

# **The Berkshire Gas Company**

**Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

# **The Berkshire Gas Company**

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**The Berkshire Gas Company**  
**Statements of Income (Unaudited)**

<b>Periods Ended March 31,</b>	<b>2022</b>	<b>2021</b>
<b>(Thousands)</b>		
<b>Operating Revenues</b>	<b>\$ 43,034</b>	<b>\$ 34,279</b>
<b>Operating Expenses</b>		
Natural gas purchased	19,212	12,822
Operations and maintenance	8,254	7,924
Depreciation and amortization	2,242	2,184
Taxes other than income taxes, net	1,991	1,704
<b>Total Operating Expenses</b>	<b>31,699</b>	<b>24,634</b>
<b>Operating Income</b>	<b>11,335</b>	<b>9,645</b>
Other income	87	75
Other deductions	(376)	(1,282)
Interest expense, net of capitalization	(683)	(696)
<b>Income Before Income Tax</b>	<b>10,363</b>	<b>7,742</b>
Income tax expense (benefit)	(62)	1,387
<b>Net Income</b>	<b>\$ 10,425</b>	<b>\$ 6,355</b>

**The Berkshire Gas Company  
Balance Sheets (Unaudited)**

As of	March 31,	December 31,
(Thousands)	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ —	\$ 4,537
Accounts receivable and unbilled revenues, net	20,806	15,724
Accounts receivable from affiliates	34	26
Gas in storage	1,918	2,636
Materials and supplies	2,214	1,799
Other current assets	198	146
Regulatory assets	10,497	15,916
<b>Total Current Assets</b>	<b>35,667</b>	<b>40,784</b>
Utility plant, at original cost	306,287	304,225
Less accumulated depreciation	(102,671)	(100,334)
<b>Net Utility Plant in Service</b>	<b>203,616</b>	<b>203,891</b>
Construction work in progress	4,295	4,619
<b>Total Utility Plant</b>	<b>207,911</b>	<b>208,510</b>
Operating lease right-of-use assets	110	141
Other property and investments	2,150	2,179
<b>Regulatory and Other Assets</b>		
Regulatory assets	18,270	22,857
Goodwill	51,932	51,932
Other	1	6
<b>Total Regulatory and Other Assets</b>	<b>70,203</b>	<b>74,795</b>
<b>Total Assets</b>	<b>\$ 316,041</b>	<b>\$ 326,409</b>

**The Berkshire Gas Company  
Balance Sheets (Unaudited)**

As of	March 31,	December 31,
(Thousands)	2022	2021
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes payable to affiliates	\$ 5,520	\$ —
Accounts payable and accrued liabilities	12,284	16,279
Accounts payable to affiliates	1,072	754
Interest accrued	496	729
Taxes accrued	4,211	7,318
Operating lease liabilities	7	6
Regulatory liabilities	826	198
Other	3,721	4,159
<b>Total Current Liabilities</b>	<b>28,137</b>	<b>29,443</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	51,504	51,908
<b>Other Non-current Liabilities</b>		
Deferred income taxes	22,413	26,803
Pension and other postretirement	11,303	15,472
Operating lease liabilities	92	133
Environmental remediation costs	3,176	3,620
Other	1,674	1,717
<b>Total Regulatory and Other Liabilities</b>	<b>90,162</b>	<b>99,653</b>
Non-current debt	59,559	59,547
<b>Total Liabilities</b>	<b>177,858</b>	<b>188,643</b>
<b>Commitments and Contingencies</b>		
<b>Common Stock Equity</b>		
Additional paid-in capital	116,435	116,443
Retained earnings	21,748	21,323
<b>Total Common Stock Equity</b>	<b>138,183</b>	<b>137,766</b>
<b>Total Liabilities and Equity</b>	<b>\$ 316,041</b>	<b>\$ 326,409</b>

**The Berkshire Gas Company**  
**Statements of Cash Flows (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 10,425</b>	<b>\$ 6,355</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,242	2,184
Regulatory assets/liabilities amortization	10	(599)
Regulatory assets/liabilities carrying cost	(30)	(51)
Amortization of debt issuance costs	6	(15)
Deferred taxes	(3,954)	(1,424)
Pension cost	45	103
Stock-based compensation	19	14
Other non-cash items	29	(172)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(5,090)	(4,072)
Inventories	303	547
Accounts payable, to affiliates, and accrued liabilities	(3,613)	(1,520)
Taxes accrued	(3,107)	4,911
Other assets/liabilities	(1,729)	1,725
Regulatory assets/liabilities	5,881	5,984
<b>Net Cash Provided by Operating Activities</b>	<b>1,437</b>	<b>13,970</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	(1,625)	(613)
Contributions in aid of construction	125	2
Proceeds from sale of utility plant	6	—
<b>Net Cash Used in Investing Activities</b>	<b>(1,494)</b>	<b>(611)</b>
<b>Cash Flow from Financing Activities:</b>		
Notes payable to affiliates	5,520	(8,996)
Dividends	(10,000)	—
<b>Net Cash Used in Financing Activities</b>	<b>(4,480)</b>	<b>(8,996)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(4,537)</b>	<b>4,363</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>4,537</b>	<b>212</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ —</b>	<b>\$ 4,575</b>

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Total Common Stock Equity
<b>Balance, December 31, 2020</b>	<b>100</b>	<b>\$ —</b>	<b>\$ 106,095</b>	<b>\$ 16,960</b>	<b>\$ 123,055</b>
Net income	—	—	—	6,355	6,355
Stock-based compensation	—	—	291	—	291
<b>Balance, March 31, 2021</b>	<b>100</b>	<b>\$ —</b>	<b>\$ 106,386</b>	<b>\$ 23,315</b>	<b>\$ 129,701</b>
<b>Balance, December 31, 2021</b>	<b>100</b>	<b>\$ —</b>	<b>\$ 116,443</b>	<b>\$ 21,323</b>	<b>\$ 137,766</b>
Net income	—	—	—	10,425	10,425
Common stock dividends	—	—	—	(10,000)	(10,000)
Stock-based compensation	—	—	(8)	—	(8)
<b>Balance, March 31, 2022</b>	<b>100</b>	<b>\$ —</b>	<b>\$ 116,435</b>	<b>\$ 21,748</b>	<b>\$ 138,183</b>

(\*) Par value of share amounts is \$2.50

**Central Maine Power Company  
and Subsidiaries**

**Consolidated Financial Statements (Unaudited)  
As of and for the Three Months Ended March 31, 2022 and 2021**



# **Central Maine Power Company and Subsidiaries**

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### **Consolidated Financial Statements (Unaudited) As of and for the Three Months Ended March 31, 2022 and 2021**

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 256,252</b>	<b>\$ 230,838</b>
<b>Operating Expenses</b>		
Electricity purchased	7,937	6,827
Operations and maintenance	141,103	116,025
Depreciation and amortization	32,858	31,745
Taxes other than income taxes, net	19,073	18,962
<b>Total Operating Expenses</b>	<b>200,971</b>	<b>173,559</b>
<b>Operating Income</b>	<b>55,281</b>	<b>57,279</b>
Other income	4,200	4,639
Other deductions	(2,168)	(2,394)
Interest expense, net of capitalization	(12,768)	(12,802)
<b>Income Before Income Tax</b>	<b>44,545</b>	<b>46,722</b>
Income tax expense	7,163	10,192
<b>Net Income</b>	<b>37,382</b>	<b>36,530</b>
Less: net income attributable to noncontrolling interest	709	838
<b>Net Income Attributable to CMP</b>	<b>\$ 36,673</b>	<b>\$ 35,692</b>

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Net Income</b>	<b>\$ 37,382</b>	<b>\$ 36,530</b>
<b>Other Comprehensive Income, Net of Tax</b>		
Unrealized gain during period on derivatives qualifying as cash flow hedges, net of income tax	445	143
Reclassification to net income of (gain) loss on cash flow hedges, net of income tax	(158)	19
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	44	39
<b>Other Comprehensive Income, Net of Tax</b>	<b>331</b>	<b>201</b>
<b>Comprehensive Income</b>	<b>37,713</b>	<b>36,731</b>
Less:		
Comprehensive income attributable to noncontrolling interests	709	838
<b>Comprehensive Income Attributable to CMP</b>	<b>\$ 37,004</b>	<b>\$ 35,893</b>

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

As of	March 31,	December 31,
(Thousands)	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,302	\$ 24,407
Accounts receivable and unbilled revenues, net	273,839	246,793
Accounts receivable from affiliates	2,374	63,855
Notes receivable from affiliates	12,137	—
Materials and supplies	37,508	35,726
Prepayments and other current assets	16,569	17,896
Regulatory assets	43,539	49,860
<b>Total Current Assets</b>	<b>405,268</b>	<b>438,537</b>
Utility plant, at original cost	5,002,162	4,949,841
Less accumulated depreciation	(1,396,785)	(1,368,654)
<b>Net Utility Plant in Service</b>	<b>3,605,377</b>	<b>3,581,187</b>
Construction work in progress	238,266	243,817
<b>Total Utility Plant</b>	<b>3,843,643</b>	<b>3,825,004</b>
Operating lease right-of-use assets	14,428	14,774
Other property and investments	915	901
<b>Regulatory and Other Assets</b>		
Regulatory assets	372,893	396,121
Goodwill	324,938	324,938
Other	158,888	158,230
<b>Total Regulatory and Other Assets</b>	<b>856,719</b>	<b>879,289</b>
<b>Total Assets</b>	<b>\$ 5,120,973</b>	<b>\$ 5,158,505</b>

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

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current portion of debt	\$ 124,526	\$ 124,578
Notes payable to affiliates	89	1,146
Accounts payable and accrued liabilities	204,606	192,853
Accounts payable to affiliates	10,540	38,263
Interest accrued	9,920	19,948
Taxes accrued	20,806	15,349
Operating lease liabilities	822	1,161
Other current liabilities	93,377	85,151
Regulatory liabilities	60,886	37,912
<b>Total Current Liabilities</b>	<b>525,572</b>	<b>516,361</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	355,208	356,608
<b>Other Non-current liabilities</b>		
Deferred income taxes	658,204	646,330
Pension and other postretirement	79,045	110,920
Operating lease liabilities	14,479	14,791
Other	149,793	163,209
<b>Total Regulatory and Other Liabilities</b>	<b>1,256,729</b>	<b>1,291,858</b>
Non-current debt	1,160,541	1,161,019
<b>Total Liabilities</b>	<b>2,942,842</b>	<b>2,969,238</b>
<b>Commitments and Contingencies</b>		
<b>Redeemable Preferred Stock</b>	<b>571</b>	<b>571</b>
<b>CMP Common Stock Equity</b>		
Common stock (\$5 par value, 80,000,000 shares authorized and 31,211,471 shares outstanding at March 31, 2022 and December 31, 2021)	156,057	156,057
Additional paid-in capital	951,638	950,478
Retained earnings	1,037,151	1,050,487
Accumulated other comprehensive loss	(3,212)	(3,543)
<b>Total CMP Common Stock Equity</b>	<b>2,141,634</b>	<b>2,153,479</b>
Noncontrolling interest	35,926	35,217
<b>Total Equity</b>	<b>2,177,560</b>	<b>2,188,696</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,120,973</b>	<b>\$ 5,158,505</b>

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 37,382</b>	<b>\$ 36,530</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,858	31,745
Regulatory assets/liabilities amortization	5,581	6,238
Regulatory assets/liabilities carrying cost	(400)	(589)
Amortization of debt issuance costs	(530)	115
Deferred taxes	(8,281)	30,549
Pension cost	1,428	3,009
Stock-based compensation	129	116
Accretion expenses	13	13
Gain on disposal of assets	—	(14)
Other non-cash items	(1,539)	(1,394)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, from affiliates, and unbilled revenues	34,435	7,120
Inventories	(1,782)	(3,749)
Accounts payable, to affiliates, and accrued liabilities	(12,836)	(1,205)
Taxes accrued	5,457	(24,671)
Other assets/liabilities	4,750	(9,668)
Regulatory assets/liabilities	13,218	(13,538)
<b>Net Cash Provided by Operating Activities</b>	<b>109,883</b>	<b>60,607</b>
<b>Cash Flow from Investing Activities:</b>		
Utility plant additions	(63,723)	11,898
Contributions in aid of construction	10,786	5,664
Notes receivable from affiliates	(12,137)	—
Proceeds from sale of utility plant	—	80
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(65,074)</b>	<b>17,642</b>
<b>Cash Flow from Financing Activities:</b>		
Repayments of finance leases	—	(269)
Notes payable to affiliates	(1,057)	(54,734)
Capital contribution	1,152	1,077
Dividends paid	(50,009)	(35,000)
<b>Net Cash Used in Financing Activities</b>	<b>(49,914)</b>	<b>(88,926)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(5,105)</b>	<b>(10,677)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>24,407</b>	<b>23,855</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 19,302</b>	<b>\$ 13,178</b>

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

(Thousands, except per share amounts)	CMP Stockholder					Total CMP Common Stock Equity	Non- controlling Interest	Total Common Stock Equity
	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss			
<b>As of December 31, 2020</b>	<b>31,211,471</b>	<b>\$ 156,057</b>	<b>\$ 824,039</b>	<b>\$1,125,689</b>	<b>\$ (3,793)</b>	<b>\$2,101,992</b>	<b>\$ 32,162</b>	<b>\$2,134,154</b>
Net income	—	—	—	35,692	—	35,692	838	36,530
Other comprehensive income, net of tax	—	—	—	—	201	201	—	201
Comprehensive income								36,731
Stock-based compensation	—	—	(9)	—	—	(9)	—	(9)
Capital contribution from parent	—	—	1,077	—	—	1,077	—	1,077
Preferred stock dividends	—	—	—	(9)	—	(9)	—	(9)
Common stock dividends	—	—	—	(35,000)	—	(35,000)	—	(35,000)
<b>As of March 31, 2021</b>	<b>31,211,471</b>	<b>\$ 156,057</b>	<b>\$ 825,107</b>	<b>\$1,126,372</b>	<b>\$ (3,592)</b>	<b>\$2,103,944</b>	<b>\$ 33,000</b>	<b>\$2,136,944</b>
<b>As of December 31, 2021</b>	<b>31,211,471</b>	<b>\$ 156,057</b>	<b>\$ 950,478</b>	<b>\$1,050,487</b>	<b>\$ (3,543)</b>	<b>\$2,153,479</b>	<b>\$ 35,217</b>	<b>\$2,188,696</b>
Net income	—	—	—	36,673	—	36,673	709	37,382
Other comprehensive income, net of tax	—	—	—	—	331	331	—	331
Comprehensive income								37,713
Stock-based compensation	—	—	8	—	—	8	—	8
Capital contribution from parent	—	—	1,152	—	—	1,152	—	1,152
Preferred stock dividends	—	—	—	(9)	—	(9)	—	(9)
Common stock dividends	—	—	—	(50,000)	—	(50,000)	—	(50,000)
<b>As of March 31, 2022</b>	<b>31,211,471</b>	<b>\$ 156,057</b>	<b>\$ 951,638</b>	<b>\$1,037,151</b>	<b>\$ (3,212)</b>	<b>\$2,141,634</b>	<b>\$ 35,926</b>	<b>\$2,177,560</b>

(\*) Par value of share amounts is \$5

# **New York State Electric & Gas Corporation**

**Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

# **New York State Electric & Gas Corporation**

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 633,763</b>	<b>\$ 478,991</b>
<b>Operating Expenses</b>		
Electricity purchased	194,371	88,007
Natural gas purchased	73,903	44,367
Operations and maintenance	180,513	187,151
Depreciation and amortization	46,435	45,418
Taxes other than income taxes, net	47,770	40,415
<b>Total Operating Expenses</b>	<b>542,992</b>	<b>405,358</b>
<b>Operating Income</b>	<b>90,771</b>	<b>73,633</b>
Other income	5,739	8,317
Other deductions	(2,592)	(3,926)
Interest expense, net of capitalization	(12,351)	(12,521)
<b>Income Before Income Tax</b>	<b>81,567</b>	<b>65,503</b>
Income tax expense	9,089	5,666
<b>Net Income</b>	<b>\$ 72,478</b>	<b>\$ 59,837</b>

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Net Income</b>	<b>\$ 72,478</b>	<b>\$ 59,837</b>
<b>Other Comprehensive Income, Net of Tax</b>		
Unrealized gain during the period on derivatives qualifying as cash flow hedges, net of income tax	621	226
Reclassification to net income of (gain) loss on settled cash flow hedges, net of income tax	(177)	21
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	19	18
<b>Total Other Comprehensive Income, Net of Tax</b>	<b>463</b>	<b>265</b>
<b>Comprehensive Income</b>	<b>\$ 72,941</b>	<b>\$ 60,102</b>

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

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1	\$ 1
Accounts receivable and unbilled revenues, net	397,501	301,099
Accounts receivable from affiliates	1,922	2,415
Fuel and natural gas in storage, at average cost	4,351	22,100
Materials and supplies	25,836	25,031
Derivative assets	59,185	12,043
Broker margin accounts	—	7,977
Prepaid property taxes	54,001	38,090
Other current assets	5,787	3,318
Regulatory assets	127,710	112,422
<b>Total Current Assets</b>	<b>676,294</b>	<b>524,496</b>
Utility plant, at original cost	7,454,685	7,383,849
Less accumulated depreciation	(2,364,428)	(2,339,717)
<b>Net Utility Plant in Service</b>	<b>5,090,257</b>	<b>5,044,132</b>
Construction work in progress	615,331	597,562
<b>Total Utility Plant</b>	<b>5,705,588</b>	<b>5,641,694</b>
Operating lease right-of-use assets	8,184	8,345
Other property and investments	9,774	10,561
<b>Regulatory and Other Assets</b>		
Regulatory assets	674,254	742,160
Other	46,237	42,947
<b>Total Regulatory and Other Assets</b>	<b>720,491</b>	<b>785,107</b>
<b>Total Assets</b>	<b>\$ 7,120,331</b>	<b>\$ 6,970,203</b>

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

As of	March 31, 2022	December 31, 2021
(Thousands, except share information)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 73,097	\$ 73,083
Notes payable to affiliates	115,259	79,800
Accounts payable and accrued liabilities	386,112	445,640
Accounts payable to affiliates	28,556	100,067
Interest accrued	18,883	13,171
Taxes accrued	5,146	39,508
Operating lease liabilities	945	915
Derivative liabilities	—	27
Environmental remediation costs	30,733	27,657
Customer deposits	13,338	19,810
Regulatory liabilities	181,197	106,440
Other	118,532	100,883
<b>Total Current Liabilities</b>	<b>971,798</b>	<b>1,007,001</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	1,052,770	1,074,886
<b>Other Non-current Liabilities</b>		
Deferred income taxes	683,504	664,095
Pension and other postretirement	59,052	143,562
Operating lease liabilities	8,229	8,294
Asset retirement obligation	11,732	11,583
Environmental remediation costs	59,512	64,832
Other	31,848	27,577
<b>Total Regulatory and Other Liabilities</b>	<b>1,906,647</b>	<b>1,994,829</b>
Non-current debt	1,997,856	1,997,311
<b>Total Liabilities</b>	<b>4,876,301</b>	<b>4,999,141</b>
<b>Commitments and Contingencies</b>		
<b>Common Stock Equity</b>		
Common stock (\$6.66 2/3 par value, 90,000,000 shares authorized and 64,508,477 shares outstanding at March 31, 2022 and December 31, 2021)	430,057	430,057
Additional paid-in capital	1,254,069	1,054,042
Retained earnings	560,610	488,132
Accumulated other comprehensive loss	(706)	(1,169)
<b>Total Common Stock Equity</b>	<b>2,244,030</b>	<b>1,971,062</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,120,331</b>	<b>\$ 6,970,203</b>

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 72,478</b>	<b>\$ 59,837</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46,435	45,418
Regulatory assets/liabilities amortization	(3,076)	(122)
Regulatory assets/liabilities carrying cost	(581)	237
Amortization of debt issuance costs	558	485
Deferred taxes	8,895	19,573
Pension cost	7,551	8,449
Stock-based compensation	120	85
Accretion expenses	149	159
Gain on disposal of assets	(208)	(284)
Other non-cash items	(11,230)	(10,647)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(95,909)	(3,220)
Inventories	16,944	8,096
Accounts payable, to affiliates, and accrued liabilities	(120,368)	4,516
Taxes accrued	(34,362)	(18,201)
Other assets/liabilities	15,696	(29,745)
Regulatory assets/liabilities	(26,263)	(35,621)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(123,171)</b>	<b>49,015</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	(123,752)	(187,355)
Contributions in aid of construction	13,293	2,130
Proceeds from sale of utility plant	1,111	1,262
Notes receivable from affiliates	—	7,150
<b>Net Cash Used in Investing Activities</b>	<b>(109,348)</b>	<b>(176,813)</b>
<b>Cash Flow from Financing Activities:</b>		
Repayments of finance leases	(2,940)	(65)
Notes payable to affiliates	35,459	2,600
Capital contributions	200,000	125,000
<b>Net Cash Provided by Financing Activities</b>	<b>232,519</b>	<b>127,535</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>—</b>	<b>(263)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1</b>	<b>266</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 1</b>	<b>\$ 3</b>

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

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
<b>As of December 31, 2020</b>	<b>64,508,477 \$</b>	<b>430,057 \$</b>	<b>868,686 \$</b>	<b>603,995 \$</b>	<b>(1,522) \$</b>	<b>1,901,216</b>
Net income	—	—	—	59,837	—	59,837
Other comprehensive income, net of tax	—	—	—	—	265	265
Comprehensive income						60,102
Stock-based compensation	—	—	(10)	—	—	(10)
Capital contributions	—	—	125,000	—	—	125,000
<b>As of March 31, 2021</b>	<b>64,508,477 \$</b>	<b>430,057 \$</b>	<b>993,676 \$</b>	<b>663,832 \$</b>	<b>(1,257) \$</b>	<b>2,086,308</b>
<b>As of December 31, 2021</b>	<b>64,508,477 \$</b>	<b>430,057 \$</b>	<b>1,054,042 \$</b>	<b>488,132 \$</b>	<b>(1,169) \$</b>	<b>1,971,062</b>
Net income	—	—	—	72,478	—	72,478
Other comprehensive income, net of tax	—	—	—	—	463	463
Comprehensive income						72,941
Stock-based compensation	—	—	27	—	—	27
Capital contributions	—	—	200,000	—	—	200,000
<b>As of March 31, 2022</b>	<b>64,508,477 \$</b>	<b>430,057 \$</b>	<b>1,254,069 \$</b>	<b>560,610 \$</b>	<b>(706) \$</b>	<b>2,244,030</b>

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

# **Connecticut Natural Gas Corporation**

**Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

# **Connecticut Natural Gas Corporation**

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**Connecticut Natural Gas Corporation**  
**Statements of Income (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 198,194</b>	<b>\$ 159,267</b>
<b>Operating Expenses</b>		
Natural gas purchased	117,336	81,034
Operations and maintenance	23,997	23,429
Depreciation and amortization	11,653	11,354
Taxes other than income taxes, net	11,083	10,168
<b>Total Operating Expenses</b>	<b>164,069</b>	<b>125,985</b>
<b>Operating Income</b>	<b>34,125</b>	<b>33,282</b>
Other income	674	548
Other deductions	(96)	(67)
Interest expense, net of capitalization	(4,491)	(2,362)
<b>Income Before Income Tax</b>	<b>30,212</b>	<b>31,401</b>
Income tax expense	7,211	7,200
<b>Net Income</b>	<b>\$ 23,001</b>	<b>\$ 24,201</b>



**Connecticut Natural Gas Corporation**  
**Balance Sheets (Unaudited)**

As of	March 31,	December 31,
(Thousands)	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 966	\$ —
Accounts receivable and unbilled revenues, net	127,146	107,019
Accounts receivable from affiliates	897	706
Notes receivable from affiliates	13,100	—
Gas in storage	17,482	30,118
Materials and supplies	6,005	4,653
Other current assets	3,101	2,179
Regulatory assets	25,600	51,867
<b>Total Current Assets</b>	<b>194,297</b>	<b>196,542</b>
Utility plant, at original cost	1,153,434	1,142,558
Less accumulated depreciation	(384,906)	(374,307)
<b>Net Utility Plant in Service</b>	<b>768,528</b>	<b>768,251</b>
Construction work in progress	19,807	19,823
<b>Total Utility Plant</b>	<b>788,335</b>	<b>788,074</b>
Operating lease right-of-use assets	620	542
Other property and investments	813	833
<b>Regulatory and Other Assets</b>		
Regulatory assets	71,167	84,532
Goodwill	79,341	79,341
Other	128	128
<b>Total Regulatory and Other Assets</b>	<b>150,636</b>	<b>164,001</b>
<b>Total Assets</b>	<b>\$ 1,134,701</b>	<b>\$ 1,149,992</b>

**Connecticut Natural Gas Corporation**  
**Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands, except share information)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes payable to affiliates	\$ 21	\$ 8,700
Accounts payable and accrued liabilities	46,281	63,248
Accounts payable to affiliates	5,455	19,338
Dividends payable	25,000	—
Interest accrued	2,304	2,501
Taxes accrued	28,163	19,397
Operating lease liabilities	455	607
Regulatory liabilities	15,409	4,844
Other	15,844	17,664
<b>Total Current Liabilities</b>	<b>138,932</b>	<b>136,299</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	283,706	276,003
<b>Other Non-current Liabilities</b>		
Deferred income taxes	28,199	38,702
Pension and other postretirement	58,469	71,389
Operating lease liabilities	53	100
Asset retirement obligation	6,398	6,398
Other	2,250	2,429
<b>Total Regulatory and Other Liabilities</b>	<b>379,075</b>	<b>395,021</b>
Non-current debt	188,972	188,939
<b>Total Liabilities</b>	<b>706,979</b>	<b>720,259</b>
<b>Commitments and Contingencies</b>		
<b>Preferred Stock</b>	<b>340</b>	<b>340</b>
<b>Common Stock Equity</b>		
Common stock (\$3.125 par value, 20,000,000 shares authorized and 10,634,436 shares outstanding at March 31, 2022 and December 31, 2021)	33,233	33,233
Additional paid-in capital	366,693	366,698
Retained earnings	27,916	29,922
Accumulated other comprehensive loss	(460)	(460)
<b>Total Common Stock Equity</b>	<b>427,382</b>	<b>429,393</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,134,701</b>	<b>\$ 1,149,992</b>

**Connecticut Natural Gas Corporation**  
**Statements of Cash Flows (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 23,001</b>	<b>\$ 24,201</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,653	11,354
Regulatory assets/liabilities amortization	12,303	10,595
Regulatory assets/liabilities carrying cost	(199)	—
Amortization of debt issuance costs	17	121
Deferred taxes	(10,541)	(840)
Pension cost	(252)	204
Stock-based compensation	25	18
Other non-cash items	95	107
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, from affiliates, and unbilled revenues	(20,318)	(13,021)
Inventories	11,284	6,790
Accounts payable, to affiliates, and accrued liabilities	(29,540)	(21,941)
Taxes accrued	8,765	15,841
Other assets/liabilities	(3,289)	4,839
Regulatory assets/liabilities	28,286	10,823
<b>Net Cash Provided by Operating Activities</b>	<b>31,290</b>	<b>49,091</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	(8,678)	(8,282)
Contributions in aid of construction	140	80
Notes receivable from affiliates	(13,100)	(3,638)
<b>Net Cash Used in Investing Activities</b>	<b>(21,638)</b>	<b>(11,840)</b>
<b>Cash Flow from Financing Activities:</b>		
Notes payable to affiliates	(8,679)	(8)
Dividends paid	(7)	(7)
<b>Net Cash Used in Financing Activities</b>	<b>(8,686)</b>	<b>(15)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>966</b>	<b>37,236</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>—</b>	<b>831</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 966</b>	<b>\$ 38,067</b>

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
<b>Balance, December 31, 2020</b>	<b>10,634,436</b>	<b>\$ 33,233</b>	<b>\$ 386,302</b>	<b>\$ 7,086</b>	<b>\$ (332)</b>	<b>\$ 426,289</b>
Net income	—	—	—	24,201	—	24,201
Stock-based compensation	—	—	320	—	—	320
Preferred stock dividends	—	—	—	(7)	—	(7)
<b>Balance, March 31, 2021</b>	<b>10,634,436</b>	<b>\$ 33,233</b>	<b>\$ 386,622</b>	<b>\$ 31,280</b>	<b>\$ (332)</b>	<b>\$ 450,803</b>
<b>Balance, December 31, 2021</b>	<b>10,634,436</b>	<b>\$ 33,233</b>	<b>\$ 366,698</b>	<b>\$ 29,922</b>	<b>\$ (460)</b>	<b>\$ 429,393</b>
Net income	—	—	—	23,001	—	23,001
Stock-based compensation	—	—	(5)	—	—	(5)
Common stock dividends	—	—	—	(25,000)	—	(25,000)
Preferred stock dividends	—	—	—	(7)	—	(7)
<b>Balance March 31, 2022</b>	<b>10,634,436</b>	<b>\$ 33,233</b>	<b>\$ 366,693</b>	<b>\$ 27,916</b>	<b>\$ (460)</b>	<b>\$ 427,382</b>

(\*) Par value of share amounts is \$3.125

# **Rochester Gas and Electric Corporation**

**Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

# **Rochester Gas and Electric Corporation**

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### **Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

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

Periods ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 317,701</b>	<b>\$ 257,397</b>
<b>Operating Expenses</b>		
Electricity purchased and fuel used in generation	49,320	27,253
Natural gas purchased	69,747	41,673
Operations and maintenance	64,755	64,447
Depreciation and amortization	29,235	27,269
Taxes other than income taxes, net	38,621	35,899
<b>Total Operating Expenses</b>	<b>251,678</b>	<b>196,541</b>
<b>Operating Income</b>	<b>66,023</b>	<b>60,856</b>
Other income	4,148	4,075
Other deductions	(1,664)	(1,892)
Interest expense, net of capitalization	(12,236)	(12,147)
<b>Income Before Tax</b>	<b>56,271</b>	<b>50,892</b>
Income tax expense	10,036	8,567
<b>Net Income</b>	<b>\$ 46,235</b>	<b>\$ 42,325</b>

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

Periods ended March 31,	2022	2021
(Thousands)		
<b>Net Income</b>	<b>\$ 46,235</b>	<b>\$ 42,325</b>
<b>Other Comprehensive Income, Net of Tax</b>		
Unrealized gain (loss) during the period on derivatives qualifying as cash flow hedges, net of income tax	199	72
Reclassification to net income of loss on settled cash flow commodity hedges, net of income tax	(55)	2
Reclassification to net income of loss on settled cash flow treasury hedges, net of income tax	684	679
<b>Other Comprehensive Income, Net of Tax</b>	<b>828</b>	<b>753</b>
<b>Comprehensive Income</b>	<b>\$ 47,063</b>	<b>\$ 43,078</b>

**Rochester Gas and Electric Corporation**  
**Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,116	\$ 3
Accounts receivable and unbilled revenues, net	213,677	171,416
Accounts receivable from affiliates	2,350	2,893
Fuel and gas in storage	1,547	13,903
Materials and supplies	16,628	16,871
Income tax receivable	1,520	3,646
Prepaid property taxes	51,517	41,747
Regulatory assets	86,031	77,459
Other current assets	41,415	12,895
<b>Total Current Assets</b>	<b>415,801</b>	<b>340,833</b>
Utility plant, at original cost	4,816,395	4,762,539
Less accumulated depreciation	(1,226,008)	(1,202,628)
<b>Net Utility Plant in Service</b>	<b>3,590,387</b>	<b>3,559,911</b>
Construction work in progress	333,164	332,901
<b>Total Utility Plant</b>	<b>3,923,551</b>	<b>3,892,812</b>
Operating lease right of use assets	972	1,124
<b>Regulatory and Other Assets</b>		
Regulatory assets	378,944	377,240
Other	51,633	51,506
<b>Total Regulatory and Other Assets</b>	<b>430,577</b>	<b>428,746</b>
<b>Total Assets</b>	<b>\$ 4,770,901</b>	<b>\$ 4,663,515</b>



**Rochester Gas and Electric Corporation**  
**Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes payable to affiliates	\$ 63,719	\$ 53,500
Accounts payable and accrued liabilities	193,069	238,380
Accounts payable to affiliates	15,369	48,383
Interest accrued	14,325	7,902
Taxes accrued	2,092	3,967
Operating lease liabilities	271	287
Environmental remediation costs	8,122	4,030
Regulatory liabilities	138,004	101,801
Other	67,517	52,376
<b>Total Current Liabilities</b>	<b>502,488</b>	<b>510,626</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	696,219	695,703
<b>Other Non-current Liabilities</b>		
Deferred income taxes	430,819	416,223
Nuclear plant obligations	129,443	129,414
Pension and other postretirement	94,352	109,979
Operating lease liabilities	2,192	2,253
Asset retirement obligations	2,461	2,430
Environmental remediation costs	91,412	95,604
Other	57,423	58,891
<b>Total Regulatory and Other Liabilities</b>	<b>1,504,321</b>	<b>1,510,497</b>
Non-current debt	1,365,773	1,366,168
<b>Total Liabilities</b>	<b>3,372,582</b>	<b>3,387,291</b>
<b>Commitments and Contingencies</b>		
<b>Common Stock Equity</b>		
Common stock (\$5 par value, 50,000,000 shares authorized, 38,885,813 shares outstanding at March 31, 2022 and December 31, 2021)	194,429	194,429
Additional paid-in capital	930,344	855,312
Retained earnings	425,098	378,863
Accumulated other comprehensive loss	(34,314)	(35,142)
Treasury stock, at cost (4,379,300 shares at March 31, 2022 and December 31, 2021)	(117,238)	(117,238)
<b>Total Common Stock Equity</b>	<b>1,398,319</b>	<b>1,276,224</b>
<b>Total Liabilities and Equity</b>	<b>\$ 4,770,901</b>	<b>\$ 4,663,515</b>

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

Periods ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow From Operating Activities:</b>		
<b>Net income</b>	<b>\$ 46,235</b>	<b>\$ 42,325</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,235	27,269
Regulatory assets/liabilities amortization	(13,342)	(12,191)
Regulatory assets/liabilities carrying cost	678	684
Amortization of debt issuance costs	(451)	374
Deferred taxes	10,157	1,734
Pension cost	2,276	2,182
Stock-based compensation	62	43
Accretion expenses	31	33
Gain on disposal of assets	(2)	(13)
Other non-cash items	(1,882)	(1,589)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(41,718)	(8,069)
Inventories	12,599	7,088
Accounts payable, to affiliates, and accrued liabilities	(70,899)	(26,675)
Taxes accrued	251	32,484
Other assets/liabilities	14,440	(16,355)
Regulatory assets/liabilities	(6,889)	13,150
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(19,219)</b>	<b>62,474</b>
<b>Cash Flow From Investing Activities:</b>		
Capital expenditures	(66,844)	(72,734)
Contributions in aid of construction	4,628	926
Proceeds from sale of utility plant	2	563
Notes receivable from affiliates	—	19,200
<b>Net Cash Used in Investing Activities</b>	<b>(62,214)</b>	<b>(52,045)</b>
<b>Cash Flow From Financing Activities:</b>		
Repayments of finance leases	(2,673)	(867)
Notes payable to affiliates	10,219	—
Capital contributions	75,000	—
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>82,546</b>	<b>(867)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,113</b>	<b>9,562</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>3</b>	<b>1</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 1,116</b>	<b>\$ 9,563</b>

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

(Thousands, except per share amounts)	Number of shares (*)	Common stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Common Stock Equity
<b>Balance, December 31, 2020</b>	<b>38,885,813</b>	<b>\$ 194,429</b>	<b>\$ 655,111</b>	<b>\$ 525,979</b>	<b>\$ (38,391)</b>	<b>\$ (117,238)</b>	<b>1,219,890</b>
Net income	—	—	—	42,325	—	—	42,325
Other comprehensive income, net of tax	—	—	—	—	753	—	753
Comprehensive income							43,078
Stock-based compensation	—	—	13	—	—	—	13
<b>Balance, March 31, 2021</b>	<b>38,885,813</b>	<b>\$ 194,429</b>	<b>\$ 655,124</b>	<b>\$ 568,304</b>	<b>\$ (37,638)</b>	<b>\$ (117,238)</b>	<b>1,262,981</b>
<b>Balance, December 31, 2021</b>	<b>38,885,813</b>	<b>\$ 194,429</b>	<b>\$ 855,312</b>	<b>\$ 378,863</b>	<b>\$ (35,142)</b>	<b>\$ (117,238)</b>	<b>1,276,224</b>
Net income	—	—	—	46,235	—	—	46,235
Other comprehensive income, net of tax	—	—	—	—	828	—	828
Comprehensive income							47,063
Stock-based compensation	—	—	32	—	—	—	32
Capital contributions	—	—	75,000	—	—	—	75,000
<b>Balance, March 31, 2022</b>	<b>38,885,813</b>	<b>\$ 194,429</b>	<b>\$ 930,344</b>	<b>\$ 425,098</b>	<b>\$ (34,314)</b>	<b>\$ (117,238)</b>	<b>1,398,319</b>

(\*) Par value of share amounts is \$5

# **The Southern Connecticut Gas Company**

**Consolidated Financial Statements (Unaudited)  
For the Three Months Ended March 31, 2022 and 2021**

# **The Southern Connecticut Gas Company**

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 183,216</b>	<b>\$ 150,743</b>
<b>Operating Expenses</b>		
Natural gas purchased	110,087	75,330
Operations and maintenance	25,146	24,200
Depreciation and amortization	9,532	9,065
Taxes other than income taxes, net	12,104	10,273
<b>Total Operating Expenses</b>	<b>156,869</b>	<b>118,868</b>
<b>Operating Income</b>	<b>26,347</b>	<b>31,875</b>
Other income	680	469
Other deductions	(1,632)	(922)
Interest expense, net of capitalization	(4,125)	(1,625)
<b>Income Before Income Tax</b>	<b>21,270</b>	<b>29,797</b>
Income tax (benefit) expense	(1,893)	5,930
<b>Net Income</b>	<b>23,163</b>	<b>23,867</b>
Less: net income attributable to noncontrolling interest	652	1,220
<b>Net Income Attributable to SCG</b>	<b>\$ 22,511</b>	<b>\$ 22,647</b>

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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Net Income</b>	<b>\$ 23,163</b>	<b>\$ 23,867</b>
<b>Other Comprehensive Income</b>		
Gain on non-qualified plans	532	—
<b>Total Other Comprehensive Income</b>	<b>532</b>	<b>—</b>
<b>Comprehensive Income</b>	<b>23,695</b>	<b>23,867</b>
Less: Comprehensive income attributable to noncontrolling interest	652	1,220
<b>Comprehensive Income Attributable to SCG</b>	<b>\$ 23,043</b>	<b>\$ 22,647</b>

**The Southern Connecticut Gas Company**  
**Consolidated Balance Sheets (Unaudited)**

As of	March 31,	December 31,
(Thousands)	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 631	\$ 473
Accounts receivable and unbilled revenues, net	118,126	103,731
Accounts receivable from affiliates	1,546	1,529
Notes receivable from affiliates	1,467	28,956
Gas in storage	18,517	34,535
Materials and supplies	3,298	3,072
Other current assets	3,639	389
Regulatory assets	19,349	38,738
<b>Total Current Assets</b>	<b>166,573</b>	<b>211,423</b>
Utility plant, at original cost	1,254,890	1,230,436
Less accumulated depreciation	(357,144)	(347,760)
<b>Net Utility Plant in Service</b>	<b>897,746</b>	<b>882,676</b>
Construction work in progress	26,266	36,753
<b>Total Utility Plant</b>	<b>924,012</b>	<b>919,429</b>
Operating lease right-of-use assets	7,431	8,197
Other property and investments	10,946	11,787
<b>Regulatory and Other Assets</b>		
Regulatory assets	138,105	141,733
Goodwill	134,931	134,931
Other	371	372
<b>Total Regulatory and Other Assets</b>	<b>273,407</b>	<b>277,036</b>
<b>Total Assets</b>	<b>\$ 1,382,369</b>	<b>\$ 1,427,872</b>

**The Southern Connecticut Gas Company**  
**Consolidated Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands, except share information)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes payable to affiliates	\$ 6,800	\$ 3,580
Accounts payable and accrued liabilities	48,558	66,704
Accounts payable to affiliates	5,128	20,005
Interest accrued	2,549	3,828
Taxes accrued	20,586	30,376
Operating lease liabilities	630	644
Regulatory liabilities	22,502	9,893
Other	21,492	23,011
<b>Total Current Liabilities</b>	<b>128,245</b>	<b>158,041</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	229,639	220,140
<b>Other Non-current Liabilities</b>		
Deferred income taxes	80,762	85,996
Pension and other postretirement	41,310	50,637
Operating lease liabilities	7,520	7,682
Asset retirement obligation	12,654	12,654
Environmental remediation costs	60,500	60,714
Other	6,822	6,885
<b>Total Regulatory and Other Liabilities</b>	<b>439,207</b>	<b>444,708</b>
Non-current debt	305,149	305,316
<b>Total Liabilities</b>	<b>872,601</b>	<b>908,065</b>
<b>Commitments and Contingencies</b>		
<b>Common Stock Equity</b>		
Common stock (\$13.33 par value, 2,650,000 shares authorized and 1,407,072 shares outstanding at March 31, 2022 and December 31, 2021)	18,761	18,761
Additional paid-in capital	412,737	412,737
Retained earnings	45,309	52,798
Accumulated other comprehensive loss	(5,795)	(6,327)
<b>Total SCG Common Stock Equity</b>	<b>471,012</b>	<b>477,969</b>
Noncontrolling interest	38,756	41,838
<b>Total Equity</b>	<b>509,768</b>	<b>519,807</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,382,369</b>	<b>\$ 1,427,872</b>



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

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 23,163</b>	<b>\$ 23,867</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,532	9,065
Regulatory assets/liabilities amortization	7,853	5,716
Regulatory assets/liabilities carrying cost	354	(25)
Amortization of debt issuance costs	(210)	(2,384)
Deferred taxes	(14,416)	3,344
Pension cost	(544)	(124)
Other non-cash items	887	19
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(14,412)	(16,288)
Inventories	15,792	7,875
Accounts payable, to affiliates, and accrued liabilities	(26,665)	(18,762)
Taxes accrued	(9,790)	19,550
Other assets/liabilities	4,534	(2,449)
Regulatory assets/liabilities	26,353	20,758
<b>Net Cash Provided by Operating Activities</b>	<b>22,431</b>	<b>50,162</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	(19,916)	(7,672)
Contributions in aid of construction	668	135
Notes receivable from affiliates	27,489	(6,699)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>8,241</b>	<b>(14,236)</b>
<b>Cash Flow from Financing Activities:</b>		
Notes payable to affiliates	3,220	(18,315)
Contributions from noncontrolling interest	707	19,431
Dividends paid	(30,000)	—
Payment of noncontrolling interest dividend	(4,441)	(3,799)
<b>Net Cash Used in Financing Activities</b>	<b>(30,514)</b>	<b>(2,683)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>158</b>	<b>33,243</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>473</b>	<b>3,019</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 631</b>	<b>\$ 36,262</b>

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

(Thousands, except per share amounts)	Number of Shares (*)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Common Stock Equity
<b>Balance, December 31, 2020</b>	<b>1,407,072</b>	<b>\$ 18,761</b>	<b>\$ 427,737</b>	<b>\$ 19,167</b>	<b>\$ (5,032)</b>	<b>\$ 22,857</b>	<b>\$ 483,490</b>
Net income	—	—	—	22,647	—	—	22,647
Net income attributable to noncontrolling interest	—	—	—	—	—	1,220	1,220
Payment of noncontrolling interest dividend	—	—	—	—	—	(3,799)	(3,799)
Contributions from noncontrolling interest	—	—	—	—	—	19,431	19,431
<b>Balance, March 31, 2021</b>	<b>1,407,072</b>	<b>\$ 18,761</b>	<b>\$ 427,737</b>	<b>\$ 41,814</b>	<b>\$ (5,032)</b>	<b>\$ 39,709</b>	<b>\$ 522,989</b>
<b>Balance, December 31, 2021</b>	<b>1,407,072</b>	<b>\$ 18,761</b>	<b>\$ 412,737</b>	<b>\$ 52,798</b>	<b>\$ (6,327)</b>	<b>\$ 41,838</b>	<b>\$ 519,807</b>
Net income	—	—	—	22,511	—	—	22,511
Other comprehensive income, net of tax	—	—	—	—	532	—	532
Comprehensive income							23,043
Net income attributable to noncontrolling interest	—	—	—	—	—	652	652
Payment of noncontrolling interest dividend	—	—	—	—	—	(4,441)	(4,441)
Contributions from noncontrolling interest	—	—	—	—	—	707	707
Common stock dividends	—	—	—	(30,000)	—	—	(30,000)
<b>Balance, March 31, 2022</b>	<b>1,407,072</b>	<b>\$ 18,761</b>	<b>\$ 412,737</b>	<b>\$ 45,309</b>	<b>\$ (5,795)</b>	<b>\$ 38,756</b>	<b>\$ 509,768</b>

(\*) Par value of share amounts is \$13.33

# **The United Illuminating Company**

**Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

# **The United Illuminating Company**

## **Index**

### **Financial Statements (Unaudited)**

**For the Three Months Ended March 31, 2022 and 2021**

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**The United Illuminating Company**  
**Statements of Income (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Operating Revenues</b>	<b>\$ 287,670</b>	<b>\$ 251,720</b>
<b>Operating Expenses</b>		
Electricity purchased	107,068	65,367
Operations and maintenance	82,980	86,338
Depreciation and amortization	27,942	27,227
Taxes other than income taxes, net	25,547	26,286
<b>Total Operating Expenses</b>	<b>243,537</b>	<b>205,218</b>
<b>Operating Income</b>	<b>44,133</b>	<b>46,502</b>
Other income	4,026	2,470
Other deductions	1,065	(6,912)
Earnings from equity method investments	911	420
Interest expense, net of capitalization	(9,884)	(10,666)
<b>Income Before Income Tax</b>	<b>40,251</b>	<b>31,814</b>
Income tax expense	4,632	7,677
<b>Net Income</b>	<b>\$ 35,619</b>	<b>\$ 24,137</b>

**The United Illuminating Company**  
**Statements of Comprehensive Income (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Net Income</b>	<b>\$ 35,619</b>	<b>\$ 24,137</b>
<b>Other Comprehensive Income (Loss)</b>		
Gain on non-qualified plans	3,553	—
Unrealized gain (loss) during the period on derivatives qualifying as cash flow hedges	4	(4)
Reclassification to net income of loss on settled cash flow hedges	23	—
<b>Other Comprehensive Income (Loss)</b>	<b>3,580</b>	<b>(4)</b>
<b>Comprehensive Income</b>	<b>\$ 39,199</b>	<b>\$ 24,133</b>

**The United Illuminating Company**  
**Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,530	\$ —
Accounts receivable and unbilled revenues, net	161,009	147,782
Accounts receivable from affiliates	1,119	1,165
Notes receivable from affiliates	57,900	64,600
Materials and supplies	13,417	9,792
Prepayments and other current assets	14,350	3,822
Derivative assets	439	427
Regulatory assets	54,978	44,318
<b>Total Current Assets</b>	<b>305,742</b>	<b>271,906</b>
Utility plant, at original cost	3,512,132	3,485,699
Less accumulated depreciation	(986,284)	(958,844)
<b>Net Utility Plant in Service</b>	<b>2,525,848</b>	<b>2,526,855</b>
Construction work in progress	229,165	216,553
<b>Total Utility Plant</b>	<b>2,755,013</b>	<b>2,743,408</b>
Operating lease right-of-use assets	10,860	11,339
Equity method investments	84,611	86,557
Other property and investments	16,979	15,655
<b>Regulatory and Other Assets</b>		
Regulatory assets	313,390	370,194
Derivative assets	1,205	1,284
Other	23,142	22,378
<b>Total Regulatory and Other Assets</b>	<b>337,737</b>	<b>393,856</b>
<b>Total Assets</b>	<b>\$ 3,510,942</b>	<b>\$ 3,522,721</b>

**The United Illuminating Company**  
**Balance Sheets (Unaudited)**

As of	March 31, 2022	December 31, 2021
(Thousands)		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Current portion of debt	\$ 76,564	\$ 162,137
Notes payable to affiliates	37	—
Accounts payable and accrued liabilities	112,708	140,732
Accounts payable to affiliates	17,464	69,991
Dividends payable	50,000	—
Interest accrued	10,004	11,166
Taxes accrued	16,238	26,975
Operating lease liabilities	784	1,002
Derivative liabilities	14,804	14,586
Other current liabilities	41,843	37,701
Regulatory liabilities	79,931	45,113
<b>Total Current Liabilities</b>	<b>420,377</b>	<b>509,403</b>
<b>Regulatory and Other Liabilities</b>		
Regulatory liabilities	346,906	352,021
<b>Other Non-current Liabilities</b>		
Deferred income taxes	397,485	389,550
Pension and other postretirement	108,876	162,445
Operating lease liabilities	14,471	14,644
Derivative liabilities	42,640	45,820
Environmental remediation costs	18,238	22,134
Other	27,640	30,987
<b>Total Regulatory and Other Liabilities</b>	<b>956,256</b>	<b>1,017,601</b>
Non-current debt	874,505	725,071
<b>Total Liabilities</b>	<b>2,251,138</b>	<b>2,252,075</b>
<b>Commitments and Contingencies</b>		
<b>Common Stock Equity</b>		
Common stock (no par value, 30,000,000 shares authorized and 100 shares outstanding at March 31, 2022 and December 31, 2021)	1	1
Additional paid-in capital	806,618	806,659
Retained earnings	460,047	474,428
Accumulated other comprehensive loss	(6,862)	(10,442)
<b>Total Common Stock Equity</b>	<b>1,259,804</b>	<b>1,270,646</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,510,942</b>	<b>\$ 3,522,721</b>

**The United Illuminating Company**  
**Statements of Cash Flows (Unaudited)**

Periods Ended March 31,	2022	2021
(Thousands)		
<b>Cash Flow from Operating Activities:</b>		
<b>Net income</b>	<b>\$ 35,619</b>	<b>\$ 24,137</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,942	27,227
Regulatory assets/liabilities amortization	(1,010)	10,236
Regulatory assets/liabilities carrying cost	(1,344)	1,988
Amortization of debt issuance costs	106	531
Deferred taxes	2,144	2,985
Pension cost	1,678	2,997
Stock-based compensation	11	9
Earnings from equity method investments	(908)	(365)
Cash distribution from equity method investments	924	2,047
Other non-cash items	(2,192)	(505)
Changes in operating assets and liabilities:		
Accounts receivable, from affiliates, and unbilled revenues	(13,181)	11,224
Inventories	(3,625)	(2,486)
Accounts payable, to affiliates, and accrued liabilities	(80,778)	(14,510)
Taxes accrued	(10,736)	14,074
Other assets/liabilities	(8,240)	(12,362)
Regulatory assets/liabilities	20,279	(21,926)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(33,311)</b>	<b>45,301</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	(37,056)	(19,679)
Contributions in aid of construction	502	145
Notes receivable from affiliates	6,700	14,975
Cash distribution from equity method investments	1,930	1,359
<b>Net Cash Used in Investing Activities</b>	<b>(27,924)</b>	<b>(3,200)</b>
<b>Cash Flow from Financing Activities:</b>		
Non-current debt issuance	149,228	—
Repayments of non-current debt	(85,500)	—
Notes payable to affiliates	37	178
<b>Net Cash Provided by Financing Activities</b>	<b>63,765</b>	<b>178</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,530</b>	<b>42,279</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>—</b>	<b>169</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 2,530</b>	<b>\$ 42,448</b>



**The United Illuminating Company**  
**Statements of Changes in Equity (Unaudited)**

(Thousands, except per share amounts)	Number of shares (*)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Common Stock Equity
<b>Balance, December 31, 2020</b>	<b>100 \$</b>	<b>1 \$</b>	<b>806,230 \$</b>	<b>454,051 \$</b>	<b>(6,589) \$</b>	<b>1,253,693</b>
Net income	—	—	—	24,137	—	24,137
Other comprehensive income	—	—	—	—	(4)	(4)
Comprehensive income						24,133
Stock-based compensation	—	—	394	—	—	394
<b>Balance, March 31, 2021</b>	<b>100 \$</b>	<b>1 \$</b>	<b>806,624 \$</b>	<b>478,188 \$</b>	<b>(6,593) \$</b>	<b>1,278,220</b>
<b>Balance, December 31, 2021</b>	<b>100 \$</b>	<b>1 \$</b>	<b>806,659 \$</b>	<b>474,428 \$</b>	<b>(10,442) \$</b>	<b>1,270,646</b>
Net income	—	—	—	35,619	—	35,619
Other comprehensive loss	—	—	—	—	3,580	3,580
Comprehensive income						39,199
Stock-based compensation	—	—	(41)	—	—	(41)
Common stock dividends	—	—	—	(50,000)	—	(50,000)
<b>Balance, March 31, 2022</b>	<b>100 \$</b>	<b>1 \$</b>	<b>806,618 \$</b>	<b>460,047 \$</b>	<b>(6,862) \$</b>	<b>1,259,804</b>

(\*) No par value.

### **Note 1. Significant Accounting Policies**

**Background and nature of operations:** The United Illuminating Company (UI) is a regulated operating electric public utility engaged in the purchase, transmission, distribution, and sale of electricity for residential, commercial and industrial purposes. UI is regulated as an electric distribution company by the Connecticut Public Utilities Regulatory Authority (PURA) and is also subject to regulation by the Federal Energy Regulatory Commission (FERC). UI serves approximately 343,300 customers as of March 31, 2022 in its service territory of approximately 335 square miles in southwestern Connecticut.

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

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

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

In the opinion of management, the accompanying condensed financial statements contain all adjustments necessary to present fairly our condensed financial statements for the interim periods described herein. All such adjustments are of a normal and recurring nature, except as otherwise disclosed. The results for the three months ended March 31, 2022, are not necessarily indicative of the results for the entire fiscal year ending December 31, 2022.

**Significant Accounting Policies and New Accounting Pronouncements:** The new accounting pronouncements we have adopted as of January 1, 2022, and reflected in our condensed financial statements are described below. There have been no other material changes to the significant accounting policies described in our financial statements and FERC Form No.1 for the fiscal year ended December 31, 2021, except for those described below resulting from the adoption of new authoritative accounting guidance issued by Financial Accounting Standards Board (FASB).

#### **Adoption of New Accounting Pronouncements**

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

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

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

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

Our prospective adoption of reference rate reform and the subsequent scope clarifications on January 1, 2022 did not materially affect our results of operations, financial position and cash flows.

### **(b) Disclosures by business entities about government assistance**

In November 2021, the FASB issued amendments that apply to business entities (all entities except specified not-for-profit entities and employee benefit plans) that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance (such as a grant model within International Accounting Standards 20 Accounting for Government Grants and Disclosure of Government Assistance, or ASC Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition). Government assistance can include tax credits (excluding transactions within the scope of Topic 740, Income Taxes), cash grants, grants of other assets, and project grants. Often, government assistance is provided to an entity for a particular purpose, and the entity promises to take specific actions. Transactions with a government, as used in ASC 832, Government Assistance, include assistance administered by domestic, foreign, local (city, town, county, municipal), regional (state, provincial, territorial), and national (federal) governments and entities related to those governments. The amendments require annual disclosures in notes to financial statements about transactions with a government as follows: (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the balance sheet and income statement affected by the transactions, and the amounts applicable to each financial statement

## **Notes to Financial Statements**

line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. For entities within scope the amendments are effective for annual periods beginning after December 15, 2021, with early application permitted. The amendments are to be applied either (1) prospectively to transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions. Our adoption of the amendments on January 1, 2022 did not materially affect our disclosures.

### **(c) Fair value hedging - portfolio layer method**

In March 2022, the FASB issued amendments to ASC 815 to provide additional guidance on hedge accounting. The update extends the current last-layer method that permits only one hedged layer to allow multiple layers of a single closed portfolio. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. It also specifies that eligible hedging instruments in a single-layer hedge may include spot-starting or forward-starting constant notional or amortizing notional swaps. It also provides additional guidance on the accounting for and disclosure of hedge basis adjustments that are applicable to the portfolio layer method. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance date. We have elected to early apply the amendments effective April 1, 2022. Our adoption does not materially affect our results of operations, financial position and cash flows.

### **Accounting Pronouncements Issued But Not Yet Adopted**

The following are new accounting pronouncements not yet adopted, including those issued since December 31, 2021, that we have evaluated or are evaluating to determine their effect on our condensed financial statements.

#### **(a) Troubled debt restructurings and vintage disclosures**

In March 2022, the FASB issued amendments to ASC 326 to provide guidance for troubled debt restructurings (TDRs) and vintage disclosures. For TDRs, the update requires entities to measure and record lifetime expected credit losses on an asset that is within scope of Topic 326. The prior guidance in Topic 310 of designating a loan as a TDR was considered unnecessarily complex. For vintage disclosures, the amendments require an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively, except as provided in the next sentence. For the transition method related to the recognition of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. Early adoption is permitted. We expect our adoption will not materially affect our results of operations, financial position and cash flows.

## **Note 2. Industry Regulation**

### **Rates**

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

## **Notes to Financial Statements**

UI's previously approved three-year distribution rate schedules became effective January 1, 2017 through December 31, 2019, and included, among other things, annual tariff increases and an ROE of 9.10% based on a 50.00% 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. Given the expiration of the rate plan, UI has been operating under the 2019 approved rate schedules.

### **Connecticut Energy Legislation**

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

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

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

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

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

### **Power Supply Arrangements**

Under Connecticut law, UI's retail electricity customers can choose their electricity supplier while UI remains their electric distribution company. UI purchases power for those of its customers under standard service rates who do not choose an alternative retail electric supplier and have a maximum demand of less than 500 kilowatts, as well as its customers under supplier of last resort

## **Notes to Financial Statements**

service who are not eligible for standard service rates and do not choose to purchase electric generation service from an alternate retail electric supplier. The cost of the purchased power is a “pass-through” to those customers through the General Services Charge (GSC) charge on their bills.

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

UI has wholesale power supply agreements in place for its entire standard service load for the first and second half of 2022, and 40% of the first half of 2023. Supplier of last resort service is procured on a quarterly basis and UI has wholesale power supply agreement in place for the first, second and third quarters of 2022. However, from time to time there are no bidders in the procurement process for supplier of last resort service and, in such cases, UI manages the load directly.

UI determined that its contracts for standard service and supplier of last resort service are derivatives under ASC 815 “Derivatives and Hedging” and elected the “normal purchase, normal sale” exception under ASC 815 “Derivatives and Hedging.” UI regularly assesses the accounting treatment for its power supply contracts. These wholesale power supply agreements contain default provisions that include required performance assurance, including certain collateral obligations, in the event that UI’s credit rating on senior debt were to fall below investment grade. If such an event had occurred as of March 31, 2022, UI would have had to post an aggregate of approximately \$19.9 million in collateral.

### **New Renewable Source Generation**

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

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

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

## **Notes to Financial Statements**

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

Revenues are recorded gross from contracts with customers when UI is a principal if it controls a promised good or service before transferring that good or service to the customer. Revenues are recorded net of expenses and regulatory deferrals from contracts with customers when UI is an agent if it arranges for another entity to provide the goods or services.

### **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 2021, UI's overall allowed weighted-average ROE for its transmission business was 11.25%.

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

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

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

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

UI reserved for refunds for Complaints I, II and III consistent with the FERC's March 3, 2015 decision in Complaint I. Refunds were provided to customers for Complaint I. UI's total reserve associated with Complaints II and III is \$7.7 million as of March 31, 2022, which has not changed since December 31, 2021, except for the accrual of carrying costs. If adopted as final by the FERC, the impact of the initial decision by the FERC administrative law judge would be an additional aggregate reserve for Complaints II and III of \$4.3 million, which is based upon currently available information for these proceedings.

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

On November 21, 2019, the FERC issued rulings on two complaints challenging the base return on equity for Midcontinent Independent System Operator, or MISO transmission owners. These rulings established a new zone of reasonableness based on equal weighting of the DCF and capital-asset pricing model for establishing the base return on equity. This resulted in a base return on equity of 9.88% as the midpoint of the zone of reasonableness. Various parties have requested rehearing on this decision, which was granted. On May 21, 2020, FERC issued a ruling, which, among other things, adjusted the methodology to determine the MISO transmission owners' ROE, resulting in an increase in ROE from 9.88% to 10.02% by utilizing the risk premium model in addition to the DCF model and capital-asset pricing model under both prongs of Section 206 of the FPA, and calculated the zone of reasonableness into equal thirds rather than employing the quartile approach. On November 19, 2020, FERC issued an order addressing arguments raised on rehearing of its May 21, 2020 order making minor adjustments to certain typographical errors with regard to some of the case inputs it included in its Risk Premium model analysis. However, those minor adjustments did not affect the outcome of the case, leaving the 10.02% ROE established by the May 21, 2020 order in place. Parties to these orders affecting the MISO transmission owners' base ROE petitioned for their review at the D.C. Circuit Court of Appeals in January 2021. The NETO's submitted an amici curia brief in support of the MISO transmission owners' on March 17, 2021. We cannot predict the outcome of these proceedings, including the potential impact the MISO transmission owners' ROE proceeding may have in establishing a precedent for our pending four Complaints.

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



### **Equity Investment in Peaking Generation**

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

GenConn filed its annual revenue requirements request with PURA on June 15, 2021, seeking approval of its 2022 revenue requirements for the period commencing January 1, 2022 for both the GenConn Devon and GenConn Middletown facilities and totaling \$55.8 million. A final decision was received on December 08, 2021, approving 2022 revenue requirements of \$44.4 million for GenConn (\$19.3 million for GenConn Devon, and \$25.1 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2022. PURA disallowed \$2.9 million from the original 2021 revenue requirements associated with interest expense associated with GenConn's debt, \$0.1 million associated with 2013 refinancing amortization, \$6.1 million associated with its equity return and \$2.3 million associated with the resulting income tax, totaling \$11.4 million. On January 21, 2022, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the \$11.4 million.

GenConn filed its annual revenue requirements request with PURA on June 12, 2020, seeking approval of its 2021 revenue requirements for the period commencing January 1, 2021 for both the GenConn Devon and GenConn Middletown facilities. A final decision was received on December 23, 2020, approving 2021 revenue requirements of \$49.4 million for GenConn (\$22.0 million for GenConn Devon, and \$27.4 million for GenConn Middletown). Additionally, GenConn was granted a 9.85% Return on Equity (ROE) for 2021. PURA disallowed \$3.3 million from the original 2021 revenue requirements request which includes a disallowance of \$2.9 million of interest expense associated with GenConn's debt, and \$0.4 million related to a proposed expense project to paint Exhaust Stacks at GenConn Devon. On February 4, 2021, GenConn filed an appeal with the CT Superior Court, appealing PURA's disallowance of the \$2.9 million interest expense. The appeal was dismissed on January 28, 2022. On February 16, 2022, GenConn initiated an appeal at the Connecticut Appellate Court, which remains pending.

PURA had approved revenue requirements for the period from January 1, 2020 through December 31, 2020, however, GenConn filed to reopen the related docket with PURA on April 3, 2020, for the purpose of resetting 2020 revenue requirements after a recalculation of excess deferred income taxes. GenConn received a final decision from PURA on December 23, 2020 approving \$1.2 million of the additional \$2.1 million requested for 2020 revenue requirements. The \$0.9 million difference is due to an acceleration of \$0.6 million related to Excess Accumulated Deferred Income Tax (ADIT) associated with Intangible Plant that otherwise would have been refunded over a longer period of time, and \$0.3 million is related to actual tangible plant timing differences.

### **Tax Cuts and Jobs Act**

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law. The Tax Act significantly changed the federal taxation of business entities including, among other things, implementing a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates will result in amounts previously and

currently collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates.

PURA instituted proceedings in Connecticut to review and address the implications associated with the Tax Act on the utilities providing service in the state and rendered a final decision on January 23, 2019. PURA directed UI to establish a regulatory liability in the amount of the income tax expense to be returned to customers and propose a method of returning such amount to customers in its next rate case filing. On June 28, 2021, PURA approved a multi-docket settlement proposal that required UI to flow accumulated Tax Act savings back to customers over a 22-month period, commencing on July 1, 2021 through April 30, 2023.

On December 22, 2021, the FERC issued an order finding that the New England Transmission Owners (NETOs) Regional Network Service proposed revisions partially comply with the requirements of Order 864 and directed the NETOs to submit a further compliance filing within 60 days of the date of the order. The compliance is effective January 27, 2020, consistent with Order 864 and January 1, 2022, to reflect the fact that the NETOs existing transmission formula rates under the ISO-NE Tariff will be replaced by a settled formula rate effective January 1, 2022.

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

On August 6, 2020, the PURA opened a docket to investigate the preparation for and response to Tropical Storm Isaias by the electric distribution companies in Connecticut including UI. Following hearings and the submission of testimony, PURA issued a final decision on April 15, 2021, finding that UI "generally met standards of acceptable performance in its preparation and response to Tropical Storm Isaias," subject to certain exceptions noted in the decision, but ordered a 15-basis point reduction to UI's ROE in its next rate case to incentivize better performance and indicated that penalties could be forthcoming in the penalty phase of the proceedings. On June 11, 2021, UI filed an appeal of PURA's decision with the Connecticut Superior Court.

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

### **Minimum Equity Requirements for Regulated Subsidiaries**

Pursuant to agreements with PURA, UI is restricted from paying dividends if paying such dividend would result in a common equity ratio lower than 300 basis points below the equity percentage used to set rates in the most recent distribution rate proceeding as measured using a trailing 13-month average calculated as of the most recent quarter end. In addition, UI is prohibited from paying dividends to their parent if the utility's credit rating, as rated by any of the three major credit rating agencies, falls below investment grade, or if the utility's credit rating, as determined by two of the three major credit rating agencies, falls to the lowest investment grade and there is a negative watch or review downgrade notice.

**Note 3. Regulatory Assets and Liabilities**

Pursuant to the requirements concerning accounting for regulated operations we capitalize, as regulatory assets, incurred and accrued costs that are probable of recovery in future electric rates. We base our assessment of whether recovery is probable on the existence of regulatory orders that allow for recovery of certain costs over a specific period, or allow for reconciliation or deferral of certain costs. When costs are not treated in a specific order we use regulatory precedent to determine if recovery is probable. We also record, as regulatory liabilities, obligations to refund previously collected revenue or to spend revenue collected from customers on future costs. Of the total regulatory assets net of regulatory liabilities, approximately \$242.8 million represents the offset of accrued liabilities for which funds have not been expended. The remainder is either included in rate base or accruing carrying costs.

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

Regulatory assets as of March 31, 2022 and December 31, 2021 consisted of:

<b>As of</b>	<b>March 31,</b>	<b>December 31,</b>
<b>(Thousands)</b>	<b>2022</b>	<b>2021</b>
Contracts for differences	\$ 55,805	\$ 58,672
COVID-19 cost recovery	10,535	10,416
Deferred transmission expense	8,132	13,507
Environmental remediation costs	6,320	6,311
Excess generation service charge	25,530	11,156
Non-bypassable charges	1,348	4,600
Pension and other postretirement benefit plans	70,354	125,151
Pension and other postretirement benefits cost deferrals	15,178	13,755
Revenue decoupling mechanism	16,657	16,958
Storm costs	25,162	23,135
Unamortized losses on reacquired debt	5,330	5,455
Unfunded future income taxes	113,777	110,501
Other	14,240	14,895
<b>Total regulatory assets</b>	<b>368,368</b>	<b>414,512</b>
Less: current portion	54,978	44,318
<b>Total non-current regulatory assets</b>	<b>\$ 313,390</b>	<b>\$ 370,194</b>

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

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

## **Notes to Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

## Notes to Financial Statements

Regulatory liabilities as of March 31, 2022 and December 31, 2021 consisted of:

As of	March 31, 2022	December 31, 2021
(Thousands)		
2017 Tax Act	\$ 245,354	\$ 252,016
Accrued removal obligations	73,627	72,165
Accumulated deferred investment tax credits	11,176	11,358
Conservation and load management	2,786	(156)
Middletown/Norwalk local transmission network service collections	16,672	16,815
Non-bypassable charges	35,169	5,165
Pension and other postretirement benefit plans	15,402	15,538
Pension and other postretirement benefits cost deferrals	217	—
Rate refund - FERC ROE proceeding	7,662	7,600
System benefit charge	14,234	12,049
Other	4,538	4,584
<b>Total regulatory liabilities</b>	<b>426,837</b>	<b>397,134</b>
Less: current portion	79,931	45,113
<b>Total non-current regulatory liabilities</b>	<b>\$ 346,906</b>	<b>\$ 352,021</b>

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

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

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

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

Pension and other postretirement benefit plans represent the actuarial gains on the pension and other postretirement plans that will be reflected in customer rates when they are amortized and recognized in future pension expenses.

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

## **Notes to Financial Statements**

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

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

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

### **Note 4. Revenue**

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

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

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

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

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

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

UI records revenue from Alternative Revenue Programs (ARPs), which is not ASC 606 revenue. Such programs represent contracts between UI and their regulators. UI ARPs include revenue

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decoupling mechanisms, other ratemaking mechanisms, and annual revenue requirement reconciliations.

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

Revenues disaggregated by major source for the three months ended March 31, 2022 and 2021, are as follows:

<b>Three Months Ended March 31,</b>		<b>2022</b>		<b>2021</b>
<b>(Thousands)</b>				
Regulated operations – electricity	\$	282,203	\$	233,188
Other (a)		281		582
<b>Revenue from contracts with customers</b>		<b>282,484</b>		<b>233,770</b>
Leasing revenue		1,648		820
Alternative revenue programs		3,150		17,230
Other revenue		388		(100)
<b>Total operating revenues</b>	<b>\$</b>	<b>287,670</b>	<b>\$</b>	<b>251,720</b>

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

As of March 31, 2022 and December 31, 2021, nearly all of the accounts receivable balances included in “Accounts receivable and unbilled revenues, net” on our condensed balance sheet are related to contracts with customers and include unbilled revenues of \$43.9 million and \$47.5 million, respectively.

### **Note 5. Income Taxes**

The effective tax rate for the three months ended March 31, 2022 was 11.5%, which was lower than the 21% statutory federal income tax rate due predominately to excess ADIT amortization and property related flow through tax benefits. The effective tax rate for the three months ended March 31, 2021 was 24.1%, which was higher than the 21% statutory federal income tax rate due predominately to state taxes, partially offset by property related flow through tax benefits.

### **Note 6. Bank Loans and Other Borrowings**

UI had \$0.04 million in short-term debt outstanding as of March 31, 2022 and no short-term debt outstanding as of December 31, 2021. UI funds short-term liquidity needs through an agreement among Avangrid’s regulated utility subsidiaries (the Virtual Money Pool Agreement), a bi-lateral intercompany credit agreement with Avangrid (the Bi-Lateral Intercompany Facility), and a bank provided credit facility to which UI is a party (the AGR Credit Facility), each of which are described below.

The Virtual Money Pool Agreement is an agreement among the investment grade-rated, regulated utility subsidiaries of Avangrid under which the parties to this agreement may lend to or borrow from each other. This Agreement allows Avangrid to optimize cash resources within the regulated utility companies which are prohibited by regulation from lending to unregulated affiliates. The interest rate on transactions under this agreement is the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI has a lending/borrowing limit of \$100 million

## **Notes to Financial Statements**

under this agreement. UI had no debt outstanding under this agreement at March 31, 2022 and December 31, 2021.

The Bi-Lateral Intercompany Facility provides for borrowing of up to \$500 million from Avangrid at the A2/P2 non-financial 30-day commercial paper rate published by the Federal Reserve. UI had \$0.04 million outstanding at March 31, 2022 under this agreement and no debt outstanding under this agreement at December 31, 2021.

On November 23, 2021, AGR and its investment-grade rated utility subsidiaries (New York State Electric and Gas Corporation ("NYSEG"), Rochester Gas and Electric Corporation ("RG&E"), Central Maine Power Company ("CMP"), The United Illuminating Company ("UI"), Connecticut Natural Gas Corporation ("CNG"), The Southern Connecticut Gas Company ("SCG") and The Berkshire Gas Company ("BGC")) executed a new credit facility with an aggregate limit of \$3,575 million and a termination date of November 23, 2026. Under the terms of the Avangrid Credit Facility, each borrower has a maximum borrowing entitlement, or sublimit, which can be periodically adjusted to address specific short-term capital funding needs, subject to the maximum limit contained in the agreement. NYSEG has a maximum sublimit of \$700 million, RG&E has \$300 million, CMP has \$200 million and UI has a maximum sublimit of \$250 million, CNG and SCG have maximum sublimits of \$150 million, and BGC has a maximum sublimit of \$50 million. Effective on November 23, 2021, the AGR Credit Facility was amended to increase AGR's maximum sublimit to \$2,500 million and to establish minimum sublimits of \$500 million for NYSEG, \$200 million for RG&E, \$100 million for CMP, \$150 million for UI, \$50 million for CNG and SCG, and \$25 million for BGC. Under the AGR Credit Facility, each of the borrowers are charged a facility fee that is dependent on their credit rating. The facility fees range from 10.0 to 22.5 basis points. UI had no debt outstanding under this agreement at March 31, 2022 and December 31, 2021.

In the AGR Credit Facility we covenant not to permit, without the consent of the lender, our ratio of total indebtedness to total capitalization to exceed 0.65 to 1.00 at any time. For purposes of calculating the maximum ratio of indebtedness to total capitalization, the facility excludes from net worth the balance of accumulated other comprehensive loss as it appears on the balance sheet. The facility contains various other covenants, including a restriction on the amount of secured indebtedness we may maintain. Continued un-remedied failure to comply with those covenants for five business days after written notice of such failure from the lender constitutes an event of default and would result in acceleration of maturity. Our ratio of indebtedness to total capitalization pursuant to the revolving credit facility was 0.43 to 1.00 at March 31, 2022. We are not in default as of March 31, 2022.

### **Note 7. Preferred Stock**

At March 31, 2022, UI had 1,119,612 shares of \$100 par value preferred stock, 2,400,000 shares of \$25 par value preferred stock, and 5,000,000 shares of \$25 par value preference stock authorized but unissued.

### **Note 8. Environmental Liability**

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

### **English Station**

In January 2012, Evergreen Power, LLC (Evergreen Power) and Asnat Realty LLC (Asnat), then owners of a former generation site on the Mill River in New Haven (English Station) that UI sold to



## **Notes to Financial Statements**

Quinnipiac Energy in 2000, filed a lawsuit in federal district court in Connecticut related to environmental remediation at the English Station site. This proceeding was stayed in 2014 pending resolutions of other proceedings before the DEEP concerning the English Station site. In December 2016, the court administratively closed the file without prejudice to reopen upon the filing of a motion to reopen by any party.

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

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

On August 4, 2016, DEEP issued a partial consent order (the consent order), that, subject to its terms and conditions, requires UI to investigate and remediate certain environmental conditions within the perimeter of the English Station site. Under the consent order, to the extent that the cost of this investigation and remediation is less than \$30 million, UI will remit to the State of Connecticut the difference between such cost and \$30 million to be used for a public purpose as determined in the discretion of the Governor of the State of Connecticut, the Attorney General of the State of Connecticut and the Commissioner of DEEP. UI is obligated to comply with the terms of the consent order even if the cost of such compliance exceeds \$30 million. Under the terms of the consent order, the state will discuss options with UI on recovering or funding any cost above \$30 million such as through public funding or recovery from third parties; however, it is not bound to agree to or support any means of recovery or funding. UI has continued 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, 2022 and December 31, 2021, the amount reserved related to English Station was \$21.1 million and \$21.7 million, respectively. We cannot predict the outcome of this matter.

### **Other**

In May 2019, UI obtained an updated remediation evaluation of the property adjacent to the New Haven Harbor Generating Station. As a result, UI recorded an additional \$6.0 million reserve in June 2019, the minimum of the range of remediation estimates. The amount reserved for this property was \$7.7 million as of March 31, 2022 and December 31, 2021, respectively.

UI also holds a reserve for remediation of 801 Bridgeport Ave, the site of a former operations center. The amount reserved for this site was \$0.4 million as of March 31, 2022 and December 31, 2021, respectively.

Our environmental liability accruals are recorded on an undiscounted basis and are expected to be paid through the year 2030.

**Note 9. Accounting for Derivative Instruments and Hedging Activities**

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

*Derivatives not designated as hedging instruments*

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

PURA has determined that costs associated with these CfDs will be fully recoverable by UI and CL&P through electric rates, and in accordance with ASC 980 "Regulated Operations," UI has deferred recognition of costs (a regulatory asset) or obligations (a regulatory liability). The CfDs are marked-to-market in accordance with ASC 815 "Derivatives and Hedging." For those CfDs signed by CL&P, UI records its approximate 20% portion pursuant to the cost-sharing agreement noted above. As of March 31, 2022, UI has recorded a gross derivative asset of \$1.6 million (\$0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of \$55.8 million, a gross derivative liability of \$57.4 million (\$55.4 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of \$0. As of December 31, 2021, UI had recorded a gross derivative asset of \$1.7 million (\$0 of which is related to UI's portion of the CfD signed by CL&P), a regulatory asset of \$58.7 million, a gross derivative liability of \$60.4 million (\$58.2 million of which is related to UI's portion of the CfD signed by CL&P), and a regulatory liability of \$0.

The unrealized gains and losses from fair value adjustments to these derivatives, which are recorded in regulatory assets, for the three months ended March 31, 2022 and 2021, respectively, were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>(Thousands)</b>		
Derivative assets	\$ (71)	\$ (26)
Derivative liabilities	\$ 2,939	\$ 560

*Derivatives designated as hedging instruments*

The effect of derivatives in cash flow hedging relationships on Other Comprehensive Income (OCI) and income for the three months ended March 31, 2022 and 2021, respectively, consisted of:

## Notes to Financial Statements

Three Months Ended March 31,	Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified From Accumulated OCI into Income	Gain (Loss) Reclassified From Accumulated OCI into Income	Total Amount per Income Statement
(Thousands)				
<b>2022</b>				
Foreign exchange contracts	\$ 4	Operations and maintenance	\$ (23)	\$ 82,980
<b>Total</b>	<b>\$ 4</b>		<b>\$ (23)</b>	
<b>2021</b>				
Foreign exchange contracts	\$ (4)	Operations and maintenance	\$ —	\$ 86,338
<b>Total</b>	<b>\$ (4)</b>		<b>\$ —</b>	

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

The estimated fair value of debt amounted to \$999 million as of March 31, 2022 and \$1,029 million as of December 31, 2021. The estimated fair value was determined, in most cases, by discounting the future cash flows at market interest rates. The interest rate curve used to make these calculations takes into account the risks associated with the electricity industry and the credit ratings of the borrowers in each case. The fair value hierarchy for the fair value of debt is considered as Level 2.

#### *Assets and liabilities measured at fair value on a recurring basis*

The financial instruments measured at fair value as of March 31, 2022 and December 31, 2021, respectively, consisted of:

As of March 31, 2022	Level 1	Level 2	Level 3	Total
(Thousands)				
<b>Derivative assets</b>				
Contracts for differences	\$ —	\$ —	\$ 1,640	\$ 1,640
Foreign exchange contracts	\$ —	\$ 4	\$ —	\$ 4
<b>Equity investments with readily determinable fair values</b>				
Supplemental retirement benefit trust life insurance policies	—	16,753	—	16,753
<b>Total</b>	<b>\$ —</b>	<b>\$ 16,757</b>	<b>\$ 1,640</b>	<b>\$ 18,397</b>
<b>Derivative liabilities</b>				
Contracts for differences	\$ —	\$ —	\$ (57,444)	\$ (57,444)
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (57,444)</b>	<b>\$ (57,444)</b>

## Notes to Financial Statements

As of December 31, 2021		Level 1	Level 2	Level 3	Total
(Thousands)					
<b>Derivative assets</b>					
Contracts for differences	\$	—	\$	1,711	\$ 1,711
<b>Equity investments with readily determinable fair values</b>					
Supplemental retirement benefit trust life insurance policies		—	15,431	—	15,431
<b>Total</b>	<b>\$</b>	<b>—</b>	<b>\$ 15,431</b>	<b>\$ 1,711</b>	<b>\$ 17,142</b>
<b>Derivative liabilities</b>					
Contracts for differences	\$	—	\$	(60,383)	\$ (60,383)
Foreign exchange contracts		—	(23)	—	(23)
<b>Total</b>	<b>\$</b>	<b>—</b>	<b>\$ (23)</b>	<b>\$ (60,383)</b>	<b>\$ (60,406)</b>

We had no transfers to or from Level 1 and 2 during the periods ended March 31, 2022 and December 31, 2021. Our policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that causes a transfer, if any.

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

- UI enters into CfDs, which are marked-to-market based on a probability-based expected cash flow analysis that is discounted at risk-free interest rates and an adjustment for non-performance risk using credit default swap rates. We include the fair value measurement for these contracts in Level 3 (Refer to Note 11 for further discussion of CfDs).
- We measure the fair value of the supplemental retirement benefit life insurance trust based on quoted prices in the active markets for the various funds within which the assets are held and include the measurement in Level 2.
- We determine the fair value of our foreign currency exchange derivative instruments based on current exchange rates compared to the rates at inception of the hedge. We include the fair value measurement for these contracts in Level 2.

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

Unobservable Input	Range at March 31, 2022	Range at December 31, 2021
Risk of non-performance	0.56% - 0.67%	0.39% - 0.51%
Discount rate	2.42% - 2.45%	0.97% - 1.26%
Forward pricing (\$ per MW)	\$2.00 - \$4.63	\$2.00 - \$4.80

## Notes to Financial Statements

The reconciliation of changes in the fair value of financial instruments based on Level 3 inputs for the three months ended March 31, 2022 and 2021, respectively, is as follows:

Three Months Ended March 31,	2022	2021
(Thousands)		
Beginning balance	\$ (58,672)	\$ (69,184)
Unrealized gains, net	2,868	534
Ending balance	\$ (55,804)	\$ (68,650)

### Note 11. Postretirement and Similar Obligations

The components of net periodic benefit cost for pension and postretirement benefits for the three months ended March 31, 2022 and 2021, respectively, consisted of:

Three Months Ended March 31,	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
(Thousands)				
Net periodic benefit cost				
Service cost	\$ 822	\$ 932	\$ 136	\$ 155
Interest cost	4,014	3,758	427	356
Expected return on plan assets	(7,068)	(7,348)	(564)	(488)
Amortization of prior service cost (credit)	291	291	(384)	(384)
Amortization of net loss	3,619	5,365	(246)	(205)
Net periodic benefit cost	\$ 1,678	\$ 2,998	\$ (631)	\$ (566)

### Note 12. Equity Method Investments

UI is a 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 \$84.6 million and \$86.6 million as of March 31, 2022 and December 31, 2021, respectively.

UI's pre-tax income from its equity investment in GenConn was \$0.9 million and \$0.4 million for the three months ended March 31, 2022 and 2021, respectively.

Cash distributions from GenConn are reflected as either distributions of earnings or as returns of capital in the operating and investing sections, respectively, of the condensed statements of cash flows. UI received cash distributions from GenConn of \$2.9 million and \$3.4 million during the three months ended March 31, 2022 and 2021, respectively.

### Note 13. Other Income and Other Deductions

Other income and deductions for the for the three months ended March 31, 2022 and 2021, respectively, consisted of:

## Notes to Financial Statements

Three Months Ended March 31,		2022		2021
(Thousands)				
Interest and dividends income	\$	898	\$	80
Allowance for funds used during construction		1,936		1,919
Carrying costs on regulatory assets		1,196		450
Miscellaneous		(4)		21
<b>Total other income</b>	<b>\$</b>	<b>4,026</b>	<b>\$</b>	<b>2,470</b>
Pension non-service components	\$	950	\$	(1,504)
Miscellaneous		115		(5,408)
<b>Total other deductions</b>	<b>\$</b>	<b>1,065</b>	<b>\$</b>	<b>(6,912)</b>

### Note 14. Related Party Transactions

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

AGR, through its affiliates, provides administrative and management services to Networks operating utilities, including UI, pursuant to service agreements. The cost of those services is allocated in accordance with methodologies set forth in the service agreements. The cost allocation methodologies vary depending on the type of service provided. Management believes such allocations are reasonable. The charge for operating and capital services provided to UI by AGR and its affiliates for the three months ended March 31, 2022 and 2021 was \$18.0 million and \$18.6 million, respectively. Charge for services provided by UI to AGR and its subsidiaries were approximately \$2.5 million and \$2.2 million for the three months ended March 31, 2022 and 2021, respectively. All charges for services are at cost.

The balance in accounts payable to affiliates of \$17.5 million at March 31, 2022 and \$70.0 million at December 31, 2021 is primarily due to UIL Holdings. The balance in accounts receivable from affiliates of \$1.1 million at March 31, 2022 and \$1.2 million at December 31, 2021 is receivable from various companies.

Of the balance in notes receivable from affiliates of \$57.9 million at March 31, 2022, \$33.0 million was due from NYSEG and \$24.9 million from RG&E. The balance in notes receivable from affiliates of \$64.6 million at December 31, 2021 was due from NYSEG. Notes receivable from affiliates relate to the Virtual Money Pool Agreement as discussed in Note 6 of these condensed financial statements.