THE UNITED ILLUMINATING COMPANY

UNAUDITED FINANCIAL STATEMENTS

AS OF

MARCH 31, 2017 AND DECEMBER 31, 2016 AND

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

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

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
Operating Revenues	$	229,413	$	228,736
Operating Expenses				
Operation				
Purchased power		49,712		65,675
Operation and maintenance		93,088		81,258
Depreciation and amortization		19,705		19,337
Taxes - other than income taxes		26,100		24,053
Total Operating Expenses		188,605		190,323
Operating Income		40,808		38,413
Other Income and (Deductions), net				
Other income		1,947		2,563
Other (deductions)		-		(92)
Total Other Income and (Deductions), net		1,947		2,471
Interest Charges, net		10,472		10,237
Income from Equity Investments		3,064		3,198
Income Before Income Taxes		35,347		33,845
Income Taxes (Note E)		11,240		9,666
Net Income	$	24,107	$	24,179

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, 2017	Three Months Ended March 31, 2016
Cash Flows From Operating Activities		
Net income	$ 24,107	$ 24,179
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	20,599	19,686
Deferred income taxes	8,561	9,387
Uncollectible expense	5,592	4,079
Pension expense	7,467	7,418
Allowance for funds used during construction (AFUDC) - equity	(808)	(1,889)
Undistributed (earnings) losses in equity investments	(3,064)	(3,199)
Regulatory assets/liabilities amortization	475	1,753
Regulatory assets/liabiities carrying cost	(143)	1
Other non-cash items, net	512	60
Changes in:		
Accounts receivable and unbilled revenues, net	(1,566)	2,396
Accounts payable and accrued liabilties	(12,894)	(10,294)
Interest accrued	430	(936)
Cash distribution received from GenConn	3,024	3,191
Taxes accrued and refundable	(11,013)	5,542
Accrued pension and other post-retirement	(330)	(390)
Regulatory assets/liabilities	(13,623)	(41,626)
Other assets	(7,929)	(8,889)
Other liabilities	(813)	923
Total Adjustments	(5,523)	(12,787)
Net Cash provided by Operating Activities	18,584	11,392
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(36,028)	(52,493)
Cash distribution from GenConn	2,008	2,073
Notes receivable from affiliates	-	38,000
Net Cash (used in) Investing Activities	(34,020)	(12,420)
Cash Flows from Financing Activities		
Notes payable to affiliates	13,200	-
Net Cash provided by Financing Activities	13,200	-
Unrestricted Cash, Restricted Cash, and Temporary Cash Investments:		
Net change for the period	(2,236)	(1,028)
Balance at beginning of period	4,319	7,384
Balance at end of period	$ 2,083	$ 6,356
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 10,023	$ 7,930

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

THE UNITED ILLUMINATING COMPANY
BALANCE SHEET

ASSETS
(In Thousands)
(Unaudited)

	March 31, 2017	December, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 423	$ 2,590
Accounts receivable and unbilled revenues, net	138,441	141,368
Accounts receivable from affiliates	5,062	5,961
Current regulatory assets (Note A)	36,817	33,462
Materials and supplies, at average cost	5,307	7,197
Refundable taxes	20,178	22,518
Current portion of derivative assets (Note A), (Note I)	8,035	8,785
Prepayments and other current assets	14,535	3,020
Total Current Assets	228,798	224,901
Other Investments		
Equity investment in GenConn (Note A)	104,241	106,214
Other	9,271	9,979
Total Other Investments	113,512	116,193
Total Property, Plant and Equipment	2,632,656	2,615,742
Less accumulated depreciation	553,697	537,736
	2,078,959	2,078,006
Construction work in progress	136,918	119,879
Net Property, Plant and Equipment	2,215,877	2,197,885
Regulatory Assets (Note A)	539,034	509,627
Deferred Charges and Other Assets		
Derivative assets (Note A), (Note I)	9,033	10,631
Other	1,708	3,490
Total Deferred Charges and Other Assets	10,741	14,121
Total Assets	$ 3,107,962	$ 3,062,727

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, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 70,000	$ 70,000
Accounts payable and accrued liabilities	88,258	107,286
Accounts payable to affiliates	10,523	4,552
Current regulatory liabilities (Note A)	1,280	720
Interest accrued	11,294	10,864
Taxes accrued	12,594	25,947
Notes payable to affiliates	29,700	16,500
Current portion of derivative liabilities (Note A), (Note I)	20,447	22,917
Other liabilities	11,843	10,100
Total Current Liabilities	255,939	268,886
Deferred Income Taxes (Note E)	459,188	444,159
Regulatory Liabilities	120,635	122,120
Deferred Income Taxes Regulatory	182,250	171,757
Other Noncurrent Liabilities		
Pension accrued and other-post retirement benefits	258,410	251,534
Derivative liabilities (Note A), (Note I)	77,126	71,783
Environmental liabilities	29,666	29,897
Other	18,496	20,578
Total Other Noncurrent Liabilities	383,698	373,792
Capitalization		
Long-term debt, net of unamortized discount and premium	728,846	728,714
Common Stock Equity		
Common stock	1	1
Paid-in capital	709,230	709,230
Retained earnings	268,175	244,068
Net Common Stock Equity	977,406	953,299
Total Capitalization	1,706,252	1,682,013
Total Liabilities and Capitalization	$ 3,107,962	$ 3,062,727

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, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock		Paid-in	Retained	
	Shares	Amount	Capital	Earnings	Total
Balance as of December 31, 2016	100	$ 1	$ 709,230	$ 244,068	$ 953,299
Net income				24,107	24,107
Balance as of March 31, 2017	100	$ 1	$ 709,230	$ 268,175	$ 977,406

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

THE UNITED ILLUMINATING COMPANY

NOTES TO FINANCIAL STATEMENTS – UNAUDITED

(A) BUSINESS ORGANIZATION AND STATEMENT OF ACCOUNTING POLICIES

The United Illuminating Company (UI), a wholly owned subsidiary of UIL Holdings Corporation (UIL Holdings), 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's parent company, UIL Holdings, is a wholly-owned subsidiary of Avangrid, Inc.

UI is also a party to a joint venture with certain affiliates of NRG Energy, Inc. (NRG affiliates) pursuant to which UI holds 50% of the membership interests in GCE Holding LLC, whose wholly owned subsidiary, GenConn Energy LLC (together with GCE Holding LLC, GenConn) operates peaking generation plants in Devon, Connecticut (GenConn Devon) and Middletown, Connecticut (GenConn Middletown).

Accounting Records

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

Basis of Presentation

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

Certain amounts reported in the Financial Statements in previous periods have been reclassified to conform to the current presentation. Changes in the current presentation are as a result of UIL Holdings presenting such information consistent with its parent Avangrid, Inc.

UI has evaluated subsequent events through the date its financial statements were available to be issued, May 24, 2017.

Derivatives

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

<u>Contracts for Differences (CfDs)</u>

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of March 31, 2017, UI has recorded a gross derivative asset of $17.1 million, a regulatory asset of $80.5 million and a gross derivative liability of $97.6 million ($76.2 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, 2017 and December 31, 2016 were as follows:

	March 31, 2017	December 31, 2016
	(In Thousands)	
Gross derivative assets:		
Current Assets	$ 8,035	$ 8,785
Deferred Charges and Other Assets	$ 9,033	$ 10,631
Gross derivative liabilties:		
Current Liabilities	$ 20,447	$ 22,917
Noncurrent Liabilities	$ 77,126	$ 71,783

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets or regulatory liabilities, as of March 31, 2017 and 2016, were as follows:

	March 31, 2017	December 31, 2016
	(In Thousands)	
Regulatory Assets - Derivative liabilities	$ 5,221	$ 7,578
Regulatory Liabilities - Derivative assets	$ -	$ 739

Equity Investments

UI is party to a 50-50 joint venture with the NRG affiliates 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 $104.2 million and $106.2 million as of March 31, 2017 and December 31, 2016, respectively. As of March 31, 2017, there was $0.1 million of undistributed earnings from UI's equity investment in GenConn.

UI's pre-tax income from its equity investment in GenConn was $3.1 million and $3.2 million for the three-month periods ended March 31, 2017 and 2016, 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 $5.0 million and $5.3 million during the three-month periods ended March 31, 2017 and 2016, respectively.

Regulatory Accounting

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

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, 2017 and December 31, 2016 included the following:

	Remaining Period	March 31, 2017	December 31, 2016
		(In Thousands)	
Regulatory Assets:			
Unamortized redemption costs	5 to 17 years	$ 8,713	8,907
Pension and other post-retirement benefit plans	(a)	236,688	236,688
Unfunded future income taxes	(b)	191,582	179,204
Contracts for differences	(c)	80,505	75,284
Excess generation service charge	(d)	10,516	1,536
Deferred transmission expense	(e)	14,792	8,465
Other	(f)	33,055	33,005
Total regulatory assets		575,851	543,089
Less current portion of regulatory assets		36,817	33,462
Regulatory Assets, Net		$ 539,034	$ 509,627
Regulatory Liabilities:			
Accumulated deferred investment tax credits	28 years	$ 14,562	$ 14,738
Middletown/Norwalk local transmission network service collections	34 years	19,538	19,682
Pension and other post-retirement benefit plans	(a)	10,177	10,177
Asset removal costs	(f)	67,650	67,019
Deferred income taxes	(b)	182,250	171,757
Other	(e)	9,988	11,224
Total regulatory liabilities		304,165	294,597
Less current portion of regulatory liabilities		1,280	720
Regulatory Liabilities, Net		$ 302,885	$ 293,877

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

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

(c) Asset life is equal to delivery term of related contracts (which vary from approximately 3 - 10 years); balance fluctuates based upon quarterly market analysis performed on the related derivatives (Note J); amount, which does not earn a return, is fully offset by corresponding derivative asset/liability. See "-Contracts for Differences" discussion above for additional information.

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

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

(f) Amortization period and/or balance vary depending on the nature, cost of removal and/or remaining life of the underlying assets/liabilities; asset amount as of March 31, 2017 includes decoupling ($6.5 million) and certain other amounts that are not currently earning a return.

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 venturer, NRG affiliates. 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

In March 2017 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-07 "Compensation-Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The ASU contains amendments that require an entity to present service cost separately from the other components of net benefit cost, and to report the service cost component in the income statement line item(s) where it reports the corresponding compensation cost. An entity is to present all other components of net benefit cost outside of operating cost, if it presents that subtotal. The amendments also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of a self-constructed asset). The amendments are effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. UI does not plan to early adopt. An entity is required to apply the amendments retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. A practical expedient allows an entity to retrospectively apply the amendments on adoption to net benefit costs for comparative periods by using the amounts disclosed in the notes to financial statements for pension and postretirement benefit plans for those periods. UI is currently evaluating how the adoption of the amendments will affect its results of operations, financial position, cash flows, and disclosures.

(B) CAPITALIZATION

Common Stock

UI had 100 shares of common stock, no par value, outstanding at March 31, 2017 and December 31, 2016.

(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.

In December 2016, PURA approved distribution rate schedules for UI for three years that became effective January 1, 2017 and which, among other things, provides for $57 million of cumulative distribution rate increases, an allowed ROE of 9.10% based on 50% equity, continued UI's existing earnings sharing mechanism whereby UI is required to return to customers 50% of any distribution earnings over the allowed ROE in a calendar year, continued the existing decoupling mechanism (under which the actual energy delivery revenues are compared on a periodic basis with the authorized delivery revenues and the difference accrued, for refund to or recovery from customers, as applicable), and approved the continuation of the requested storm reserve.

Power Supply Arrangements

UI has wholesale power supply agreements in place for its entire standard service load for the first half of 2017, 80% of its standard service load for the second half of 2017, and 20% of its standard service load for the first half of 2018. 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 UI's credit rating were to decline one rating at Standard & Poor's or two ratings at Moody's and UI were to be placed on negative credit watch, monthly amounts due and payable to the power suppliers would be accelerated to semi-monthly payments. UI's credit rating would have to decline two ratings at Standard & Poor's and three ratings at Moody's to fall below investment grade. If this were to occur, UI would have to deliver collateral security in an amount equal to the receivables due to the sellers for the thirty-day period immediately preceding the default notice. If such an event had occurred as of March 31, 2017 UI would have had to post an aggregate of approximately $11.0 million in collateral. UI would have been and remains able to provide that collateral.

New Renewable Source Generation

Under Connecticut law Public Act (PA 11-80), Connecticut electric utilities are required to enter into long-term contracts to purchase Connecticut Class I Renewable Energy Certificates, or RECs, from renewable generators located on customer premises. Under this program, UI is required to enter into contracts totaling approximately $200 million in commitments over an approximate 21-year period. The obligations have been phasing in over a six-year solicitation period, with the 2017-2018 year being the sixth year, 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.

Through UI's renewable connections program UI owns 10 MW of renewable generation. The costs for this program are 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 CL&P (currently 9.17%), less target equivalent market revenues (reflected as 25 basis points). In addition, UI will retain a percentage of the market revenues from the project, which percentage is expected to equate to approximately 25 basis points on a levelized basis over the life of the project. The costs 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 was approximately $47.5 million.

Pursuant to Connecticut statute, on February 7, 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.

Transmission

PURA decisions do not affect the revenue requirements determination for UI's transmission business, including the applicable ROE. UI's transmission rates are determined by a tariff regulated by the FERC and administered by ISO New England, Inc. (ISO-NE). Transmission rates are set annually pursuant to a FERC authorized formula that allows for recovery of direct and allocated transmission operating and maintenance expenses, and for a return of and on investment in assets. For 2017, UI is using an estimated overall allowed weighted-average ROE for its transmission business of 11.30% as of March 31, 2017. This includes the impact of the FERC order issued on October 16, 2014 and excludes any impacts of the reserve adjustment, both of which are discussed below.

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

On September 30, 2011, several New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties collectively filed a complaint (Complaint I) with the FERC pursuant to sections 206 and 306 of the Federal Power Act. The filing parties sought an order from the FERC reducing the 11.14% base return on equity used in calculating formula rates for transmission service under the ISO-New England Open Access Transmission Tariff (OATT) to 9.2%. UI is a New England Transmission Owner (NETO) with assets and service rates that are governed by the OATT and therefore are affected by any FERC order resulting from the filed complaint.

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

On March 3, 2015, the FERC issued an order on requests for rehearing of its October 16, 2014 decision. The March order upheld the FERC's June 19, 2014 decision and further clarified that the 11.74% ROE cap will be applied on a project specific basis and not on a transmission owner's total average transmission return. In June 2015 the NETOs and complainants both filed an appeal 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) issued its decision. The Court vacated FERC's decision on Complaint I and remanded it to the FERC. The Court found that the FERC, as directed by statute, did not determine first that the existing ROE was unjust and unreasonable before determining a new ROE. The Court ruled that the FERC must first determine that the then existing 11.14% base ROE was unjust and unreasonable before selecting the 10.57% as the new base ROE. The Court also found that the FERC did not provide reasoned judgment as to why 10.57%, the point ROE at the midpoint of the upper end of the zone of reasonableness, is a just and reasonable ROE as the FERC only explained in its order that the midpoint of 9.39% was not just and reasonable and a higher base ROE was warranted. The parties or the FERC could appeal the decision to the United States Supreme Court or FERC could provide additional justification and issue a decision on remand. UI cannot predict the outcome of an appeal or other action by the FERC.

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

On July 31, 2014, a third, ROE complaint (Complaint III) was filed for a subsequent rate period requesting the ROE be reduced to 8.84%. On November 24, 2014, the 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 were held in June 2015 on Complaints II and III before a FERC Administrative Law Judge, relating to the refund periods and going forward period. On July 29, 2015, post-hearing briefs were filed by parties and on August 26, 2015 reply briefs were filed by parties. On July 13, 2015, the NETOs filed a petition for review of the FERC's orders establishing hearing and consolidation procedures for Complaints II and III with the 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 later in 2017, once the FERC has enough commissioners to provide quorum for decision-making.

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 final decision in Complaint I. The total reserve associated with Complaints I, II and III is $4.4 million as of March 31, 2017, which has not changed since December 31, 2016, except for the accrual of carrying costs. If adopted as final, the impact of the initial decision would be an additional aggregate reserve for Complaints II and III of $4.3 million, which is based upon currently available information for these proceedings. UI cannot predict the outcome of the Complaint II and III proceedings.

On April 29, 2016, a fourth ROE complaint (Complaint IV) was filed for a rate period subsequent to prior complaints requesting the base ROE be 8.61% and ROE Cap be 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. On February 1, 2017, the complainants filed their initial testimony recommending a base ROE of 8.59%. On March 23, 2017, the NETOs filed their answering testimony supporting the continuation of the base ROE from Complaint I of 10.57%. 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. Hearings are being held later this year with an expected Initial Decision from the Administrative Law Judge in November 2017.

Equity Investment in Peaking Generation

UI is party to a 50-50 joint venture with NRG affiliates 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, 2017 through December 31, 2017 of $28.9 million and $35.7 million for GenConn Devon and GenConn Middletown, respectively. PURA has ruled previously that GenConn's project capital costs incurred were prudently incurred and are included in the 2017 approved revenue requirements.

(D) SHORT-TERM CREDIT ARRANGEMENTS

Through its parent company, Avangrid, Inc., and along with other Avangrid, Inc. subsidiaries, UI is party to a credit facility agreement (AVANGRID Credit Facility) under which UI has a maximum sublimit of $250 million. Additionally, under the AVANGRID Credit Facility, each of the borrowers, including UI, will pay an annual facility fee that is dependent on their credit rating. The facility fees will range from 10.0 to 17.5 basis points. The maturity date for the AVANGRID Credit Facility is April 5, 2021. As of March 31, 2017, UI does 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 periods ended March 31, 2017 and 2016 were 31.8% and 28.6%, respectively.

(F) PENSION AND OTHER BENEFITS

In April 2017, UI made pension contributions of $9.0 million and does not expect to make any additional contributions in the remainder of 2017.

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, 2017 and 2016:

	Three Months Ended March 31,			
	Pension Benefits		Other Post-Retirement	
	2017	2016	2017	2016
	(In Thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,403	$ 1,519	$ 235	$ 257
Interest cost	5,747	5,600	675	787
Expected return on plan assets	(6,291)	(6,435)	(363)	(418)
Amortization of:				
Prior service costs	(2)	(1)	(385)	(382)
Actuarial (gain) loss	6,185	5,737	4	408
Net periodic benefit cost	$ 7,042	$ 6,420	$ 167	$ 652
Discount rate	4.24%	4.24%	4.24%	4.24%
Average wage increase	3.80%	3.80%	N/A	N/A
Return on plan assets	7.50%	7.75%	6.25%	7.75%
Health care trend rate (current year - pre/post-65)	N/A	N/A	6.75%/6.00%	7.00%
Health care trend rate (2026/2024 - pre/post-65)	N/A	N/A	4.50%/4.50%	4.50%

N/A – not applicable

(G) RELATED PARTY TRANSACTIONS

During the three-month periods ending March 31, 2017 and 2016, 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 Avangrid Inc. and its subsidiaries. For the three-month periods ended March 31, 2017 and 2016, UI recorded inter-company expenses of $12.8 million and $10.3 million, respectively, which consisted primarily of operation and maintenance expenses. Costs of the services that are allocated amongst UI and other of Avangrid's regulated subsidiaries are settled periodically by way of inter-company billings and wire transfers and are included in Accounts receivable from affiliates and Accounts payable to affiliates in the accompanying balance sheets.

Dividends/Capital Contributions

In order to maintain its capitalization structure as allowed per PURA's final decision in UI's 2008 distribution rate proceeding, on a quarterly basis UI assesses the need to pay dividends to UIL Holdings. For the three-month periods ended March 31, 2017 2016, UI did not pay any dividends to UIL Holdings.

(H) COMMITMENTS AND CONTINGENCIES

UI is party to various legal disputes arising as part of its normal business activities. UI assesses its exposure to these matters and records estimated loss contingencies when a loss is likely and can be reasonably estimated.

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), the carrying value of which was $0.2 million as of December 31, 2016. Connecticut Yankee 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.

DOE Spent Fuel Litigation

In 1998, Connecticut Yankee filed claims in the United States Court of Federal Claims seeking damages resulting from the breach of the 1983 spent fuel and high level waste disposal contract between Connecticut Yankee and the DOE. In September 2010, the court issued its decision and awarded Connecticut Yankee damages of $39.7 million for its spent fuel-related costs through 2001, which was affirmed in May 2012. Connecticut Yankee received payment of the damage award and, in light of its ownership share, in July 2013 UI received approximately $3.8 million of such award which was credited back to customers through the CTA.

In December 2007, Connecticut Yankee filed a second set of complaints with the United States Court of Federal Claims against the DOE seeking damages incurred since January 1, 2002 for the DOE's failure to remove Connecticut Yankee's spent fuel. In November 2013, the court issued a final judgment, which was not appealed, awarding Connecticut Yankee damages of $126.3 million. In light of its ownership share, in June 2014, UI received approximately $12.0 million of such award which was applied, in part, against the remaining storm regulatory asset balance. The remaining regulatory liability balance was applied to the GSC "working capital allowance" and will be returned to customers through the nonbypassable federally mandated congestion charge.

In August 2013, Connecticut Yankee filed a third set of complaints (Phase III) with the United States Court of Federal Claims against the DOE seeking an unspecified amount of damages incurred since January 1, 2009 for the DOE's failure to remove Connecticut Yankee's spent fuel. In April 2015, Connecticut Yankee provided the DOE with a third set of damage claims totaling approximately $32.9 million for damages incurred from January 1, 2009 through December 31, 2012. The Phase II trial was completed in July 2015 and the Court issued its decision on March 25, 2016 awarding Connecticut Yankee $32.6 million. On July 18, 2016, the notice of appeal period expired and the Phase III trial award became final. On October 14, 2016, Connecticut Yankee received the DOE's payment of the damage award. UI's 9.5% ownership share resulted in a receipt of approximately $3.1 million in December 2016, of which approximately $1.7 million will be refunded to customers and of which approximately $1.4 million was used to fund the decommissioning trust fund.

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

<u>English Station</u>

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 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 and Asnat filed a subsequent lawsuit in Connecticut state court seeking among other things: (i) remediation of the property; (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 on or before August 1, 2017.

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. A status report was filed with the court in December 2016 and the next status report is due in May 2017.

On August 4, 2016, DEEP issued 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.

In connection with the consent order, on August 4, 2016, DEEP also issued a Consent Order to Evergreen Power, Asnat, and certain related parties that provides UI access to investigate and remediate the English Station site consistent with the consent order. UI has initiated its process to investigate and remediate the environmental conditions within the perimeter of the English Station site pursuant to the consent order.

As of December 31, 2016, UI had reserved $30 million for this case. As of March 31, 2017, the reserve amount remained unchanged. UI cannot predict the outcome of this matter.

<u>Other</u>

With respect to transmission-related property adjacent to the New Haven Harbor Generating Station, UI performed an environmental analysis that indicated remediation expenses would be approximately $3.2 million. UI has accrued these estimated expenses, which were recovered in transmission rates.

(I) FAIR VALUE MEASUREMENTS

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

The following tables set forth the fair value of UI's financial assets and liabilities, other than pension benefits and other postretirement benefits, as of March 31, 2017 and December 31, 2016:

	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, 2017	(In Thousands)			
Assets:				
Derivative assets	$ -	$ -	$ 17,068	$ 17,068
Supplemental retirement benefit trust life insurance policies	-	9,101	-	9,101
	-	9,101	17,068	26,169
Liabilities:				
Derivative liabilities	-	-	97,573	97,573
	-	-	97,573	97,573
Net fair value assets/(liabilities), March 31, 2017	$ -	$ 9,101	$ (80,505)	$ (71,404)
December 31, 2016				
Assets:				
Derivative assets	$ -	$ -	$ 19,416	$ 19,416
Supplemental retirement benefit trust life insurance policies	-	9,646	-	9,646
	-	9,646	19,416	29,062
Liabilities:				
Derivative liabilities	-	-	94,700	94,700
	-	-	94,700	94,700
Net fair value assets/(liabilities), December 31, 2016	$ -	$ 9,646	$ (75,284)	$ (65,638)

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

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

	Unobservable Input	Range at March 31, 2017	Range at December 31, 2016
Contracts for differences	Risk of non-performance	0.60% - 0.66%	0.68% - 0.81%
	Discount rate	1.50% - 2.40%	1.47% - 2.45%
	Forward pricing ($ per MW)	$3.15 - $9.55	$3.15 - $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, 2017 and December 31, 2016 in the active markets for the various funds within which the assets are held.

Non-current debt is carried at cost on the balance sheet. The fair value of non-current debt as displayed in the table above is based on evaluated prices that reflect significant observable market information such as reported trades, actual trade information of similar securities, benchmark yields, broker/dealer quotes of new issue prices and relevant credit information.

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 period March 31, 2017.

	Three Months Ended March 31, 2017 (In Thousands)	
Net derivative assets/(liabilities), December 31, 2016	$	(75,284)
Unrealized gains and (losses), net		(5,221)
Net derivative assets/(liabilities), March 31, 2017	$	(80,505)
Change in unrealized gains (losses), net relating to net derivative assets/(liabilities), still held as of March 31, 2017	$	(5,221)

CONSOLIDATED FINANCIAL STATEMENTS

OF

THE SOUTHERN CONNECTICUT GAS COMPANY

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating Revenues	$ 136,542	$ 123,473
Operating Expenses		
Operation		
Natural gas purchased	70,602	55,187
Operation and maintenance	23,740	27,155
Depreciation and amortization	6,299	6,372
Taxes - other than income taxes	8,409	8,158
Total Operating Expenses	109,050	96,872
Operating Income	27,492	26,601
Other Income and (Deductions), net		
Other income	2,236	497
Other (deductions)	(309)	(276)
Total Other Income and (Deductions), net	1,927	221
Interest Charges, net	3,528	3,521
Income Before Income Taxes	25,891	23,301
Income Taxes	9,494	8,817
Net Income	$ 16,397	$ 14,484

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net Income	$ 16,397	$ 14,484
Other Comprehensive Income (Loss), net of income taxes		
Changes in unrealized gains (losses) related to pension and other post-retirement benefit plans	260	5
Comprehensive Income	$ 16,657	$ 14,489

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, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 1,473	$ 794
Accounts receivable and unbilled revenues, net	91,780	78,570
Accounts receivable from affiliates	1,767	5,541
Notes receivable from affiliates	3,338	2,880
Current regulatory assets	15,192	22,886
Natural gas in storage, at average cost	17,689	26,489
Materials and supplies, at average cost	2,122	2,115
Prepayments and other current assets	5,589	9,990
Total Current Assets	138,950	149,265
Other investments	9,888	9,657
Total Property, Plant and Equipment	898,820	889,871
Less accumulated depreciation	226,307	221,864
	672,513	668,007
Construction work in progress	6,922	7,425
Net Property, Plant and Equipment	679,435	675,432
Regulatory Assets	150,962	153,415
Deferred Income Taxes Regulatory	7,880	-
Deferred Charges and Other Assets		
Goodwill	134,931	134,931
Other	1,273	170
Total Deferred Charges and Other Assets	136,204	135,101
Total Assets	$ 1,123,319	$ 1,122,870

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

	March 31, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 2,553	$ 2,517
Accounts payable and accrued liabilities	46,157	55,254
Accounts payable to affiliates	6,255	-
Current regulatory liabilities	6,423	2,759
Other current liabilities	7,314	6,592
Interest accrued	2,616	2,819
Taxes accrued	9,143	18,474
Notes payable to affiliates	11,648	19,698
Total Current Liabilities	92,109	108,113
Deferred Income Taxes	52,767	42,366
Regulatory Liabilities	179,492	172,897
Deferred Income Taxes Regulatory	-	218
Other Noncurrent Liabilities		
Pension and other-post retirement	71,428	70,589
Asset retirement obligations	12,063	11,910
Other	8,107	8,473
Environmental liabilities	46,896	46,916
Total Other Noncurrent Liabilities	138,494	137,888
Capitalization		
Long-term debt, net of unamortized premium	221,935	222,523
Noncontrolling interest (Note A)	16,869	16,869
Common Stock Equity		
Common stock	18,761	18,761
Paid-in capital	369,737	369,737
Retained earnings	33,038	33,641
Accumulated other comprehensive income (loss)	117	(143)
Net Common Stock Equity	421,653	421,996
Total Capitalization	660,457	661,388
Total Liabilities and Capitalization	$ 1,123,319	$ 1,122,870

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash Flows From Operating Activities		
Net income	$ 16,397	$ 14,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,347	6,480
Uncollectible expense	775	1,019
Deferred income taxes	1,574	7,082
Pension expense	1,278	1,085
Regulatory assets/liabilities amortization	5,710	5,710
Regulatory assets/liabiities carrying cost	21	-
Other non-cash items, net	132	(227)
Changes in:		
Accounts receivable and unbilled revenue, net	(10,311)	(8,620)
Natural gas in storage	8,800	10,934
Accounts payable and accrued liabilities	1,795	(5,068)
Taxes accrued/refundable, net	(1,244)	5,696
Interest accrued	(203)	(201)
Accrued pension and other post-retirement	(325)	(841)
Regulatory assets/liabilities	12,033	3,608
Other assets	(2,836)	(1,914)
Other liabilities	263	(146)
Total Adjustments	23,809	24,597
Net Cash provided by Operating Activities	40,206	39,081
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(14,019)	(13,345)
Intercompany receivable	(458)	-
Net Cash (used in) Investing Activities	(14,477)	(13,345)
Cash Flows from Financing Activities		
Payment of common stock dividend	(17,000)	-
Intercompany payable	(8,050)	(24,000)
Net Cash (used in) provided by Financing Activities	(25,050)	(24,000)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	679	1,736
Balance at beginning of period	794	6,946
Balance at end of period	$ 1,473	$ 8,682
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 1,308	$ 1,308

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

THE SOUTHERN CONNECTICUT GAS COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock										
	Shares		Amount		Paid-in Capital		Retained Earnings (Accumulated Deficit)		Accumulated Other Comprehensive Income (Loss)		Total
Balance as of December 31, 2016	1,407,072	$	18,761	$	369,737	$	33,641	$	(143)	$	421,996
Net income							16,397				16,397
Other comprehensive loss, net of income taxes									260		260
Payment of common stock dividend							(17,000)				(17,000)
Balance as of March 31, 2017	1,407,072	$	18,761	$	369,737	$	33,038	$	117	$	421,653

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, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating Revenues	$ 140,709	$ 116,294
Operating Expenses		
Operation		
Natural gas purchased	73,184	49,522
Operation and maintenance	22,539	19,155
Depreciation and amortization	8,231	7,722
Taxes - other than income taxes	8,454	7,794
Total Operating Expenses	112,408	84,193
Operating Income	28,301	32,101
Other Income and (Deductions), net		
Other income	302	475
Other (deductions)	(81)	(79)
Total Other Income and (Deductions), net	221	396
Interest Charges, net	2,060	2,253
Income Before Income Taxes	26,462	30,244
Income Taxes	8,976	10,522
Net Income	17,486	19,722
Less:		
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Net Income attributable to Connecticut Natural Gas Corporation	$ 17,479	$ 19,715

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net Income	$ 17,486	$ 19,722
Other Comprehensive Income (Loss), net of income taxes		
Changes in unrealized gains(losses) related to pension and other post-retirement benefit plans	-	-
Total Other Comprehensive Income (Loss), net of income taxes	-	-
Comprehensive Income	17,486	19,722
Less:		
Preferred Stock Dividends of Subsidiary, Noncontrolling Interests	7	7
Comprehensive Income	$ 17,479	$ 19,715

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

	March 31, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 813	$ 714
Accounts receivable and unbilled revenues, net	90,481	80,503
Accounts receivable from affiliates	1,159	1,547
Current regulatory assets	8,332	14,461
Natural gas in storage	12,817	22,748
Materials and supplies	1,745	1,663
Prepayments and other current assets	2,519	1,502
Total Current Assets	117,866	123,138
Other investments	1,302	1,375
Total Property, Plant and Equipment	862,679	857,533
Less accumulated depreciation	283,731	280,731
	578,948	576,802
Construction work in progress	29,890	23,348
Net Property, Plant and Equipment	608,838	600,150
Regulatory Assets	137,450	138,460
Deferred Income Taxes Regulatory	26,502	21,749
Deferred Charges and Other Assets		
Goodwill	79,341	79,341
Other	1,381	170
Total Deferred Charges and Other Assets	80,722	79,511
Total Assets	$ 972,680	$ 964,383

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

	March 31, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 20,070	$ 20,310
Accounts payable	49,231	62,476
Accounts payable to affiliates	5,182	11,349
Other current liabilities	4,323	3,666
Current regulatory liabilities	11,486	11,471
Interest accrued	2,541	1,905
Notes payable to affiliates	15,550	22,000
Taxes accrued	29,150	9,567
Total Current Liabilities	137,533	142,744
Deferred Income Taxes	42,598	40,474
Regulatory Liabilities	200,760	195,993
Other Noncurrent Liabilities		
Pension and other post-retirement	100,718	99,933
Asset retirement obligations	6,803	6,716
Other	1,511	1,257
Total Other Noncurrent Liabilities	109,032	107,906
Capitalization		
Long-term debt, net of unamortized premium	109,255	109,243
Preferred Stock, not subject to mandatory redemption	340	340
Common Stock Equity		
Common stock	33,233	33,233
Paid-in capital	315,304	315,304
Retained earnings	24,652	19,173
Accumulated other comprehensive income	(27)	(27)
Net Common Stock Equity	373,162	367,683
Total Capitalization	482,757	477,266
Total Liabilities and Capitalization	$ 972,680	$ 964,383

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash Flows From Operating Activities		
Net Income	$ 17,486	$ 19,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,250	7,776
Deferred income taxes	(4,695)	6,948
Uncollectible expense	1,319	835
Pension expense	1,629	1,362
Regulatory assets/liabilities amortization	564	673
Regulatory assets/liabiities carrying cost	87	78
Other non-cash items, net	(7)	(468)
Changes in:		
Accounts receivable and unbilled revenues, net	(10,909)	(7,261)
Natural gas in storage	9,931	12,223
Accounts payable	(15,702)	(9,475)
Interest accrued	636	865
Taxes accrued/refundable, net	19,608	5,663
Accrued pension and other post-retirement	(847)	(774)
Regulatory assets/liabilities	9,750	(13,134)
Other assets	(2,344)	(1,922)
Other liabilities	918	464
Total Adjustments	18,188	3,853
Net Cash provided by Operating Activities	35,674	23,575
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(17,118)	(11,454)
Net Cash (used in) Investing Activities	(17,118)	(11,454)
Cash Flows from Financing Activities		
Payment of common stock dividend	(12,000)	-
Payments of preferred stock dividend	(7)	(7)
Intercompany payable	(6,450)	(8,000)
Other	-	-
Net Cash (used in) Financing Activities	(18,457)	(8,007)
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	99	4,114
Balance at beginning of period	714	2,835
Balance at end of period	$ 813	$ 6,949
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ 5,318	$ 2,281

CONNECTICUT NATURAL GAS CORPORATION
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2016	10,634,436	$ 33,233	$ 315,304	$ 19,173	$ (27)	$ 367,683
Net income				17,486		17,486
Payment of commom stock dividend				(12,000)		(12,000)
Payment of preferred stock dividend				(7)		(7)
Balance as of March 31, 2017	10,634,436	$ 33,233	$ 315,304	$ 24,652	$ (27)	$ 373,162

FINANCIAL STATEMENTS

OF

THE BERKSHIRE GAS COMPANY

AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating Revenues	$ 33,703	$ 29,630
Operating Expenses		
Operation		
Natural gas purchased	15,085	11,301
Operation and maintenance	7,065	6,860
Depreciation and amortization	1,917	1,787
Taxes - other than income taxes	948	834
Total Operating Expenses	25,015	20,782
Operating Income	8,688	8,848
Other Income and (Deductions), net		
Other income	44	116
Other (deductions)	(11)	(10)
Total Other Income and (Deductions), net	33	106
Interest Charges, net	821	835
Income Before Income Taxes	7,900	8,119
Income Taxes	3,178	3,183
Net Income	$ 4,722	$ 4,936

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net Income	$ 4,722	$ 4,936
Other Comprehensive Income (Loss)	4	15
Comprehensive Income	$ 4,726	$ 4,951

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

	March 31, 2017	December 31, 2016
Current Assets		
Unrestricted cash and temporary cash investments	$ 289	$ 78
Accounts receivable and unbilled revenues, net	17,188	14,427
Accounts receivable from affiliates	365	292
Current regulatory assets	4,352	7,149
Natural gas in storage, at average cost	1,214	1,898
Materials and supplies, at average cost	951	764
Other current assets	218	300
Total Current Assets	24,577	24,908
Other investments	2,440	2,450
Total Property, Plant and Equipment	223,369	222,525
Less accumulated depreciation	73,915	72,618
	149,454	149,907
Construction work in progress	4,269	3,407
Net Property, Plant and Equipment (Note A)	153,723	153,314
Regulatory Assets	35,528	35,409
Deferred Charges and Other Assets		
Goodwill	51,933	51,933
Other	1,100	28
Total Deferred Charges and Other Assets	53,033	51,961
Total Assets	$ 269,301	$ 268,042

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

	March 31, 2017	December 31, 2016
Current Liabilities		
Current portion of long-term debt	$ 2,393	$ 2,393
Accounts payable and accrued liabilities	9,797	11,140
Accounts payable to affiliates	558	8,021
Other current liabilities	1,066	971
Interest accrued	605	848
Notes payable to affiliates	4,650	8,300
Current regulatory liabilities	3,686	2,312
Taxes accrued	10,628	81
Total Current Liabilities	33,383	34,066
Deferred income taxes	26,014	24,591
Regulatory liabilities	33,152	33,725
Deferred income taxes regulatory	1,223	2,622
Other Noncurrent Liabilities		
Pension accrued	18,403	18,113
Environmental remediation costs	2,950	2,950
Other	3,314	5,630
Total Other Noncurrent Liabilities	24,667	26,693
Capitalization		
Long-term debt	40,091	40,300
Common Stock Equity		
Paid-in capital	106,095	106,095
Retained earnings	4,680	(42)
Accumulated other comprehensive income (loss)	(4)	(8)
Net Common Stock Equity	110,771	106,045
Total Capitalization	150,862	146,345
Total Liabilities and Capitalization	$ 269,301	$ 268,042

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash Flows From Operating Activities		
Net income	$ 4,722	$ 4,936
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	1,857	1,818
Deferred income taxes	(46)	(197)
Uncollectible expense	178	141
Pension expense	315	182
Regulatory assets/liabilities amortization	639	692
Other non-cash items, net	46	113
Changes in:		
Accounts receivable and unbilled revenue, net	(3,045)	(2,692)
Natural gas in storage	685	1,027
Accounts payable and accrued liabilities	(8,490)	(3,101)
Taxes accrued/refundable, net	10,524	4,119
Interest accrued	(244)	(244)
Accrued pension and other post-retirement	(25)	(92)
Regulatory assets/liabilities	2,362	1,430
Other assets	(1,156)	(1,063)
Other liabilities	(2,192)	(29)
Total Adjustments	1,408	2,104
Net Cash provided by Operating Activities	6,130	7,040
Cash Flows from Investing Activities		
Plant expenditures including AFUDC debt	(2,269)	(1,575)
Intercompany receivable	-	(6,000)
Net Cash used in Investing Activities	(2,269)	(7,575)
Cash Flows from Financing Activities		
Intercompany payable	(3,650)	-
Net Cash provided by Financing Activities	(3,650)	-
Unrestricted Cash and Temporary Cash Investments:		
Net change for the period	211	(535)
Balance at beginning of period	78	2,950
Balance at end of period	$ 289	$ 2,415
Non-cash investing activity:		
Plant expenditures included in ending accounts payable	$ -	$ 3

THE BERKSHIRE GAS COMPANY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
March 31, 2017
(Thousands of Dollars)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2016	100	$ -	$ 106,095	$ (42)	$ (8)	$ 106,045
Net income				4,722		4,722
Other comprehensive income, net of income taxes					4	4
Balance as of March 31, 2017	100	$ -	$ 106,095	$ 4,680	$ (4)	$ 110,771

Central Maine Power Company and Subsidiaries

Consolidated Financial Statements (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

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Central Maine Power Company
Consolidated Statements of Income (Unaudited)

Periods ended March 31,	2017	2016
(Thousands)		
Operating Revenues		
Sales and services	$ 207,924	$212,779
Operating Expenses		
Electricity purchased	3,388	13,281
Operating expenses and Maintenance Expenses	97,344	103,971
Depreciation and amortization	26,310	25,484
Other taxes	14,851	12,988
Total Operating Expenses	141,893	155,724
Operating Income	66,031	57,055
Other Income	1,269	1,454
Other Deductions	(176)	(147)
Interest Charges, Net	(13,164)	(13,048)
Income Before Income Taxes	53,960	45,314
Income Taxes	20,586	17,794
Net Income	33,374	27,520
Less: Net Income Attributable to Noncontrolling Interest	166	105
Net Income Attributable to CMP	33,208	27,415
Preferred Stock Dividends	-	-
Earnings Available for CMP Common Stock	$ 33,208	$ 27,415

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

Periods ended March 31,	2017	2016
(Thousands)		
Net Income	$ 33,374	$ 27,520
Other Comprehensive Loss, Net of Tax		
Unrealized gain (loss) on derivatives qualifed as hedges:		
Unrealized gain (loss) during period on derivatives qualified as hedges	30	(44)
Reclassification adjustment for (gain) loss included in net income	(111)	116
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	321	322
Net unrealized gain on derivatives qualified as hedges	240	394
Other Comprehensive Income	240	394
Comprehensive Income	33,614	27,914
Less:		
Comprehensive Income Attributable to Other Noncontrolling Interests	166	105
Comprehensive Income Attributable to Central Maine Power Company	$ 33,448	$ 27,809

Central Maine Power Company

Consolidated Balance Sheets (Unaudited)

(Thousands)	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 7,434**	$ 7,968
Accounts receivable and unbilled revenues, net	**162,260**	161,725
Accounts receivable from affiliates	**3,915**	1,671
Notes receivable from affiliates	**27,404**	32,100
Materials and supplies	**14,585**	15,018
Prepayments and other current assets	**37,600**	79,170
Regulatory assets	**23,325**	18,198
Total Current Assets	**276,523**	315,850
Utility Plant, at Original Cost	**3,841,155**	3,828,993
Less accumulated depreciation	**(917,625)**	(893,117)
Net Utility Plant in Service	**2,923,530**	2,935,876
Construction work in progress	**178,650**	160,459
Total Utility Plant	**3,102,180**	3,096,335
Other Property and Investments	**1,290**	1,297
Regulatory and Other Assets		
Regulatory assets	**490,459**	489,765
Goodwill	**324,938**	324,938
Other	**21,835**	19,027
Total Regulatory and Other Assets	**837,232**	833,730
Total Assets	**$ 4,217,225**	$ 4,247,212

Central Maine Power Company

Consolidated Balance Sheets (Unaudited)

(Thousands)		March 31, 2017		December 31, 2016
Liabilities				
Current Liabilities				
Current portion of long-term debt	**$**	**1,395**	$	5,154
Notes payable to affiliates				
Accounts payable and accrued liabilities		**109,979**		145,653
Accounts payable to affiliates		**10,921**		35,844
Interest accrued		**10,127**		17,851
Taxes accrued		**3,714**		3,154
Other current liabilities		**51,741**		54,008
Regulatory liabilities		**44,448**		36,801
Total Current Liabilities		**232,325**		298,465
Regulatory and Other Liabilities				
Regulatory liabilities		**113,276**		109,941
Deferred income taxes regulatory		**147,327**		149,232
Other Non-current liabilities				
Deferred income taxes		**659,898**		660,090
Pension and other postretirement benefits		**194,263**		194,716
Other		**58,199**		56,096
Total Regulatory and Other liabilities		**1,172,963**		1,170,075
Long-term debt		**1,041,896**		1,042,310
Total Liabilities		**2,447,184**		2,510,850
Commitments				
Preferred Stock				
Preferred stock		**571**		571
Common Stock Equity				
Common stock		**156,057**		156,057
Capital in excess of par value		**764,079**		764,014
Retained earnings		**845,329**		812,121
Accumulated other comprehensive loss		**(6,407)**		(6,647)
Total CMP Common Stock Equity		**1,759,058**		1,725,545
Noncontrolling Interest		**10,412**		10,246
Total Equity		**1,769,470**		1,735,791
Total Liabilities and Equity	**$**	**4,217,225**	$	4,247,212

Central Maine Power Company

Consolidated Statements of Cash Flows (Unaudited)

Three months ended March 31,	**2017**	2016
(Thousands)		
Operating Activities		
Net income	**$ 33,208**	$ 27,520
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**26,310**	25,484
Amortization of regulatory and other assets and liabilities	**(1,899)**	(2,536)
Carrying Costs of regulatory assets and liabilities	**295**	246
Amortization of Debt issuance costs	**139**	139
Deferred taxes	**(4,806)**	6,425
Pension cost	**4,713**	6,569
Stock-based compensation	**65**	-
Accretion expenses	**10**	10
Gain on disposal of property, plant and equipment	**(5)**	-
Other non-cash items	**76**	(49)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	**(2,778)**	2,887
Materials and supplies	**433**	1,060
Accounts payable and accrued liabilities	**(51,871)**	(68,941)
Other liabilities and accrued taxes	**27,196**	1,523
Other assets	**39,065**	91,841
Regulatory assets and liabilities	**(27,095)**	2,469
Net Cash Provided by Operating Activities	**43,056**	94,647
Investing Activities		
Utility plant additions	**(47,540)**	(24,762)
Contribution in aid of construction	**2,889**	3,698
Proceeds from sale of property, plant and equipment	**223**	-
Notes receivable from affiliates	**4,696**	22,741
Investments,net	**8**	14
Net Cash Used in (Provided by) Investing Activities	**(39,724)**	1,691
Financing Activities		
Long-term note retirements	**(296)**	(40,296)
Proceeds from short term debt, net	**447**	1,486
Proceeds from short term debt-affiliates	**-**	39,250
Repayment of capital leases	**(4,017)**	(112)
Non-controlling interests	**-**	(105)
Dividends paid on common and preferred stock	**-**	(100,000)
Net Cash Used in Financing Activities	**(3,866)**	(99,777)
Net Increase in Cash and Cash Equivalents	**(534)**	(3,439)
Cash and Cash Equivalents, Beginning of Period	**7,968**	5,360
Cash and Cash Equivalents, End of Period	**$ 7,434**	$ 1,921
	-	

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

(Thousands)	Common Stock Outstanding $5 Par Value Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity	Noncon-trolling interest	Total
Balance, January 1, 2017	31,211	$ 156,057	$ 764,014	$ 812,121	$ (6,647)	$ 1,725,545	$ 10,246	$ 1,735,791
Net income attributable to CMP				33,208		33,208	166	33,374
Other comprehensive income, net of tax					240	240		240
Comprehensive income								33,614
Stock-based compensation			65			65		65
Balance, March 31, 2017	31,211	$ 156,057	$ 764,079	$ 845,329	$ (6,407)	$ 1,759,058	$ 10,412	$ 1,769,470

New York State Electric & Gas Corporation

Financial Statements (Unaudited)
For the Three Months Ended March 31, 2017 and 2016

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New York State Electric & Gas Corporation

Statements of Income (Unaudited)

Periods ended March 31,		**2017**		2016
(Thousands)				
Operating Revenues				
Electric	**$**	**325,542**		$306,686
Natural gas		**115,716**		104,479
Total Operating Revenues		**441,258**		411,165
Operating Expenses				
Electricity and fuel purchased		**92,324**		89,579
Natural gas purchased		**44,097**		35,794
Other operating and maintenance expenses		**147,045**		140,597
Depreciation and amortization		**27,830**		32,381
Other taxes		**37,077**		36,094
Total Operating Expenses		**348,373**		334,445
Operating Income		**92,885**		76,720
Other Income		**3,632**		8,827
Other Deductions		**(106)**		(551)
Interest Charges, Net		**(15,091)**		(21,985)
Income Before Income Taxes		**81,320**		63,011
Income Taxes		**40,184**		20,718
Net Income	**$**	**41,136**	$	42,293

New York State Electric & Gas Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended March 31,		**2017**		2016
(Thousands)				
Net Income	**$**	**41,136**	$	42,293
Other Comprehensive Income, Net of Tax				
Unrealized gain (loss) on derivatives qualified as hedges				
Unrealized gain (loss) during period on derivatives qualified as hedges		**(200)**		(68)
Reclassification adjustment for loss included in net income		**49**		174
Reclassification adjustment for loss on settled cash flow treasury included in net income		**16**		15
Net unrealized gain on derivatives qualified as hedges		**(135)**		121
Other Comprehensive (Loss) Income		**(135)**		121
Comprehensive Income	**$**	**41,001**	$	42,414

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,998**	$ 3,646
Accounts receivable and unbilled revenues, net	**250,740**	246,902
Accounts receivable from affiliates	**19,361**	13,246
Fuel and natural gas in storage, at average cost	**1,786**	11,751
Materials and supplies, at average cost	**16,575**	16,490
Broker margin accounts	**12,280**	11,968
Prepaid property taxes	**49,637**	35,224
Other current assets	**23,741**	41,284
Regulatory assets	**109,619**	121,697
Total Current Assets	**485,737**	502,208
Utility Plant, at Original Cost	**5,284,327**	5,248,018
Less accumulated depreciation	**(2,059,198)**	(2,043,588)
Net Utility Plant in Service	**3,225,129**	3,204,430
Construction work in progress	**289,068**	252,044
Total Utility Plant	**3,514,197**	3,456,474
Other Property and Investments	**10,387**	10,385
Regulatory and Other Assets		
Regulatory assets	**1,016,286**	1,045,706
Other	**153**	215
Total Regulatory and Other Assets	**1,016,439**	1,045,921
Total Assets	**$ 5,026,760**	$ 5,014,988

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2017	December 31, 2016
(Thousands)		
Liabilities		
Current Liabilities		
Bank overdraft		
Current portion of long-term debt	**199,984**	219,325
Notes payable to affiliates	**67,500**	5,900
Accounts payable and accrued liabilities	**194,065**	205,771
Accounts payable to affiliates	**21,997**	74,310
Interest accrued	**18,022**	8,381
Taxes accrued	**1,307**	1,209
Derivative liabilities	**393**	145
Environmental remediation costs	**33,700**	27,151
Customer deposits	**12,864**	13,230
Regulatory liabilities	**103,268**	108,139
Other	**57,865**	66,599
Total Current Liabilities	**710,965**	730,160
Regulatory and Other Liabilities		
Regulatory liabilities	**708,268**	710,101
Deferred income taxes	**124,882**	138,973
Other non-current liabilities		
Deferred income taxes	**768,530**	745,538
Other postretirement benefits	**254,873**	263,172
Asset retirement obligation	**14,668**	14,478
Environmental remediation costs	**125,278**	135,118
Other	**44,359**	43,352
Total Regulatory and Other Liabilities	**2,040,858**	2,050,732
Long-term debt	**1,041,633**	1,041,815
Total Liabilities	**3,793,456**	3,822,707
Commitments and Contingencies		
Preferred Stock		
Common Stock Equity		
Common stock	**430,057**	430,057
Capital in excess of par value	**268,427**	268,405
Retained earnings	**535,913**	494,777
Accumulated other comprehensive loss	**(1,093)**	(958)
Total NYSEG Common Stock Equity	**1,233,304**	1,192,281
Total Liabilities and Equity	**$ 5,026,760**	$ 5,014,988

New York State Electric & Gas Corporation

Statements of Cash Flows (Unaudited)

Periods ended March 31,	**2017**	2016
(Thousands)		
Operating Activities		
Net income	**$ 41,136**	$ 42,293
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**27,830**	32,381
Amortization of regulatory and other assets and liabilities	**10,050**	21,342
Carrying costs of regulatory assets and liabilities	**1,556**	2,889
Amortization of Debt issuance costs	**409**	192
Stock-based compensation	**22**	-
Accretion expenses	**190**	196
Deferred taxes	**22,836**	10,627
Pension cost	**15,206**	16,086
Gain on disposal of property, plant and equipment	**(20)**	-
Other Non Cash Items	**(6,957)**	(3,455)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	**(9,953)**	8,479
Materials ad spplies	**9,880**	9,523
Accounts payable and accrued liabilities	**(61,009)**	(72,329)
Taxes accrued	**98**	15,235
Other current liabilities	**(7,675)**	(28,877)
Changes in other assets	**(8,251)**	(25,599)
Regulatory assets/liabilities	**398**	(1,847)
Net Cash Provided by Operating Activities	**35,746**	27,136
Investing Activities		
Utility plant additions	**(81,230)**	(57,517)
Contribution in aid of construction	**1,783**	2,603
Proceeds from sale of property, plant and equipment	**422**	-
Investments, net	**(2)**	(92)
Net Cash Used in Investing Activities	**(79,027)**	(55,006)
Financing Activities		
Short-term note repayments	**-**	(1,709)
Proceeds from short term debt-affiliates	**61,600**	29,758
Repayment of capital leases	**(19,967)**	(757)
Net Cash Provided by Financing Activities	**41,633**	27,292
Net Decrease in Cash and Cash Equivalents	**(1,648)**	(578)
Cash and Cash Equivalents, Beginning of Period	**3,646**	3,408
Cash and Cash Equivalents, End of Period	**$ 1,998**	$ 2,830

New York State Electric & Gas Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $6.66 2/3 Par Value Shares	Common Stock Outstanding $6.66 2/3 Par Value Amount	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2017	**64,508**	**$ 430,057**	**$ 268,405**	**494,777**	**$ (958)**	**$ 1,192,281**
Net income				**41,136**		**41,136**
Other comprehensive loss, net of tax					**(135)**	**(135)**
Comprehensive income						**41,001**
Stock-based compensation			**22**			**22**
Balance, March 31, 2017	**64,508**	**$ 430,057**	**$ 268,427**	**$ 535,913**	**$ (1,093)**	**$ 1,233,304**

Rochester Gas and Electric Corporation

Financial Statements (Unaudited)
For the three Months Ended March 31, 2017 and 2016

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Rochester Gas and Electric Corporation

Statements of Income (Unaudited)

Periods ended March 31,	2017	2016
(Thousands)		
Operating Revenues		
Electric	$ 161,060	$166,553
Natural gas	103,295	95,958
Total Operating Revenues	264,355	262,511
Operating Expenses		
Electricity purchased and fuel used in generation	26,369	24,339
Natural gas purchased	38,617	32,068
Operations and maintenance expense	84,700	100,056
Depreciation and amortization	18,879	17,966
Other taxes	31,639	27,305
Total Operating Expenses	200,204	201,734
Operating Income	64,151	60,777
Other Income	3,141	3,632
Other Deductions	(206)	(288)
Interest Charges, Net	(17,583)	(21,501)
Income Before Income Taxes	49,503	42,620
Income Tax Expense	19,378	16,720
Net Income	$ 30,125	$ 25,900

Rochester Gas and Electric Corporation

Statements of Comprehensive Income (Unaudited)

Periods ended March 31,	2017	2016
(Thousands)		
Net Income	$ 30,125	$ 25,900
Other Comprehensive Loss, Net of Tax		
Unrealized gain (loss) on derivatives qualified as hedges:		
Unrealized loss during period on derivatives qualified as hedges	(94)	(41)
Reclassification adjustment for loss included in net income	21	71
Reclassification adjustment for loss on settled cash flow treasury hedges included in net income	877	921
Net unrealized gain on derivatives qualified as hedges	804	951
Other Comprehensive Income, net of Tax	804	951
Comprehensive Income	$ 30,929	$ 26,851

Rochester Gas & Electric Corporation

Balance Sheets (Unaudited)

	March 31, 2017	December 31, 2016
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	**$ 892**	$ 9
Accounts receivable and unbilled revenues, net	**165,981**	147,337
Accounts receivable from affiliates	**2,679**	4,743
Natural gas in storage	**428**	6,170
Materials and supplies	**10,796**	10,173
Income tax receivable	**1,382**	39,932
Broker margin accounts	**5,880**	3,417
Prepaid property taxes	**42,424**	35,056
Other current assets	**1,225**	6,500
Regulatory assets	**51,556**	63,117
Total Current Assets	**283,243**	316,454
Property, Plant and Equipment, at Original Cost	**3,123,329**	3,088,882
Less accumulated depreciation	**(915,149)**	(905,434)
Net Utility Plant in Service	**2,208,180**	2,183,448
Construction work in progress	**411,345**	395,665
Total Utility Plant in Service	**2,619,525**	2,579,113
Other Property and Investments	**3,835**	3,764
Regulatory and Other Assets		
Regulatory assets	**557,236**	513,712
Other	**185**	438
Total regulatory and Other assets	**557,421**	514,150
Total Assets	**$ 3,464,024**	$ 3,413,481

Rochester Gas and Electric Corporation

Balance Sheets (Unaudited)

		March 31, 2017		December 31, 2016
(Thousands)				
Liabilities				
Current Liabilities				
Current portion of long-term debt	**$**	**548**	$	529
Notes payable		**-**		784
Notes payable to affiliates		**304,100**		249,167
Accounts payable and accrued liabilities		**171,187**		206,446
Accounts payable to affiliates		**20,913**		38,306
Interest accrued		**8,416**		11,948
Taxes accrued		**3,512**		1,920
Environmental remediation costs		**7,496**		5,269
Other		**32,550**		37,068
Regulatory liabilities		**31,025**		29,733
Total Current Liabilities		**579,747**		581,170
Regulatory and Other Liabilities				
Regulatory liabilities		**429,067**		430,336
Deferred income taxes		**66,033**		51,876
Other Non-current liabilities				
Deferred income taxes		**445,237**		434,937
Nuclear plant obligations		**122,742**		122,579
Pension and other postretirement benefits		**179,565**		180,078
Asset retirement obligation		**3,043**		3,004
Environmental remediation costs		**131,164**		133,463
Other		**26,168**		25,620
Total Regulary and Other Liabilities		**1,403,019**		1,381,893
Long-term debt		**664,296**		664,424
Total Liabilities		**2,647,062**		2,627,487
Commitments and Contingencies				
Common Stock Equity				
Common stock		**194,429**		194,429
Capital in excess of par value		**530,057**		530,018
Retained earnings		**251,716**		221,591
Accumulated other comprehensive loss		**(42,002)**		(42,806)
Treasury stock		**(117,238)**		(117,238)
Total Common Stock Equity		**816,962**		785,994
Total Liabilities and Equity	**$**	**3,464,024**	$	3,413,481

Rochester Gas and Electric Corporation

Statements of Cash Flows (Unaudited)

For the Three Months Ended March 31,	2017	2016
(Thousands)		
Operating Activities		
Net income	$ 30,125	$ 25,900
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,879	17,966
Amortization of regulatory and other assets and liabilities, net	3,762	8,229
Carrying cost of regulatory assets and liabilities	7,681	6,376
Amortization of Debt costs	223	282
Deferred income taxes and investment tax credits, net	23,939	16,579
Pension cost	5,689	5,328
Gain on disposal of property, plant and equipment	(66)	-
Stock-based compensation	39	-
Accretion expenses	39	42
Other Non Cash Items	(4,494)	(2,642)
Changes in operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(16,579)	(7,528)
Inventories	5,119	5,216
Accounts payable and accrued liabilities	(48,272)	21,587
Taxes accrued	1,592	20,735
Regulatory assets/liabilities	(54,365)	(16,984)
Other assets/ liabilities	30,277	(20,272)
Net Provided by Operating Activities	3,588	80,814
Investing Activities		
Utility plant additions	(57,670)	(57,301)
Contribution in aid of construction	1,024	1,269
Proceeds from sale of property, plant and equipment	194	-
Investments, net	(71)	(71)
Net Cash Used in Investing Activities	(56,523)	(56,103)
Financing Activities		
Repayments of short term debt	(784)	-
Proceeds (Repayments) to affiliates of short term debt	54,933	(24,850)
Repayment of capital leases	(331)	(323)
Net Cash Provided by (Used in) Financing Activities	53,818	(25,173)
Net Increase (Decrease) in Cash and Cash Equivalents	883	(462)
Cash and Cash Equivalents, Beginning of Period	9	1,136
Cash and Cash Equivalents, End of Period	$ 892	$ 674

Rochester Gas and Electric Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock Outstanding $5.00 Par Value Shares	Common Stock Outstanding $5.00 Par Value Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	
Balance, January 1, 2017	**38,886**	**$ 194,429**	**$ 530,018**	**$ 221,591**	**$ (42,806)**	**$ (117,238)**	**$ 785,994**
Net income				30,125			**30,125**
Other comprehensive income, net of tax					804		**804**
Comprehensive income							**30,929**
Stock-based compensation			39				**39**
Balance, March 31, 2017	**38,886**	**$ 194,429**	**$ 530,057**	**$ 251,716**	**$ (42,002)**	**$ (117,238)**	**$ 816,962**