THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

TABLE OF CONTENTS

	Page Number
Financial Statements:	
Statement of Income for the Three Months Ended March 31, 2019 and 2018	2
Statement of Cash Flows for the Three Months Ended March 31, 2019 and 2018	3
Balance Sheet as of March 31, 2019 and December 31, 2018	4
Statement of Changes in Shareholder’s Equity	6
Notes to the Financial Statements	7

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

	Three Months Ended March 31,	
	2019	**2018**
Operating Revenues	$ 264,591	$ 245,013
Operating Expenses		
Purchased power	70,925	61,844
Operation and maintenance	90,671	93,408
Depreciation and amortization	24,227	19,290
Taxes other than income taxes	28,198	27,271
Total Operating Expenses	214,021	201,813
Operating Income	50,570	43,200
Other Income and (Expense), net	(720)	(2,768)
Interest Expense, net	10,054	9,509
Income from Equity Investments	2,025	2,677
Income Before Income Tax	41,821	33,600
Income Tax	8,360	6,629
Net Income	$ 33,461	$ 26,971

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

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

	Three Months Ended March 31, 2019	2018
Cash Flows From Operating Activities		
Net income	$ 33,461	$ 26,971
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	24,608	19,594
Deferred income taxes	(32)	3,443
Uncollectible expense	7,835	6,569
Pension expense	5,574	6,036
Allowance for funds used during construction (AFUDC) - equity	(1,474)	(627)
Undistributed (earnings) in equity investments	(2,025)	(2,676)
Regulatory assets/liabilities amortization	1,306	1,818
Regulatory assets/liabiities carrying cost	121	(489)
Other non-cash items, net	(1,103)	230
Changes in:		
Accounts receivable and unbilled revenues, net	(10,839)	17,716
Accounts payable and accrued liabilties	(22,181)	(14,459)
Cash distribution received from GenConn	1,870	2,686
Taxes accrued and refundable	11,997	8,117
Pension and post-retirement	(3,954)	(991)
Regulatory assets/liabilities	(10,237)	(20,800)
Environmental liabilities	60	287
Other assets	(13,815)	(9,539)
Other liabilities	324	(212)
Total Adjustments	(11,965)	16,703
Net Cash provided by Operating Activities	21,496	43,674
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(39,782)	(35,760)
Cash distribution from GenConn	2,305	1,898
Notes receivable from affiliates	(2,250)	-
Net Cash used in Investing Activities	(39,727)	(33,862)
Cash Flows from Financing Activities		
Issuances of long-term debt	50,000	-
Payment of long-term debt	(31,000)	-
Line of credit borrowings	-	(100,000)
Notes payable to affiliates	-	89,500
Other	(397)	-
Net Cash provided by (used in) Financing Activities	18,603	(10,500)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	372	(688)
Balance at beginning of period	2,819	1,988
Balance at end of period	$ 3,191	$ 1,300
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 15,735	$ 21,922

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THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 2,170	$ 1,305
Accounts receivable and unbilled revenues, net	170,180	165,140
Accounts receivable from affiliates	10,992	13,028
Notes receivable from affiliates	13,100	10,850
Regulatory assets	19,459	26,430
Materials and supplies	5,496	5,619
Derivative assets	1,948	3,413
Prepayments and other current assets	14,170	3,492
Total Current Assets	237,515	229,277
Other Investments		
Equity investment in GenConn	96,321	98,473
Other	11,252	9,990
Total Other Investments	107,573	108,463
Net Property, Plant and Equipment	2,490,300	2,481,423
Operating lease right of use assets	15,176	-
Regulatory Assets	466,114	454,358
Deferred Charges and Other Assets		
Derivative assets	1,970	1,942
Other	5,980	3,213
Total Deferred Charges and Other Assets	7,950	5,155
Total Assets	$ 3,324,628	$ 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)

	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Current portion of long-term debt	$ -	$ 31,000
Accounts payable and accrued liabilities	93,407	108,178
Accounts payable to affiliates	29,245	45,529
Regulatory liabilities	2,941	5,395
Interest accrued	10,589	11,189
Taxes accrued	38,223	26,226
Derivative liabilities	11,154	11,966
Operating lease liabilities	1,748	-
Other liabilities	22,717	23,893
Total Current Liabilities	210,024	263,376
Deferred Income Taxes	319,453	318,169
Regulatory Liabilities	439,857	443,064
Other Noncurrent Liabilities		
Pension and post-retirement	254,165	252,545
Derivative liabilities	69,757	67,969
Environmental remediation costs	8,164	8,104
Operating lease liabilities	13,585	-
Other	15,398	14,474
Total Other Noncurrent Liabilities	361,069	343,092
Capitalization		
Long-term debt	861,343	811,554
Common Stock Equity		
Common stock	1	1
Paid-in capital	759,230	759,230
Retained earnings	373,651	340,190
Net Common Stock Equity	1,132,882	1,099,421
Total Capitalization	1,994,225	1,910,975
Total Liabilities and Capitalization	$ 3,324,628	$ 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

March 31, 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							33,461		33,461
Balance as of March 31, 2019	100	$	1	$	759,230		373,651		1,132,882

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

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

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

UI is also a party to a joint venture with Clearway Energy, Inc. (formerly NRG Yield, Inc.), a subsidiary of Global Infrastructure Partners (GIP), pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly owned subsidiary, GenConn Energy LLC, or GenConn, operates peaking generation plants in Devon, Connecticut, or GenConn Devon, and Middletown, Connecticut, or GenConn Middletown. In February 2018, NRG Energy, Inc. announced that it had agreed to sell its ownership stake in NRG Yield, Inc. to GIP. The sale closed on August 31, 2018 and did not have an impact on GenConn.

Accounting Records

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

Basis of Presentation

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

UI's total comprehensive income is equal to net income for the three months ended March 31, 2019 and 2018.

UI has evaluated subsequent events through the date its financial statements were available to be issued, May 29, 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	
	March 31, 2019	**March 31, 2018**
(Thousands)		
Regulated operations – electricity	$ 258,766	$ 234,769
Other(a)	1,894	1,257
Revenue from contracts with customers	**260,660**	**236,026**
Leasing revenue	334	873
Alternative revenue programs	3,155	8,114
Other Revenue	442	-
Total operating revenues	**$ 264,591**	**$ 245,013**

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

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 March 31, 2019 and December 31, 2018 included the following:

	Remaining Period	March 31, 2019	December 31, 2018
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	3 to 15 years	$ 7,152	$ 7,347
Pension and other post-retirement benefit plans	(a)	217,503	217,503
Unfunded future income taxes	(b)	149,648	148,391
Contracts for differences	(c)	76,992	74,580
Excess generation service charge	(d)	2,721	-
Deferred transmission expense	(e)	3,959	11,316
Other	(f)	27,598	21,651
Total regulatory assets		485,573	480,788
Less current portion of regulatory assets		19,459	26,430
Regulatory Assets, Net		$ 466,114	$ 454,358
Regulatory Liabilities:			
Accumulated deferred investment tax credits	16.5 - 20 years	$ 13,562	$ 13,586
Excess generation service charge	(d)	-	6,686
Middletown/Norwalk local transmission network service collections	32 years	18,392	18,535
Pension and other post-retirement benefit plans	(a)	17,368	17,368
Asset removal costs	(f)	65,374	65,332
Tax reform	(g)	310,678	309,018
Other	(e)	17,424	17,934
Total regulatory liabilities		442,798	448,459
Less current portion of regulatory liabilities		2,941	5,395
Regulatory Liabilities, Net		$ 439,857	$ 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 3 - 10 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note J); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "Contracts for Differences" discussion above for additional information.

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

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

(f) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; liability amount as of March 31, 2019 includes decoupling ($2.1 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 March 31, 2019, UI has recorded a gross derivative asset of $3.9 million, a regulatory asset of $77.0 million and a gross derivative liability of $80.9 million ($76.0 million of which is related to UI's portion of the CfD signed by CL&P). See Note (J) "Fair Value of Financial Instruments" for additional CfD information.

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

	March 31, 2019	December 31, 2018
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 1,948	$ 3,413
Deferred Charges and Other Assets	$ 1,970	$ 1,942
Gross derivative liabilties:		
Current Liabilities	$ 11,154	$ 11,966
Noncurrent Liabilities	$ 69,757	$ 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-month periods March 31, 2019 and 2018, were as follows:

	Three Months Ended March 31,	
	2019	2018
	(In Thousands)	
Regulatory Assets - Derivative liabilities	$ 2,413	$ 11,324
Regulatory Liabilities - Derivative assets	$ -	$ -

Equity Investments

UI is party to a 50-50 joint venture with Clearway Energy, Inc., in GenConn, which operates two peaking generation plants in Connecticut. UI's investment in GenConn is being accounted for as an equity investment, the carrying value of which was $96.3 million and $98.5 million as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019, there was an immaterial amount of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $2.0 million and $2.7 million for the three-month periods ended March 31, 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 $4.2 million and $4.6 million during the three-month periods ended March 31, 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 March 31, 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 a retail electric supplier and have a maximum demand of less than 500 kilowatts and its customers under supplier of last resort service for those who are not eligible for standard service and who do not choose to purchase electric generation service from a retail electric supplier. The cost of the power is a "pass-through" to those customers through the GSC charge on their bills.

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

UI has wholesale power supply agreements in place for its entire standard service load for 2018 and 2019, and 50% for the first 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 March 31, 2019, UI would have had to post an aggregate of approximately $18.0 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 and PA18-50 added seventh and eighth years, and up to $48 million in additional commitments by UI, to the program.

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 now 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. With regard to the other eleven selected projects PPA negotiations remain ongoing, and DEEP has directed UI to file successfully negotiated PPAs with PURA by the May 31, 2019 deadline.

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 11.27% as of March 31, 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 current 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.

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

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 16, 2014 decision. The March order upheld the FERC's June 19, 2014 decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total average transmission return. In June 2015 the NETOs and complainants both filed an appeal in the U.S. Court of Appeals for the District of Columbia of the FERC's final order. On April 14, 2017, the Court of Appeals (the Court) vacated FERC's decision on Complaint I and remanded it to FERC. The Court held that FERC, as directed by statute, did not determine first that the existing ROE was unjust and unreasonable before determining a new ROE. The Court ruled that FERC should have first determined that the then existing 11.14% base ROE was unjust and unreasonable before selecting the 10.57% as the new base ROE. The Court also found that FERC did not provide reasoned judgment as to why 10.57%, the point ROE at the midpoint of the upper end of the zone of reasonableness is a just and reasonable ROE. Instead, FERC had only explained in its order that the midpoint of 9.39% was not just and reasonable and a higher base ROE was warranted. On June 5, 2017, the NETOs made a filing with FERC seeking to reinstate transmission rates to the status quo ante (effect of the Court vacating order is to return the parties to the rates in effect prior to FERC Final decision) as of June 8, 2017, the date the Court decision became effective. In that filing, the NETOs stated that they will not begin billing at the higher rates until 60 days after FERC has a quorum of commissioners. On October 6, 2017, FERC issued an order rejecting the NETOs request to collect transmission revenue requirements at the higher ROE of 11.14%, pending FERC order on remand. In reaching this decision, FERC stated that it has broad remedial authority to make whatever ROE it eventually determines to be just and reasonable effective for the Complaint I refund period and prospectively from October 2014, the effective date of the Complaint I Order. Therefore FERC reasoned that the NETOs will not be harmed financially by not immediately returning to their pre-Complaint I ROE. UI anticipates FERC addressing the Court decision during 2019. UI cannot predict the outcome of action by FERC.

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

On July 31, 2014, a third ROE complaint (Complaint III) was filed for a subsequent rate period requesting the then effective ROE of 11.14% be reduced to 8.84%. On November 24, 2014, FERC accepted the Complaint III, established a 15-month refund effective date of July 31, 2014, and set this matter consolidated with Complaint II for hearing in June 2015. Hearings relating to the refund periods and going forward period were held in June 2015 on Complaints II and III before a FERC Administrative Law Judge. On July 29, 2015, post-hearing briefs were filed by parties and on August 26, 2015 reply briefs were filed by parties. On July 13, 2015, the NETOs filed a petition for review of FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the U.S. Court of Appeals. The FERC Administrative Law Judge issued an Initial Decision on March 22, 2016. The Initial Decision determined that: (1) for the 15-month refund period in Complaint II, the base ROE should be 9.59% and that the ROE Cap (base ROE plus incentive ROEs) should be 10.42% and (2) for the 15 month refund period in Complaint III and prospectively, the base ROE should be 10.90% and that the ROE Cap should be 12.19%. The Initial Decision is the Administrative Law Judge's recommendation to the FERC Commissioners. The FERC is expected to make its final decision in 2019.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 final decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is $6.4 million as of December 31, 2018. If adopted as final, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings. UI cannot predict the outcome of the Complaint II and III proceedings.

On April 29, 2016, a fourth ROE complaint (Complaint IV) was filed for a rate period subsequent to prior complaints requesting the then existing base ROE of 10.57% be reduced to 8.61% and the ROE Cap be set at 11.24%. The NETOs filed a response to the Complaint IV on June 3, 2016. On September 20, 2016, FERC accepted the Complaint IV, established a 15-month refund effective date of April 29, 2016, and set the matter for hearing and settlement judge procedures. In April 2017, the NETOs filed for a stay in the hearings pending FERC on the Court order described above. That request was denied by the Administrative Law Judge. On November 21, 2017, the parties submitted updates to their ROE analyses and recommendations just prior to hearings with the NETOs continuing to advocate that the existing base ROE of 10.57% should remain in effect. Hearings were held in December 2017. The Administrative Law Judge issued his Initial Decision in March 2018 which recommends to the Commission that the base ROE and ROE cap remain at 10.57% and 11.74%, respectively, as the complainants and FERC Trial Staff did not meet the burden of proof in determining that the current ROE is unjust and unreasonable. Parties filed Briefs on Exceptions in April and filed Briefs Opposing Exceptions in May. UI expects FERC to rule on this complaint in 2019. A range of possible outcomes is not able to be determined at this time due to the preliminary state of this matter. UI cannot predict the outcome of the Complaint IV proceeding.

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

On October 16, 2018, the FERC issued an order directing briefs and proposing a new methodology to calculate the NETOs ROE that is contained in NETOs' transmission formula rate on file at FERC (the October 2018 Order). The FERC proposes to use this new methodology to resolve Complaints I, II, III, and IV filed by the New England state consumer advocates.

The new proposed ROE methodology set forth in the October 2018 Order considers more than just the two-step 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 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 no borrowings under this agreement as of March 31, 2019 and December 31, 2018. UI recorded $13.1 million and $10.9 million note receivables under this arrangement as of March 31, 2019 and December 31, 2018, respectively.

The Bi-Lateral Intercompany Facility provides for borrowing of up to $500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. There were no borrowings under this agreement as of March 31, 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 March 31, 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 three-month period ended March 31, 2019 and 2018 were 19.99% and 19.73% respectively.

(F) PENSION AND OTHER BENEFITS

UI made pension contributions of $3.3 million during the three months ended March 31, 2019. UI currently expects to make additional pension contributions of approximately $13.3 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 periods ended March 31, 2019 and 2018:

	Three Months Ended March 31,			
	Pension Benefits		Other Post-Retirement	
	2019	2018	2019	2018
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,298	$ 1,604	$ 189	$ 233
Interest cost	5,553	5,398	563	583
Expected return on plan assets	(6,024)	(6,707)	(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)	$ (167)
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 periods ended March 31, 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 three-month periods ended March 31, 2019 and 2018, UI recorded inter-company expenses of $15.3 million and $12.3 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 makes wire transfers to UIL Holdings on a quarterly basis in order to maintain its capitalization structure as allowed per PURA's final decision in UI's 2008 distribution rate proceeding. For the three-month period ended March 31, 2019 and for the year ended December 31, 2018, UI did not accrue dividends to UIL Holdings.

(H) LEASES

UI has operating leases for 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 three months to 32 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 March 31, 2019
Operating lease cost	$	1,040

(In Thousands)		As of March 31, 2019
Operating Leases		
Operating lease right of use assets	$	15,176
Operating lease liabilities, current	$	1,748
Operating lease liabilities, long-term		13,585
Total operating lease liabilities	$	15,333
Weighted-average Remaining Lease Term (years):		
Operating leases		21.35
Weighted-average Discount Rate:		
Operating leases		3.81%

Supplemental cash flow information related to leases was as follows:

(In Thousands)		Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	468

As of March 31, 2019, maturities of lease liabilities were as follows:

(In Thousands)		Operating Leases
Year ending December 31,		
April 1, 2019 - December 31, 2019	$	914
2020		1,058
2021		1,026
2022		3,064
2023		332
Thereafter		10,385
Total lease payments		16,779
Less: imputed interest		-
Total	$	16,779

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 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:

	(In Thousands)
Year	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.

In 2012, the U.S. Court of Appeals issued a favorable decision in Connecticut Yankee's claim for the first six-year-period (Phase I). Connecticut Yankee won on all appellate points in the U.S. Court of Appeals for the Federal Circuit's unanimous decision. In November 2013, the U.S. Court of Claims issued its decision in the Phase II case (the second six-year-period), awarding damages to Connecticut Yankee. In August 2016 the U.S. Court of Claims issued its decision in the Phase III case (the third six-year-period), awarding damages to Connecticut Yankee. In July 2017, Connecticut Yankee filed a Phase IV case (the fourth six-year-period). On February 21, 2019, the U.S. Court of Appeals for the Federal Circuit issued a decision on a motion for partial summary judgment in the Phase IV case awarding Connecticut Yankee approximately $40.7 million in damages. On April 23, 2019, the notice of appeal period expired and the Phase IV trial award became final.

The damage awards will refund past costs and/or reduce the future costs to shareholders of Connecticut Yankee, including UI, upon FERC approval, and will reduce retail customer charges or otherwise as specified by law. UI will receive their proportionate share of the awards that flow through based on percentage ownership. We cannot predict the timing or amount of damage awards that may ultimately flow through to customers.

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.

UI refunds its share of such awards to its customers through the nonbypassable federally mandated congestion charge.

Environmental Matters

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

Site Decontamination, Demolition and Remediation Costs

English Station

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then and current owners of a former generation site on the Mill River in New Haven (the English Station site) that UI sold to Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut against UI seeking, among other things: (i) an order directing UI to reimburse the plaintiffs for costs they have incurred and will incur for the testing, investigation and remediation of hazardous substances at the English Station site and (ii) an order directing UI to investigate and remediate the site. This proceeding had been stayed in 2014 pending resolutions of other proceedings before the DEEP concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party. In December 2013, Evergreen Power and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the English Station site; (ii) reimbursement of remediation costs; (iii) termination of UI's easement rights; (iv) reimbursement for costs associated with securing the property; and (v) punitive damages. This lawsuit had been stayed in May 2014 pending mediation. Due to lack of activity in the case, the court terminated the stay and scheduled a status conference for July 6, 2017. On July 5, 2017, Asnat filed a pretrial memorandum claiming damages of $10 million for "environmental remediation activities" and lost use of the property. On April 16, 2018, the plaintiffs filed a revised compliant alleging fraud and unjust enrichment against UIL and UI and adding former UIL officers as named defendants alleging fraud. The complaint was further revised on July 3, 2018. UI filed a Motion to Strike the counts in the complaint in August 2018 and oral arguments were held. 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. As to the remaining count, the court declined to strike the claim against UI for unjust enrichment. The court's ruling is subject to appeal by the plaintiffs. UI cannot predict the outcome of this matter.

On April 8, 2013, DEEP issued an administrative order addressed to UI, Evergreen Power, Asnat and others, ordering the parties to take certain actions related to investigating and remediating the English Station site. Mediation of the matter began in the fourth quarter of 2013 and concluded unsuccessfully in April 2015. This proceeding was stayed while DEEP and UI continue to work through the remediation process pursuant to the consent order described below. Status reports are periodically filed with the DEEP.

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

As of March 31, 2019 and December 31, 2018, the remaining amount reserved for this matter was $19.1 million and $20.0 million, respectively. UI cannot predict the outcome of this matter.

Other

With respect to transmission-related property adjacent to the New Haven Harbor Generating Station, UI performed an environmental analysis that indicated remaining remediation expenses would be approximately $2.7 million. UI has accrued these estimated expenses, which were recovered in transmission rates. As of March 31, 2019 and December 31, 2018, the remaining amount reserved for this matter was $1.8 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 March 31, 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
March 31, 2019		(In Thousands)		
Assets:				
Derivative assets	$ -	$ -	3,918	$ 3,918
Supplemental retirement benefit trust life insurance policies	-	11,066	-	11,066
	-	11,066	3,918	14,984
Liabilities:				
Derivative liabilities	-	-	80,911	80,911
	-	-	80,911	80,911
Net fair value assets/(liabilities), March 31, 2019	$ -	$ 11,066	$ (76,992)	$ (65,927)
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 March 31, 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 March 31, 2019	Range at December 31, 2018
Contracts for differences	Risk of non-performance	0.37% - 0.63%	0.87% - 0.88%
	Discount rate	2.23% - 2.40%	2.51% - 2.63%
	Forward pricing ($ per MW)	$3.80 - $9.55	$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 March 31, 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 three month periods ended March 31, 2019:

	Three Months Ended March 31, 2019 (In Thousands)
Net derivative assets/(liabilities), December 31, 2018	$ (74,580)
Unrealized gains and (losses), net	(2,412)
Net derivative assets/(liabilities), March 31, 2019	$ (76,992)
Change in unrealized gains (losses), net relating to net derivative	$ (2,412)

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(UNAUDITED)

TABLE OF CONTENTS

	Page Number
Consolidated Financial Statements:	
Consolidated Statement of Income for the three months ended March 31, 2019 and 2018	3
Consolidated Balance Sheet as of March 31, 2019 and December 31, 2018	4
Consolidated Statement of Cash Flows for the three months ended March 31, 2019 and 2018	6
Consolidated Statement of Changes in Shareholder's Equity	7

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Revenues	$ 155,120	$ 143,836
Operating Expenses		
Natural gas purchased	84,611	77,709
Operation and maintenance	22,207	22,577
Depreciation and amortization	9,239	7,155
Taxes other than income taxes	10,248	9,615
Total Operating Expenses	126,305	117,056
Operating Income	28,815	26,780
Other Income and (Expense), net	(829)	(1,448)
Interest Expense, net	3,805	4,016
Income Before Income Tax	24,181	21,316
Income Tax	4,766	5,092
Net Income	$ 19,415	$ 16,224
Less: Net Income Attributable to Noncontrolling Interest	630	300
Net Income Attributable to The Southern Connecticut Gas Company	$ 18,785	$ 15,924

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

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

	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 1,037	$ 2,316
Accounts receivable and unbilled revenues, net	101,277	86,097
Accounts receivable from affiliates	4,703	2,913
Notes receivable from affiliates	1,340	-
Regulatory assets	15,495	32,503
Gas in storage	17,386	29,607
Materials and supplies	1,844	1,695
Prepayments and other current assets	3,021	2,109
Total Current Assets	146,103	157,240
Other Investments	9,312	9,141
Net Property, Plant and Equipment	784,484	773,296
Operating lease right of use assets	900	-
Regulatory Assets	135,939	138,522
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	823	143
Total Deferred Charges and Other Assets	135,754	135,074
Total Assets	$ 1,212,492	$ 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)

	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 26,239	$ 138,727
Current portion of long-term debt	911	911
Accounts payable and accrued liabilities	52,402	65,342
Accounts payable to affiliates	6,527	13,975
Regulatory liabilities	14,077	9,080
Other current liabilities	9,025	7,909
Interest accrued	2,317	2,774
Taxes accrued	21,096	6,693
Operating lease liabilities	94	-
Total Current Liabilities	132,688	245,411
Deferred Income Taxes	16,642	23,676
Regulatory Liabilities	210,909	203,690
Other Noncurrent Liabilities		
Pension and other postretirement	67,623	67,424
Asset retirement obligations	12,422	12,264
Operating lease liabilities	796	-
Environmental remediation costs	8,651	46,333
Other	45,219	8,736
Total Other Noncurrent Liabilities	134,711	134,757
Capitalization		
Long-term debt, net of unamortized premium	244,102	169,714
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	387,737	369,737
Retained earnings	47,059	28,274
Net Common Stock Equity of The Southern Connecticut Gas Company	453,557	416,772
Noncontrolling interest	19,883	19,253
Total Common Stock Equity	473,440	436,025
Total Capitalization	717,542	605,739
Total Liabilities and Capitalization	$ 1,212,492	$ 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)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows From Operating Activities		
Net income	$ 19,415	$ 16,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,316	7,203
Uncollectible expense	924	858
Deferred income taxes	(5,944)	(7,602)
Pension expense	1,536	531
Regulatory assets/liabilities amortization	(764)	(764)
Regulatory assets/liabilities carrying cost	18	33
Other non-cash items, net	569	512
Changes in:		
Accounts receivable and unbilled revenue, net	(18,644)	(5,696)
Gas in storage	12,221	13,180
Accounts payable and accrued liabilities	(16,494)	(6,537)
Taxes accrued/refundable, net	14,403	9,954
Interest accrued	(457)	218
Accrued pension and other post-retirement	(1,337)	(482)
Regulatory assets/liabilities	29,908	32,403
Other assets	(1,455)	(2,106)
Other liabilities	(1,199)	(833)
Total Adjustments	22,601	40,872
Net Cash provided by Operating Activities	42,016	57,096
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(21,716)	(12,513)
Notes receivable from affiliates	(1,340)	(6,930)
Net Cash used in Investing Activities	(23,056)	(19,443)
Cash Flows from Financing Activities		
Issuances of long-term debt	75,000	-
Equity infusion	18,000	-
Notes payable to affililiates	(112,502)	(37,268)
Other	(451)	-
Net Cash used in Financing Activities	(19,953)	(37,268)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	(993)	385
Balance at beginning of period	2,459	622
Balance at end of period	$ 1,466	$ 1,007
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 6,190	$ 2,006

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

THE SOUTHERN CONNECTICUT GAS COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

March 31, 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							18,785				18,785
Net income attributable to Noncontrolling interest									630		630
Equity infusion					18,000						18,000
Balance as of March 31, 2019	1,407,072	$	18,761	$	387,737	$	47,059	$	19,883	$	473,440

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

FINANCIAL STATEMENTS

OF

CONNECTICUT NATURAL GAS CORPORATION

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(UNAUDITED)

TABLE OF CONTENTS

	Page Number
Financial Statements:	
Statement of Income for the three months ended March 31, 2019 and 2018	3
Balance Sheet as of March 31, 2019 and December 31, 2018	4
Statement of Cash Flows for the three months ended March 31, 2019 and 2018	6
Statement of Changes in Shareholder’s Equity	7

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Revenue	$ 164,857	$ 141,346
Operating Expenses		
Natural gas purchased	87,897	79,523
Operation and maintenance	25,739	24,778
Depreciation and amortization	10,419	8,498
Taxes other than income taxes	10,434	8,987
Total Operating Expenses	134,489	121,786
Operating Income	30,368	19,560
Other Income and (Expense), net	(659)	(2,363)
Interest Expense, net	2,380	1,972
Income Before Income Tax	27,329	15,225
Income Tax	6,186	3,193
Net Income	21,143	12,032
Less: Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Net Income attributable to Connecticut Natural Gas Corporation	$ 21,136	$ 12,025

CONNECTICUT NATURAL GAS CORPORATION
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 3,603	$ 1,202
Accounts receivable and unbilled revenues, net	100,135	90,671
Accounts receivable from affiliates	2,778	1,017
Regulatory assets	14,278	31,180
Gas in storage	15,803	27,954
Materials and supplies	1,911	2,024
Prepayments and other current assets	2,727	1,290
Total Current Assets	141,235	155,338
Other Investments	1,081	1,090
Net Property, Plant and Equipment	703,785	701,598
Operating lease right of use assets	1,396	-
Deferred Income Taxes	9,462	1,979
Regulatory Assets	111,375	113,735
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	1,589	1,569
Total Deferred Charges and Other Assets	80,930	80,910
Total Assets	$ 1,049,264	$ 1,054,650

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

	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	22,725	$ 108,375
Accounts payable and accrued liabilities	50,534	68,849
Accounts payable to affiliates	7,352	12,749
Other current liabilities	4,545	3,918
Regulatory liabilities	24,914	9,866
Interest accrued	2,256	1,645
Taxes accrued	23,852	6,064
Operating lease liabilities	422	-
Total Current Liabilities	136,600	211,466
Regulatory Liabilities	237,353	240,549
Other Noncurrent Liabilities		
Pension and other postretirement	102,091	101,450
Asset retirement obligations	6,722	6,637
Operating lease liabilities	1,067	-
Other	2,748	2,724
Total Other Noncurrent Liabilities	112,628	110,811
Capitalization		
Long-term debt, net of unamortized premium	159,059	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	54,749	33,613
Net Common Stock Equity	403,284	382,148
Total Capitalization	562,683	491,824
Total Liabilities and Capitalization	$ 1,049,264	$ 1,054,650

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows From Operating Activities		
Net Income	$ 21,143	$ 12,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,443	8,518
Deferred income taxes	(7,558)	(8,741)
Uncollectible expense	2,597	1,292
Pension expense	1,944	930
Regulatory assets/liabilities amortization	891	1,188
Regulatory assets/liabiities carrying cost	(110)	55
Other non-cash items, net	652	328
Changes in:		
Accounts receivable and unbilled revenues, net	(14,372)	(7,340)
Natural gas in storage	12,151	12,112
Accounts payable and accrued liabilities	(19,846)	(15,495)
Interest accrued	611	413
Taxes accrued/refundable, net	17,788	14,147
Accrued pension and other post-retirement	(1,303)	(666)
Regulatory assets/liabilities	26,396	31,812
Other assets	(2,598)	(2,612)
Other liabilities	24	767
Total Adjustments	27,710	36,708
Net Cash provided by Operating Activities	48,853	48,740
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(11,744)	(10,415)
Net Cash used in Investing Activities	(11,744)	(10,415)
Cash Flows from Financing Activities		
Issuances of long-term	50,000	-
Payment of preferred stock dividend	-	(7)
Notes payable to affiliates	(85,664)	(38,032)
Other	(298)	-
Net Cash used in Financing Activities	(35,962)	(38,039)
Cash, Restricted Cash, and Cash Equivalents:		
Net change for the period	1,147	286
Balance at beginning of period	2,519	666
Balance at end of period	$ 3,666	$ 952
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,491	$ 2,777

CONNECTICUT NATURAL GAS CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

March 31, 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							21,143		21,143
Payment of preferred stock dividend							(7)		(7)
Balance as of March 31, 2019	10,634,436	$	33,233	$	315,302	$	54,749	$	403,284

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(UNAUDITED)

TABLE OF CONTENTS

	Page **Number**
Financial Statements:	
Statement of Income for the three months ended March 31, 2019 and 2018	3
Balance Sheet as of March 31, 2019 and December 31, 2018	4
Statement of Cash Flows for the three months ended March 31, 2019 and 2018	6
Statement of Changes in Shareholder's Equity	7

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Revenues	$ 37,483	$ 31,535
Operating Expenses		
Natural gas purchased	18,839	14,868
Operation and maintenance	6,864	8,043
Depreciation and amortization	2,103	2,077
Taxes other than income taxes	1,328	1,303
Total Operating Expenses	29,134	26,291
Operating Income	8,349	5,244
Other Income and (Expense), net	(208)	(412)
Interest Expense, net	857	842
Income Before Income Tax	7,284	3,990
Income Tax	1,701	1,118
Net Income	$ 5,583	$ 2,872

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

	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Unrestricted cash and temporary cash investments	$ 430	$ 326
Accounts receivable and unbilled revenues, net	21,035	16,103
Accounts receivable from affiliates	544	129
Regulatory assets	7,588	11,531
Gas in storage	1,353	2,447
Materials and supplies	951	907
Other current assets	2,769	4,612
Total Current Assets	34,670	36,055
Other Investments	2,243	2,213
Net Property, Plant and Equipment	179,842	180,150
Regulatory Assets	32,141	32,540
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	790	-
Total Deferred Charges and Other Assets	52,723	51,933
Total Assets	$ 301,619	$ 302,891

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

	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Notes payable to affiliates	$ 15,980	$ 30,730
Current portion of long-term debt	2,393	12,393
Accounts payable and accrued liabilities	10,522	14,204
Accounts payable to affiliates	2,321	3,744
Other current liabilities	1,331	1,351
Interest accrued	589	886
Regulatory liabilities	734	61
Total Current Liabilities	33,870	63,369
Deferred Income Taxes	21,437	21,096
Regulatory Liabilities	54,953	52,560
Other Noncurrent Liabilities		
Pension	20,962	20,768
Environmental remediation costs	3,950	3,950
Other	2,351	2,358
Total Other Noncurrent Liabilities	27,263	27,076
Capitalization		
Long-term debt	45,444	25,721
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	12,557	6,974
Net Common Stock Equity	118,652	113,069
Total Capitalization	164,096	138,790
Total Liabilities and Capitalization	$ 301,619	$ 302,891

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash Flows From Operating Activities		
Net income	$ 5,583	$ 2,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,134	2,016
Deferred income taxes	(1,248)	(328)
Uncollectible expense	160	1,265
Pension expense	483	318
Regulatory assets/liabilities amortization	755	620
Regulatory assets/liabilities carrying costs	7	-
Other non-cash items, net	(107)	47
Changes in:		
Accounts receivable and unbilled revenue, net	(5,430)	(1,335)
Natural gas in storage	1,094	1,088
Accounts payable and accrued liabilities	(3,953)	(8,392)
Pension accrued and OPEB	(289)	70
Regulatory assets/liabilities	7,661	4,466
Other assets	1,008	(102)
Other liabilities	(303)	172
Total Adjustments	1,972	(95)
Net Cash provided by Operating Activities	7,555	2,777
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(2,559)	(1,541)
Net Cash used in Investing Activities	(2,559)	(1,541)
Cash Flows from Financing Activities		
Payment of long-term debt	(10,000)	-
Issuances of long-term debt	20,000	-
Notes payable to affiliates	(14,753)	(1,370)
Other	(139)	-
Net Cash used in Financing Activities	(4,892)	(1,370)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	104	(134)
Balance at beginning of period	326	347
Balance at end of period	$ 430	$ 213
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 87	$ 65

THE BERKSHIRE GAS COMPANY

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

March 31, 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				5,583	5,583
Balance as of March 31, 2019	100	$ -	$ 106,095	$ 12,557	$ 118,652

Central Maine Power Company
and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2019 and 2018

Table of Contents

March 31, 2019 and 2018

Financial Statements (Unaudited)	**Page(s)**
Consolidated Statements of Income ………..…………………………………….	**1**
Consolidated Statements of Comprehensive Income ………..……….………	**1**
Consolidated Balance Sheets ………..…..……………………...………….……	**2 - 3**
Consolidated Statements of Cash Flows ………..………………………………	**4**
Consolidated Statement of Changes in Common Stock Equity ……….…...	**5**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Operating Revenues	**$ 207,541**	**$ 205,924**
Operating Expenses		
Electricity purchased	4,245	4,192
Operations and maintenance	108,297	104,587
Depreciation and amortization	28,285	27,841
Taxes other than income taxes, net	17,316	15,919
Total Operating Expenses	**158,143**	**152,539**
Operating Income	**49,398**	**53,385**
Other Income	2,115	2,103
Other deductions	(3,160)	(4,182)
Interest expense, net of capitalization	(13,881)	(13,316)
Income Before Income Tax	**34,472**	**37,990**
Income tax expense	9,275	8,833
Net Income	**25,197**	**29,157**
Less: net income attributable to noncontrolling interest	247	342
Net Income Attributable to CMP	**$ 24,950**	**$ 28,815**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Net Income	**$ 25,197**	**$ 29,157**
Other Comprehensive Income, Net of Tax		
Unrealized gain (loss) during the year on derivatives qualified as cash flow hedges, net of income taxes:		
Unrealized gain (loss) during period on derivatives qualified as hedges	107	(25)
Reclassification adjustment for loss included in net income	56	11
Reclassification adjustment for loss on settled cash flow treasury hedges	390	338
Other Comprehensive Income, Net of Tax	**553**	**324**
Comprehensive Income	**25,750**	**29,481**
Less:		
Comprehensive income attributable to noncontrolling interests	247	342
Comprehensive Income Attributable to CMP	**$ 25,503**	**$ 29,139**

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

	March 31, 2019	December 31, 2018
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 11,365	$ 16,126
Accounts receivable and unbilled revenues, net	206,364	198,935
Accounts receivable from affiliates	1,548	1,776
Notes receivable from affiliates	-	12,700
Materials and supplies	16,570	17,103
Prepayments and other current assets	30,254	41,066
Regulatory assets	26,774	31,414
Total Current Assets	**292,875**	**319,120**
Utility plant, at original cost	4,302,352	4,300,278
Less accumulated depreciation	(1,090,350)	(1,067,288)
Net Utility Plant in Service	**3,212,002**	**3,232,990**
Construction work in progress	153,462	129,985
Total Utility Plant	**3,365,464**	**3,362,975**
Operating lease right of use assets	16,373	-
Other Property and Investments	819	1,222
Regulatory and Other Assets		
Regulatory assets	387,796	393,225
Goodwill	324,938	324,938
Other	85,671	66,964
Total Regulatory and Other Assets	**798,405**	**785,127**
Total Assets	**$ 4,473,936**	**$ 4,468,444**

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

(Thousands)	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Current portion of debt	$ 150,806	$ 151,800
Notes payable to affiliates	13,032	172
Accounts payable and accrued liabilities	129,736	146,065
Accounts payable to affiliates	10,554	38,415
Interest accrued	10,774	17,941
Taxes accrued	8,128	2,953
Operating lease liabilities	527	-
Other current liabilities	54,791	59,417
Regulatory liabilities	34,889	31,067
Total Current Liabilities	**413,237**	**447,830**
Regulatory and Other Liabilities		
Regulatory liabilities	422,377	419,734
Other Non-current liabilities		
Deferred income taxes	499,586	502,943
Pension and other postretirement	191,162	192,283
Operating lease liabilities	15,948	-
Other	40,357	39,245
Total Regulatory and Other Liabilities	**1,169,430**	**1,154,205**
Non-current debt	949,098	949,032
Total Liabilities	**2,531,765**	**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	764,108	764,087
Retained earnings	999,443	974,709
Accumulated other comprehensive loss	(4,166)	(3,958)
Total CMP Common Stock Equity	**1,915,442**	**1,890,895**
Noncontrolling interest	26,158	25,911
Total Equity	**1,941,600**	**1,916,806**
Total Liabilities and Equity	**$ 4,473,936**	**$ 4,468,444**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 25,197**	**$ 29,157**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	28,285	27,841
Regulatory assets/liabilities amortization	1,945	394
Regulatory assets/liabilities carrying cost	449	974
Amortization of debt issuance costs	(64)	144
Deferred taxes	(914)	(3,489)
Pension cost	4,055	5,434
Stock-based compensation	21	19
Accretion expenses	12	11
Other non-cash Items	14	(18)
Changes in operating assets and liabilities		
Accounts receivable, from affiliates, and unbilled revenues	(7,200)	13,079
Inventories	533	(3,321)
Accounts payable, to affiliates, and accrued liabilities	(31,593)	(58,575)
Taxes accrued	20,157	7,125
Other assets/liabilities	(21,096)	12,904
Regulatory assets/liabilities	10,309	8,030
Net Cash Provided by Operating Activities	**30,110**	**39,709**
Cash Flow from Investing Activities:		
Utility plant additions	(62,805)	(66,669)
Contributions in aid of construction	2,172	2,655
Notes receivable from affiliates	12,700	27,836
Proceeds from sale of utility plant	326	9
Investments, net	395	-
Net Cash Used in Investing Activities	**(47,212)**	**(36,169)**
Cash Flow from Financing Activities:		
Repayments of non-current debt	(296)	(296)
Repayments of capital leases	(222)	(188)
Proceeds of short term debt - affiliates	12,859	416
Contributions from noncontrolling interest	-	5,430
Net Cash Provided by Financing Activities	**12,341**	**5,362**
Net (Decrease) Increase in Cash and Cash Equivalents	**(4,761)**	**8,902**
Cash and Cash Equivalents, Beginning of Period	**16,126**	**15,096**
Cash and Cash Equivalents, End of Period	**$ 11,365**	**$ 23,998**

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

	CMP Stockholder							
(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total CMP Common Stock Equity	Non-controlling Interest	Total 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	-	-	-	24,950	-	24,950	247	25,197
Other comprehensive income, net of tax	-	-	-	-	553	553	-	553
Comprehensive income								25,750
Stock-based compensation	-	-	21	-	-	21	-	21
Capital contribution from parent	-	-	-	-	-	-		-
Common stock dividends	-	-	-	-	-	-	-	-
Balance, March 31, 2019	**31,211,471**	**$ 156,057**	**$ 764,108**	**$ 999,443**	**$ (4,166)**	**$ 1,915,442**	**$ 26,158**	**$ 1,941,600**

(*) Par value of share amounts is $5

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2019 and 2018

Table of Contents

March 31, 2019 and 2018

Financial Statements (Unaudited)	Page(s)
Statements of Income	1
Statements of Comprehensive Income	1
Balance Sheets	2 - 3
Statements of Cash Flows	4
Statement of Changes in Common Stock Equity	5

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

Periods Ended March 31,	2019	2018
(Thousands)		
Operating Revenues	**$ 471,483**	**$ 506,460**
Operating Expenses		
Electricity purchased	103,955	134,846
Natural gas purchased	58,594	53,573
Operations and maintenance	149,444	142,757
Depreciation and amortization	35,562	29,839
Taxes other than income taxes, net	39,185	38,500
Total Operating Expenses	**386,740**	**399,515**
Operating Income	**84,743**	**106,945**
Other income	6,072	2,735
Other deductions	(8,018)	(13,560)
Interest expense, net of capitalization	(17,632)	(14,857)
Income Before Income Tax	**65,165**	**81,263**
Income tax expense	16,924	21,264
Net Income	**$ 48,241**	**$ 59,999**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Net Income	**$ 48,241**	**$ 59,999**
Other Comprehensive (Loss) Income, Net of Tax		
Unrealized gain (loss) during the year on derivatives qualified as cash flow hedges, net of income taxes:		
Unrealized gain (loss) during period on derivatives qualified as hedges	215	(59)
Reclassificiation adjustment for loss included in net income	75	22
Reclassification adjustment for loss on settled cash flow treasury hedges	19	21
Other Comprehensive Income (Loss), Net of Tax	**309**	**(16)**
Comprehensive Income	**$ 48,550**	**$ 59,983**

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

(Thousands)	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 19	$ 4,943
Accounts receivable and unbilled revenues, net	296,504	289,751
Accounts receivable from affiliates	5,446	2,505
Fuel and gas in storage	1,914	16,820
Materials and supplies	17,385	16,759
Derivative assets	2,694	3,248
Broker margin accounts	8,791	5,301
Income tax receivable	8,477	20,896
Prepaid property taxes	51,783	36,400
Other current assets	5,306	5,872
Regulatory assets	106,869	113,210
Total Current Assets	**505,188**	**515,705**
Utility plant, at original cost	5,946,530	5,950,914
Less accumulated depreciation	(2,188,912)	(2,173,629)
Net Utility Plant in Service	**3,757,618**	**3,777,285**
Construction work in progress	384,509	353,440
Total Utility Plant	**4,142,127**	**4,130,725**
Operating lease right of use assets	10,255	-
Other Property and Investments	8,081	8,081
Regulatory and Other Assets		
Regulatory assets	892,793	897,938
Other	50,203	6,469
Total Regulatory and Other Assets	**942,996**	**904,407**
Total Assets	**$ 5,608,647**	**$ 5,558,918**

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

(Thousands)	March 31, 2019	December 31, 2018
Liabilities		
Current Liabilities		
Current portion of debt	$ -	$ 20,305
Notes payable to affiliates	77,375	40,375
Accounts payable and accrued liabilities	344,397	374,591
Accounts payable to affiliates	27,023	82,366
Interest accrued	14,125	7,382
Taxes accrued	1,624	1,563
Operating lease liabilities	1,304	-
Derivative liabilities	433	824
Environmental remediation costs	39,222	38,910
Customer deposits	12,736	12,744
Regulatory liabilities	112,908	91,674
Other	56,700	70,322
Total Current Liabilities	**687,847**	**741,056**
Regulatory and Other Liabilities		
Regulatory liabilities	1,201,138	1,197,227
Other non-current liabilities		
Deferred income taxes	483,674	479,633
Pension and other postretirement	263,579	270,984
Operating lease liabilities	8,985	-
Asset retirement obligation	13,682	13,506
Environmental remediation costs	97,439	102,168
Other	85,568	82,484
Total Regulatory and Other liabilities	**2,154,065**	**2,146,002**
Non-current debt	1,214,308	1,217,990
Total Liabilities	**4,056,220**	**4,105,048**
Commitments and Contingencies		
Common Stock Equity		
Common stock	430,057	430,057
Additional paid-in capital	468,437	418,430
Retained earnings	655,092	606,650
Accumulated other comprehensive loss	(1,159)	(1,267)
Total Common Stock Equity	**1,552,427**	**1,453,870**
Total Liabilities and Equity	**$ 5,608,647**	**$ 5,558,918**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Cash Flow from Operating Activities:		
Net income	**$ 48,241**	**$ 59,999**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	35,562	29,839
Regulatory assets/liabilities amortization	9,594	13,857
Regulatory assets/liabilities carrying cost	1,121	1,156
Amortization of debt issuance costs	359	318
Deferred taxes	6,614	(3,489)
Pension cost	12,859	17,547
Stock-based compensation	7	123
Accretion expenses	176	183
Gain on disposal of assets	23	(170)
Other non-cash items	(5,893)	(5,118)
Changes in assets and liabilities		
Accounts receivable, from affiliates, and unbilled revenues	(9,694)	(8,039)
Inventories	14,280	12,353
Accounts payable, to affiliates, and accrued liabilities	(57,136)	(38,493)
Taxes accrued	12,480	(1,013)
Other assets/liabilities	(50,786)	(32,407)
Regulatory assets/liabilities	21,883	750
Net Cash Provided by Operating Activities	**39,690**	**47,396**
Cash Flow from Investing Activities:		
Capital expenditures	(116,227)	(85,493)
Contributions in aid of construction	4,328	3,175
Proceeds from sale of utility plant	189	230
Net Cash Used in Investing Activities	**(111,710)**	**(82,088)**
Cash Flow from Financing Activities:		
Repayment of capital leases	(19,904)	(306)
Notes payable to affiliates	37,000	33,789
Capital contribution	50,000	-
Net Cash Provided by Financing Activities	**67,096**	**33,483**
Net Decrease in Cash and Cash Equivalents	**(4,924)**	**(1,209)**
Cash and Cash Equivalents, Beginning of Period	**4,943**	**3,396**
Cash and Cash Equivalents, End of Period	**$ 19**	**$ 2,187**

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	-	-	-	48,241	-	48,241
Other comprehensive income, net of tax	-	-	-	-	309	309
Comprehensive income						48,550
Stock-based compensation	-	-	7	-	-	7
Capital contribution	-	-	50,000	-	-	50,000
Balance, March 31, 2019	**64,508,477**	**$ 430,057**	**$ 468,437**	**$ 655,092**	**$ (1,159)**	**$ 1,552,427**

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

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2019 and 2018

Table of Contents

March 31, 2019 and 2018

Financial Statements (Unaudited)	**Page(s)**
Statements of Income……………………………………………………	1
Statements of Comprehensive Income…………………………………	1
Balance Sheets……………………………………………………………	2 - 3
Statements of Cash Flows………………………………………………	4
Statement of Changes in Common Stock Equity…………………	5

Rochester Gas and Electric Corporation
Statements of Income (Unaudited)

Periods Ended March 31,	2019	2018
(Thousands)		
Operating Revenues	**$ 282,078**	**$ 270,862**
Operating Expenses		
Electricity purchased and fuel used in generation	28,111	33,383
Natural gas purchased	58,706	51,760
Operations and maintenance	65,744	56,851
Depreciation and amortization	22,538	20,228
Taxes other than income taxes, net	33,227	31,473
Total Operating Expenses	**208,326**	**193,695**
Operating Income	**73,752**	**77,167**
Other income	5,646	4,540
Other deductions	(2,666)	(6,296)
Interest expense, net of capitalization	(18,615)	(15,448)
Income Before Tax	**58,117**	**59,963**
Income tax expense	15,196	15,687
Net Income	**$ 42,921**	**$ 44,276**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Net Income	**$ 42,921**	**$ 44,276**
Other Comprehensive Income, Net of Tax		
Unrealized gain (loss) during the year on derivatives qualified as cash flow hedges, net of income taxes:		
Unrealized gain (loss) during period on derivatives qualified as hedges	83	(24)
Reclassification adjustment for loss included in net income	34	10
Reclassification adjustment for loss on settled cash flow treasury hedges	1,070	1,065
Other Comprehensive Income, Net of Tax	**1,187**	**1,051**
Comprehensive Income	**$ 44,108**	**$ 45,327**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

	March 31, 2019	December 31, 2018
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	$ 1	$ 170
Accounts receivable and unbilled revenues, net	191,192	175,409
Accounts receivable from affiliates	4,626	2,674
Notes receivable from affiliates	91,550	106,350
Fuel and gas in storage	1,134	10,927
Materials and supplies	11,730	11,824
Derivative assets	1,156	1,717
Broker margin accounts	4,653	2,661
Income tax receivable	-	1,591
Prepaid property taxes	44,281	36,708
Other current assets	2,643	2,622
Regulatory assets	40,900	51,876
Total Current Assets	**393,866**	**404,529**
Utility plant, at original cost	3,712,816	3,711,126
Less accumulated depreciation	(1,021,567)	(1,008,290)
Net Utility Plant in Service	**2,691,249**	**2,702,836**
Construction work in progress	353,226	312,111
Total Utility Plant in Service	**3,044,475**	**3,014,947**
Operating lease right of use assets	10,915	-
Other Property and Investments	190	2,662
Regulatory and Other Assets		
Regulatory assets	441,090	446,997
Other	12,336	2,032
Total Regulatory and Other Assets	**453,426**	**449,029**
Total Assets	**$ 3,902,872**	**$ 3,871,167**

Rochester Gas and Electric Corporation
Balance Sheets (Unaudited)

		March 31, 2019		December 31, 2018
(Thousands)				
Liabilities				
Current Liabilities				
Current portion of long term debt	$	148,694	$	150,532
Accounts payable and accrued liabilities		186,348		203,480
Accounts payable to affiliates		13,995		42,739
Interest accrued		12,627		13,379
Taxes accrued		15,434		1,449
Operating lease liabilities		1,304		-
Environmental remediation costs		5,795		3,633
Other		38,967		43,885
Regulatory liabilities		67,000		55,531
Total Current Liabilities		**490,164**		**514,628**
Regulatory and Other Liabilities				
Regulatory liabilities		733,929		712,258
Other Non-current Liabilities				
Deferred income taxes		230,292		244,260
Nuclear plant obligations		126,693		125,930
Pension and other postretirement		166,851		169,888
Operating lease liabilities		9,869		-
Asset retirement obligations		2,883		2,846
Environmental remediation costs		125,023		127,943
Other		74,777		68,610
Total Regulary and Other Liabilities		**1,470,317**		**1,451,735**
Non-current debt		892,125		898,652
Total Liabilities		**2,852,606**		**2,865,015**
Commitments and Contingencies				
Common Stock Equity				
Common stock		194,429		194,429
Additional paid-in capital		605,004		604,998
Retained earnings		410,567		359,003
Accumulated other comprehensive loss		(42,496)		(35,040)
Treasury stock		(117,238)		(117,238)
Total Common Stock Equity		**1,050,266**		**1,006,152**
Total Liabilities and Equity	**$**	**3,902,872**	**$**	**3,871,167**

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

Periods Ended March 31,	2019	2018
(Thousands)		
Cash Flow From Operating Activities:		
Net income	**$ 42,921**	**$ 44,276**
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	22,538	20,228
Regulatory assets/liabilities amortization	(1,028)	2,332
Regulatory assets/liabilities carrying cost	1,730	1,154
Amortization of debt issuance costs	412	372
Deferred taxes	(2,524)	(3,489)
Pension cost	5,314	6,912
Stock-based compensation	6	(172)
Accretion expenses	37	38
Gain on disposal of assets	122	(8)
Other non-cash items	(2,018)	(1,748)
Changes in operating assets and liabilities		
Accounts receivable, from affiliates, and unbilled revenues	(17,735)	(7,926)
Inventories	9,887	7,721
Accounts payable, to affiliates, and accrued liabilities	(37,774)	(37,562)
Taxes accrued	15,576	(14,732)
Other assets/liabilities	(23,727)	6,468
Regulatory assets/liabilities	34,241	18,637
Net Cash Provided by Operating Activities	**47,978**	**42,501**
Cash Flow From Investing Activities:		
Capital expenditures	(65,804)	(54,886)
Contributions in aid of construction	1,185	675
Proceeds from sale of utility plant	94	25
Notes receivable from affiliates	14,800	13,427
Investments, net	2,473	-
Net Cash Used in Investing Activities	**(47,252)**	**(40,759)**
Cash Flow From Financing Activities:		
Repayments of capital leases	(895)	(351)
Net Cash Used in Financing Activities	**(895)**	**(351)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(169)**	**1,391**
Cash and Cash Equivalents, Beginning of Year	**170**	**631**
Cash and Cash Equivalents, End of Year	**$ 1**	**$ 2,022**

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**	**$ 359,003**	**$ (35,040)**	**$ (117,238)**	**$ 1,006,152**
Adoption of accounting standards				8,643	(8,643)		-
Net income	-	-	-	42,921	-	-	42,921
Other comprehensive income, net of tax	-	-	-	-	1,187	-	1,187
							44,108
Stock-based compensation	-	-	6	-	-	-	6
Common stock dividends	-	-	-	-	-	-	-
Balance, March 31, 2019	**38,885,813**	**$ 194,429**	**$ 605,004**	**$ 410,567**	**$ (42,496)**	**$ (117,238)**	**$ 1,050,266**

(*) Par value of share amounts is $5