	**$ (35,040)**	**$ (117,238)**	**$ 997,509**
Adoption of accounting standards				8,643	(8,643)	-	-
Net income	-	-	-	72,760	-	-	72,760
Other comprehensive income, net of tax	-	-	-	-	2,950	-	2,950
Comprehensive income							75,710
Stock-based compensation	-	-	19	-	-	-	19
Balance, September 30, 2019	**38,885,813**	**$ 194,429**	**$ 605,017**	**$ 431,763**	**$ (40,733)**	**$ (117,238)**	**$ 1,073,238**

(*) Par value of share amounts is $5

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(UNAUDITED)

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Revenues	$ 8,332	$ 7,953	$ 58,628	$ 55,080
Operating Expenses				
Natural gas purchased	537	1,157	21,287	19,290
Operation and maintenance	6,821	6,396	21,258	22,430
Depreciation and amortization	1,990	2,082	6,018	6,207
Taxes other than income taxes	1,097	1,013	3,688	3,626
Total Operating Expenses	10,445	10,648	52,251	51,553
Operating Income	(2,112)	(2,695)	6,377	3,527
Other Income and (Expense), net	(112)	(308)	(495)	(1,126)
Interest Expense, net	781	870	2,397	2,668
Income Before Income Tax	(3,005)	(3,873)	3,485	(267)
Income Tax	1,740	(1,032)	1,056	(72)
Net Income	$ (4,745)	$ (2,841)	$ 2,429	$ (195)

ASSETS
(In Thousands)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 149	$ 326
Accounts receivable and unbilled revenues, net	4,651	16,103
Accounts receivable from affiliates	93	129
Regulatory assets	8,490	11,531
Gas in storage	2,542	2,447
Materials and supplies	1,061	907
Other current assets	2,044	4,612
Total Current Assets	19,030	36,055
Other Investments	2,168	2,213
Net Property, Plant and Equipment	188,277	180,150
Regulatory Assets	32,995	32,540
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	65	-
Total Deferred Charges and Other Assets	51,998	51,933
Total Assets	$ 294,468	$ 302,891

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

	September 30, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 14,580	$ 30,730
Current portion of long-term debt	10,191	12,393
Accounts payable and accrued liabilities	7,975	14,204
Accounts payable to affiliates	815	3,744
Other current liabilities	2,077	1,351
Interest accrued	593	886
Regulatory liabilities	64	61
Total Current Liabilities	36,295	63,369
Deferred Income Taxes	24,021	21,096
Regulatory Liabilities	53,545	52,560
Other Noncurrent Liabilities		
Pension	20,664	20,768
Environmental remediation costs	3,950	3,950
Other	3,054	2,358
Total Other Noncurrent Liabilities	27,668	27,076
Capitalization		
Long-term debt	37,441	25,721
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	9,403	6,974
Net Common Stock Equity	115,498	113,069
Total Capitalization	152,939	138,790
Total Liabilities and Capitalization	$ 294,468	$ 302,891

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows From Operating Activities		
Net income	$ 2,429	$ (195)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,109	6,290
Deferred income taxes	743	1,158
Uncollectible expense	353	1,826
Pension expense	1,449	954
Regulatory assets/liabilities amortization	784	1,137
Regulatory assets/liabilities carrying costs	7	128
Other non-cash items, net	533	432
Changes in:		
Accounts receivable and unbilled revenue, net	10,647	9,270
Natural gas in storage	(95)	(731)
Accounts payable and accrued liabilities	(8,490)	(12,497)
Accrued pension and other post-retirement	(1,553)	211
Regulatory assets/liabilities	3,359	(1,116)
Other assets	2,349	194
Other liabilities	410	(138)
Total Adjustments	16,605	7,118
Net Cash provided by Operating Activities	19,034	6,923
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(12,911)	(10,828)
Net Cash used in Investing Activities	(12,911)	(10,828)
Cash Flows from Financing Activities		
Payment of long-term debt	(10,000)	-
Issuance of long-term debt	20,000	-
Notes payable to affiliates	(16,160)	3,630
Other	(140)	47
Net Cash provided by (used in) Financing Activities	(6,300)	3,677
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	(177)	(228)
Balance at beginning of period	326	347
Balance at end of period	$ 149	$ 119
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,317	$ 1,412

THE BERKSHIRE GAS COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

September 30, 2019

(Thousands of Dollars)

(Unaudited)

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance as of December 31, 2018	100	$ -	$ 106,095	$ 6,974	$ 113,069
Net income				2,429	2,429
Balance as of September 30, 2019	100	$ -	$ 106,095	$ 9,403	$ 115,498

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

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September 30, 2019 and 2018

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

Periods Ended September 30,	Three Months 2019	Three Months 2018	Nine Months 2019	Nine Months 2018
(Thousands)				
Operating Revenues	**$ 352,144**	**$ 393,846**	**$ 1,163,313**	**$ 1,258,702**
Operating Expenses				
Electricity purchased	78,536	129,580	238,526	341,115
Natural gas purchased	4,457	5,151	77,502	74,151
Operations and maintenance	174,640	149,064	490,430	439,188
Depreciation and amortization	36,547	33,829	107,898	99,218
Taxes other than income taxes, net	36,830	36,494	112,481	112,163
Total Operating Expenses	**331,010**	**354,118**	**1,026,837**	**1,065,835**
Operating Income	**21,134**	**39,728**	**136,476**	**192,867**
Other income	7,616	4,265	21,411	9,466
Other deductions	(8,569)	(13,235)	(24,343)	(40,352)
Interest expense, net of capitalization	(18,115)	(16,401)	(53,337)	(45,767)
Income Before Income Tax	**2,066**	**14,357**	**80,207**	**116,214**
Income tax expense	800	3,648	21,233	30,114
Net Income	**$ 1,266**	**$ 10,709**	**$ 58,974**	**$ 86,100**

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

Periods Ended September 30,	Three Months 2019	Three Months 2018	Nine Months 2019	Nine Months 2018
(Thousands)				
Net Income	**$ 1,266**	**$ 10,709**	**$ 58,974**	**$ 86,100**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain during the year on derivatives qualified as cash flow hedges, net of income taxes:				
Unrealized (loss) gain during period on derivatives qualified as hedges	(112)	11	42	11
Reclassificiation adjustment for loss included in net income	103	(29)	269	(30)
Reclassification adjustment for loss on settled cash flow treasury hedges	19	61	58	58
Other Comprehensive Income, Net of Tax	**10**	**43**	**369**	**39**
Comprehensive Income	**$ 1,276**	**$ 10,752**	**$ 59,343**	**$ 86,139**

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

As of	September 30, 2019	December 31, 2018
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 37,327	$ 4,943
Accounts receivable and unbilled revenues, net	218,367	289,751
Accounts receivable from affiliates	27,334	2,505
Notes receivable from affiliates	29,766	-
Fuel and gas in storage	18,441	16,820
Materials and supplies	18,817	16,759
Derivative assets	-	3,248
Broker margin accounts	6,189	5,301
Income tax receivable	38,519	20,896
Prepaid property taxes	56,912	36,400
Other current assets	8,625	5,872
Regulatory assets	126,782	113,210
Total Current Assets	**587,079**	**515,705**
Utility plant, at original cost	6,113,366	5,950,914
Less accumulated depreciation	(2,222,002)	(2,173,629)
Net Utility Plant in Service	**3,891,364**	**3,777,285**
Construction work in progress	453,055	353,440
Total Utility Plant	**4,344,419**	**4,130,725**
Operating lease right of use assets	9,557	-
Other property and investments	8,172	8,081
Regulatory and Other Assets		
Regulatory assets	811,981	897,938
Other	51,233	6,469
Total Regulatory and Other Assets	**863,214**	**904,407**
Total Assets	**$ 5,812,441**	**$ 5,558,918**

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

As of		September 30, 2019		December 31, 2018
(Thousands)				
Liabilities				
Current Liabilities				
Current portion of debt	$	198,261	$	20,305
Notes payable to affiliates		-		40,375
Accounts payable and accrued liabilities		365,414		374,591
Accounts payable to affiliates		74,310		82,366
Interest accrued		14,680		7,382
Taxes accrued		-		1,563
Operating lease liabilities		1,235		-
Derivative liabilities		402		824
Environmental remediation costs		38,603		38,910
Customer deposits		14,924		12,744
Regulatory liabilities		104,462		91,674
Other		69,855		70,322
Total Current Liabilities		**882,146**		**741,056**
Regulatory and Other Liabilities				
Regulatory liabilities		1,200,164		1,197,227
Other non-current liabilities				
Deferred income taxes		505,032		479,633
Pension and other postretirement		240,901		270,984
Operating lease liabilities		8,680		-
Asset retirement obligation		14,041		13,506
Environmental remediation costs		87,513		102,168
Other		85,795		82,484
Total Regulatory and Other liabilities		**2,142,126**		**2,146,002**
Non-current debt		1,324,934		1,217,990
Total Liabilities		**4,349,206**		**4,105,048**
Commitments and Contingencies				
Common Stock Equity				
Common stock		430,057		430,057
Additional paid-in capital		468,452		418,430
Retained earnings		565,825		606,650
Accumulated other comprehensive loss		(1,099)		(1,267)
Total Common Stock Equity		**1,463,235**		**1,453,870**
Total Liabilities and Equity	**$**	**5,812,441**	**$**	**5,558,918**

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

Periods Ended September 30,		2019		2018
(Thousands)				
Cash Flow from Operating Activities:				
Net income	**$**	**58,974**	**$**	**86,100**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization		107,898		99,218
Regulatory assets/liabilities amortization		33,281		34,305
Regulatory assets/liabilities carrying cost		2,912		1,573
Amortization of debt issuance costs		3,066		986
Deferred taxes		33,662		20,588
Pension cost		38,576		52,642
Stock-based compensation		21		137
Accretion expenses		535		557
Gain on disposal of assets		(322)		(610)
Other non-cash items		(18,869)		(13,393)
Changes in assets and liabilities				
Accounts receivable, from affiliates, and unbilled revenues		46,554		4,593
Inventories		(3,678)		(7,668)
Accounts payable, to affiliates, and accrued liabilities		10,242		38,424
Taxes accrued		(19,186)		28,504
Other assets/liabilities		(97,852)		(188,993)
Regulatory assets/liabilities		41,367		(29,681)
Net Cash Provided by Operating Activities		**237,181**		**127,282**
Cash Flow from Investing Activities:				
Capital expenditures		(390,078)		(322,130)
Contributions in aid of construction		17,197		17,818
Proceeds from sale of utility plant		1,641		2,565
Notes receivable from affiliates		(29,766)		-
Net Cash Used in Investing Activities		**(401,006)**		**(301,747)**
Cash Flow from Financing Activities:				
Non-current debt issuance		307,485		172,699
Repayment of capital leases		(20,901)		(1,142)
Notes payable to affiliates		(40,375)		(150,454)
Capital contribution		50,000		150,000
Dividends paid		(100,000)		-
Net Cash Provided by Financing Activities		**196,209**		**171,103**
Net Increase (Decrease) in Cash and Cash Equivalents		**32,384**		**(3,362)**
Cash and Cash Equivalents, Beginning of Period		**4,943**		**3,396**
Cash and Cash Equivalents, End of Period	**$**	**37,327**	**$**	**34**

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

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
Balance, January 1, 2019	**64,508,477**	**$ 430,057**	**$ 418,430**	**$ 606,650**	**$ (1,267)**	**$ 1,453,870**
Adoption of accounting standards				201	(201)	-
Net income	-	-	-	58,974	-	58,974
Other comprehensive income, net of tax	-	-	-	-	369	369
Comprehensive income						59,343
Stock-based compensation	-	-	22	-	-	22
Common stock dividends	-	-	-	(100,000)	-	(100,000)
Capital contribution	-	-	50,000	-	-	50,000
Balance, September 30, 2019	**64,508,477**	**$ 430,057**	**$ 468,452**	**$ 565,825**	**$ (1,099)**	**$ 1,463,235**

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

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Nine Months Ended September 30, 2019 and 2018

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September 30, 2019 and 2018

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

Periods Ended September 30,	Three Months 2019	2018	Nine Months 2019	2018
(Thousands)				
Operating Revenues	**$ 210,678**	**$ 241,046**	**$ 611,515**	**$ 635,254**
Operating Expenses				
Electricity purchased	3,905	2,939	12,470	10,541
Operations and maintenance	87,819	112,463	295,322	309,175
Depreciation and amortization	29,307	26,705	86,552	80,068
Taxes other than income taxes, net	17,688	16,574	51,902	48,407
Total Operating Expenses	**138,719**	**158,681**	**446,246**	**448,191**
Operating Income	**71,959**	**82,365**	**165,269**	**187,063**
Other income	3,321	2,253	8,455	7,611
Other deductions	(2,905)	(4,113)	(8,941)	(13,036)
Interest expense, net of capitalization	(12,450)	(13,201)	(39,330)	(40,089)
Income Before Income Tax	**59,925**	**67,304**	**125,453**	**141,549**
Income tax expense	15,979	15,772	32,209	37,372
Net Income	**43,946**	**51,532**	**93,244**	**104,177**
Less: net income attributable to noncontrolling interest	523	729	1,113	1,823
Net Income Attributable to CMP	**$ 43,423**	**$ 50,803**	**$ 92,131**	**$ 102,354**

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

Periods Ended September 30,	Three Months 2019	2018	Nine Months 2019	2018
(Thousands)				
Net Income	**$ 43,946**	**$ 51,532**	**$ 93,244**	**$ 104,177**
Other Comprehensive Income, Net of Tax				
Unrealized (loss) gain during the year on derivatives qualified as cash flow hedges, net of income taxes:				
Unrealized (loss) gain during period on derivatives qualified as hedges	(63)	3	23	4
Reclassification adjustment for loss included in net income	67	(7)	175	(2)
Reclassification adjustment for loss on settled cash flow treasury hedges	33	390	656	1,171
Other Comprehensive Income, Net of Tax	**37**	**386**	**854**	**1,173**
Comprehensive Income	**43,983**	**51,918**	**94,098**	**105,350**
Less:				
Comprehensive income attributable to noncontrolling interests	523	729	1,113	1,823
Comprehensive Income Attributable to CMP	**$ 43,460**	**$ 51,189**	**$ 92,985**	**$ 103,527**

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

As of	September 30, 2019	December 31, 2018
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 22,380	$ 16,126
Accounts receivable and unbilled revenues, net	213,807	198,935
Accounts receivable from affiliates	11,901	1,776
Notes receivable from affiliates	51,116	12,700
Materials and supplies	18,137	17,103
Prepayments and other current assets	18,820	41,066
Regulatory assets	9,428	31,414
Total Current Assets	**345,589**	**319,120**
Utility plant, at original cost	4,391,240	4,300,278
Less accumulated depreciation	(1,135,773)	(1,067,288)
Net Utility Plant in Service	**3,255,467**	**3,232,990**
Construction work in progress	222,396	129,985
Total Utility Plant	**3,477,863**	**3,362,975**
Operating lease right of use assets	15,956	-
Other property and investments	864	1,222
Regulatory and Other Assets		
Regulatory assets	379,330	393,225
Goodwill	324,938	324,938
Other	42,813	66,964
Total Regulatory and Other Assets	**747,081**	**785,127**
Total Assets	**$ 4,587,353**	**$ 4,468,444**

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

As of	September 30, 2019	December 31, 2018
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of debt	$ 744	$ 151,800
Notes payable to affiliates	696	172
Accounts payable and accrued liabilities	128,685	146,065
Accounts payable to affiliates	31,604	38,415
Interest accrued	10,913	17,941
Taxes accrued	3,104	2,953
Operating lease liabilities	720	-
Other current liabilities	56,866	59,417
Regulatory liabilities	25,514	31,067
Total Current Liabilities	**258,846**	**447,830**
Regulatory and Other Liabilities		
Regulatory liabilities	425,965	419,734
Other Non-current liabilities		
Deferred income taxes	503,330	502,943
Pension and other postretirement	169,494	192,283
Operating lease liabilities	15,534	-
Other	40,816	39,245
Total Regulatory and Other Liabilities	**1,155,139**	**1,154,205**
Non-current debt	1,185,934	949,032
Total Liabilities	**2,599,919**	**2,551,067**
Commitments and Contingencies		
Redeemable Preferred Stock	**571**	**571**
CMP Common Stock Equity		
Common stock	156,057	156,057
Additional paid-in capital	764,149	764,087
Retained earnings	1,041,598	974,709
Accumulated other comprehensive loss	(3,865)	(3,958)
Total CMP Common Stock Equity	**1,957,939**	**1,890,895**
Noncontrolling interest	28,924	25,911
Total Equity	**1,986,863**	**1,916,806**
Total Liabilities and Equity	**$ 4,587,353**	**$ 4,468,444**

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

Periods Ended September 30,	**2019**	**2018**
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 93,244**	**$ 104,177**
Adjustments to reconcile net income to net cash		
provided by operating activities		
Depreciation and amortization	86,552	80,068
Regulatory assets/liabilities amortization	3,268	568
Regulatory assets/liabilities carrying cost	1,512	814
Amortization of debt issuance costs	80	442
Deferred taxes	11,029	(1,914)
Pension cost	12,165	16,302
Stock-based compensation	62	62
Accretion expenses	35	33
Gain on disposal of assets	(368)	(816)
Other non-cash Items	(1,327)	(588)
Changes in operating assets and liabilities		
Accounts receivable, from affiliates, and unbilled revenues	(24,996)	(2,424)
Inventories	(1,034)	(1,058)
Accounts payable, to affiliates, and accrued liabilities	(9,826)	(74,628)
Taxes accrued	29,325	56,445
Other assets/liabilities	(52,133)	(3,140)
Regulatory assets/liabilities	28,113	14,566
Net Cash Provided by Operating Activities	**175,701**	**188,909**
Cash Flow from Investing Activities:		
Utility plant additions	(206,099)	(168,762)
Contributions in aid of construction	8,549	9,147
Notes receivable from affiliates	(38,416)	28,213
Proceeds from sale of utility plant	1,320	1,385
Investments, net	395	-
Net Cash Used in Investing Activities	**(234,251)**	**(130,017)**
Cash Flow from Financing Activities:		
Non-current note issuance	239,020	-
Repayments of non-current debt	(150,887)	(887)
Repayments of capital leases	(752)	(460)
Proceeds of short term debt - affiliates	523	(454)
Contributions from noncontrolling interest	1,900	8,269
Dividends paid	(25,000)	(75,000)
Net Cash Provided by (Used in) Financing Activities	**64,804**	**(68,532)**
Net Increase (Decrease) in Cash and Cash Equivalents	**6,254**	**(9,640)**
Cash and Cash Equivalents, Beginning of Period	**16,126**	**15,096**
Cash and Cash Equivalents, End of Period	**$ 22,380**	**$ 5,456**

Central Maine Power Company and Subsidiaries
Consolidated Statement of Changes in Common Stock Equity (Unaudited)

(Thousands, except per share amounts)	CMP Stockholder Number of shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Non-controlling Interest	Total Equity
Balance, January 1, 2019	**31,211,471**	**$ 156,057**	**$ 764,087**	**$ 974,709**	**$ (3,958)**	**$ 1,890,895**	**$ 25,911**	**$ 1,916,806**
Adoption of accounting standards				(216)	(761)	(977)		(977)
Net income	-	-	-	92,131	-	92,131	1,113	93,244
Other comprehensive income, net of tax	-	-	-	-	854	854	-	854
Comprehensive income								94,098
Stock-based compensation	-	-	62	-	-	62	-	62
Capital contribution from parent	-	-	-	-	-	-	1,900	1,900
Preferred stock dividends	-	-	-	(26)	-	(26)	-	(26)
Common stock dividends	-	-	-	(25,000)	-	(25,000)	-	(25,000)
Balance, September 30, 2019	**31,211,471**	**$ 156,057**	**$ 764,149**	**$ 1,041,598**	**$ (3,865)**	**$ 1,957,939**	**$ 28,924**	**$ 1,986,863**

(*) Par value of share amounts is $5