nationalgrid

New England Power Company

Financial Statements

For the years ended March 31, 2024, 2023, and 2022

NEW ENGLAND POWER COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New England Power Company

Opinion

We have audited the financial statements of New England Power Company (the "Company"), which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended March 31, 2024, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 28, 2024

NEW ENGLAND POWER COMPANY
STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Years Ended March 31,		
	2024	2023	2022
Operating revenues	**$ 569,641**	$ **484,178**	$ 477,051
Operating expenses:			
Purchased electricity	**613**	**334**	268
Operations and maintenance	**116,571**	**94,316**	119,631
Depreciation and amortization	**135,156**	**125,142**	87,531
Other taxes	**61,152**	**60,945**	60,438
Total operating expenses	**313,492**	**280,737**	267,868
Operating income	**256,149**	**203,441**	209,183
Other income and (deductions):			
Interest on long-term debt	**(44,655)**	**(34,098)**	(27,236)
Other interest, including affiliate interest, net	**(3,754)**	**(4,593)**	(4,001)
Other income, net	**16,771**	**19,701**	16,335
Total other deductions, net	**(31,638)**	**(18,990)**	(14,902)
Income before income taxes	**224,511**	**184,451**	194,281
Income tax expense	**50,878**	**38,428**	36,758
Net income	**$ 173,633**	$ **146,023**	$ $ 157,523

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND POWER COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2024	2023	2022
Operating Activities:			
Net income	**$ 173,633**	$ 146,023	$ 157,523
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**135,156**	125,142	87,531
Deferred income tax expense	**26,487**	16,312	16,666
Allowance for equity funds used during construction	**(12,610)**	(19,789)	(15,053)
Pension and postretirement benefits expenses, net	**(6,103)**	(5,009)	(3,938)
Other, net	**7,701**	661	1,213
Pension and postretirement benefit contributions, net	**369**	(382)	409
Changes in operating assets and liabilities:			
Accounts receivable and unbilled revenues, net	**167**	(3,921)	557
Accounts receivable from/payable to affiliates, net	**(26,486)**	29,602	23,507
Inventory	**(4,940)**	(5,377)	(1,828)
Regulatory assets and liabilities (current), net	**1,006**	1,044	511
Regulatory assets and liabilities (non-current), net	**(18,002)**	(16,255)	(22,573)
Prepaid and accrued taxes	**12,128**	(8,147)	(870)
Accounts payable and other liabilities	**6,149**	22,852	28,412
Other assets and liabilities, net	**(412)**	(5,379)	(20,854)
Net cash provided by operating activities	**294,243**	277,377	251,213
Investing Activities:			
Capital expenditures	**(408,737)**	(330,750)	(257,172)
Cost of removal	**(9,065)**	(7,813)	(7,673)
Intercompany money pool	**156,851**	(103,858)	190,862
Financial investments	**-**	-	13,959
Proceeds from sale of assets	**-**	13,429	-
Other	**-**	-	(1,027)
Net cash used in investing activities	**(260,951)**	(428,992)	(61,051)
Financing Activities:			
Common stock dividends to Parent	**(150,000)**	(40,000)	(158,221)
Return of capital to Parent	**-**	-	(31,780)
Preferred stock dividends	**(67)**	(67)	(67)
Payments on long-term debt	**-**	(106,150)	-
Intercompany money pool	**116,766**	-	-
Proceeds from long-term debt	**-**	300,000	-
Payment on debt issuance costs	**-**	(2,250)	-
Net cash (used in) provided by financing activities	**(33,301)**	151,533	(190,068)
Net increase (decrease) in cash, cash equivalents, restricted cash and special deposits	**(9)**	(82)	94
Cash, cash equivalents, beginning of year	**32**	114	20
Cash, cash equivalents, end of year	**$ 23**	$ 32	$ 114
Supplemental disclosures:			
Interest paid, net	**$ (41,688)**	$ (26,428)	$ (24,010)
Income taxes paid	**(11,209)**	(30,522)	(16,785)
Significant non-cash items:			
Capital-related accruals included in accounts payable	**43,589**	**1,354**	18,280
ROU assets obtained in exchange for new operating lease liabilities	**2,143**	**-**	-
Parent tax loss allocation	**$ -**	**4,840**	4,772

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND POWER COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 23**	$ 32
Accounts receivable, net	**4,888**	5,783
Accounts receivable from affiliates	**90,758**	72,595
Intercompany money pool asset	**-**	156,851
Unbilled revenues, net	**6,053**	5,468
Inventory	**16,040**	11,100
Prepayments	**161**	18,898
Other current assets	**925**	1,364
Total current assets	**118,848**	272,091
Equity method investments	**4,063**	3,885
Property, plant and equipment, net	**3,650,410**	3,317,752
Other non-current assets:		
Regulatory assets	**92,197**	73,711
Goodwill	**337,614**	337,614
Postretirement benefits	**66,039**	56,508
Other noncurrent assets	**54,487**	24,161
Total other non-current assets	**550,337**	491,994
Total assets	**$ 4,323,658**	$ 4,085,722

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND POWER COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2024	March 31, 2023
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	**$ 87,591**	$ 45,583
Accounts payable to affiliates	**37,062**	45,385
Intercompany money pool liability	**116,766**	-
Taxes accrued	**25,264**	13,226
Interest accrued	**16,734**	16,721
Distributed generation advances	**10,185**	10,281
Regulatory liabilities	**-**	499
Other current liabilities	**49,277**	50,220
Total current liabilities	**342,879**	181,915
Non-current liabilities:		
Regulatory liabilities	**332,310**	323,361
Accrued Yankee nuclear plant costs	**7,706**	8,049
Deferred income tax liabilities, net	**506,364**	466,044
Environmental remediation costs	**3,541**	3,589
Other non-current liabilities	**11,291**	6,641
Total non-current liabilities	**861,212**	807,684
Commitments and contingencies (Note 12)		
Capitalization:		
Shareholders' equity	**2,030,082**	2,007,057
Long-term debt	**1,089,485**	1,089,066
Total capitalization	**3,119,567**	3,096,123
Total liabilities and capitalization	**$ 4,323,658**	$ 4,085,722

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND POWER COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

	Common Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss): Pension and Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss): Total Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance as of March 31, 2021	**$ 72,398**	**$ 1,112**	**$ 1,787,565**	**$ 343**	**$ (540)**	**$ (197)**	**$62,925**	**$1,923,803**
Net income	-	-	-	-	-	-	157,523	157,523
Other comprehensive income (loss):								
Unrealized gain on securities, net of $6 tax benefit	-	-	-	(17)	-	(17)	-	(17)
Change in pension and other postretirement obligations, net of $10 tax expense	-	-	-	-	28	28	-	28
Total comprehensive income								157,534
Benefit of Parent tax loss allocation	-	-	4,772	-	-	-	-	4,772
Return of capital to Parent	-	-	(31,780)	-	-	-	-	(31,780)
Common stock dividends to Parent	-	-	-	-	-	-	(158,221)	(158,221)
Preferred stock dividends	-	-	-	-	-	-	(67)	(67)
Balance as of March 31, 2022	**$ 72,398**	**$ 1,112**	**$1,760,557**	**$ 326**	**$ (512)**	**$ (186)**	**$62,160**	**$1,896,041**
Net income	-	-	-	-	-	-	146,023	146,023
Other comprehensive income:								
Unrealized gain on securities, net of $0 tax benefit	-	-	-	-	-	-	-	-
Change in pension and other postretirement obligations, net of $83 tax expense	-	-	-	-	220	220	-	220
Total comprehensive income								146,243
Benefit of Parent tax loss allocation	-	-	4,840	-	-	-	-	4,840
Common stock dividends to Parent	-	-	-	-	-	-	(40,000)	(40,000)
Preferred stock dividends	-	-	-	-	-	-	(67)	(67)
Balance as of March 31, 2023	**$ 72,398**	**$ 1,112**	**$1,765,397**	**$ 326**	**$ (292)**	**$ 34**	**$168,116**	**$2,007,057**
Net income	-	-	-	-	-	-	173,633	173,633
Other comprehensive income:								
Unrealized gain on securities, net of $4 tax benefit	-	-	-	(4)	-	(4)	-	(4)
Change in pension and other postretirement obligations, net of $75 tax expense	-	-	-	-	220	220	-	220
Total comprehensive income								173,849
Benefit of Parent tax loss allocation	-	-	-	-	-	-	-	-
Common stock dividends to Parent	-	-	-	-	-	-	(150,000)	(150,000)
Implementation of ASC 326, net of $285 tax benefit [1]	-	-	-	-	-	-	(757)	(757)
Preferred stock dividends	-	-	-	-	-	-	(67)	(67)
Balance as of March 31 2024	**$ 72,398**	**$ 1,112**	**$ 1,765,397**	**$ 322**	**$ (72)**	**$ 250**	**$ 190,925**	**$ 2,030,082**

The Company had 3,619,896 shares of common stock authorized, issued and outstanding, with a par value of $20 per share and 11,117 shares of preferred stock authorized, issued and outstanding, with a par value of $100 per share at March 31, 2024, 2023, and 2022.

[1] *See Note 4, "Allowance for Doubtful Accounts"* for additional information

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND POWER COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

New England Power Company ("the Company") operates electric transmission facilities in Massachusetts, New Hampshire, and Vermont, which includes facilities operated on behalf of associated company Massachusetts Electric Company ("MECO"), in accordance with the integrated facilities agreement. The Company is a wholly-owned subsidiary of National Grid USA ("NGUSA" or the "Parent"), a public utility holding company with regulated subsidiaries engaged in the generation of electricity and the transmission, distribution, and sale of both natural gas and electricity. NGUSA is a direct wholly-owned subsidiary of National Grid North America Inc. ("NGNA") and an indirect wholly-owned subsidiary of National Grid plc, a public limited company incorporated under the laws of England and Wales.

The Company also owns non-controlling interests in three companies (the "Yankees") which own nuclear generating facilities that are permanently retired and are being decommissioned (refer to Note 8, "*Equity Method Investments*", and the "*Decommissioning Nuclear Units*" section in Note 12, "*Commitments and Contingencies*"). In addition, the Company has equity shares in New England Hydro-Transmission Electric Company, Inc. and New England Hydro-Transmission Corporation, which are two of its affiliates. NGUSA and the Company have 50.4% and 3.3% ownership interest, respectively, in both New England Hydro-Transmission Electric Company, Inc. and New England Hydro-Transmission Corporation. The Company accounts for its ownership interests in the entities using the equity method of accounting for investments.

Until December 31, 2022, the Company operated electric transmission facilities in Rhode Island, on behalf of associated company Rhode Island Energy (formerly known as Narragansett Electric Company, or "RIE"). On May 25, 2022, NGUSA closed the sale of RIE to PPL Energy Holding, LLC ("PPL"), and as of that date, RIE ceased to be an affiliate of the Company. As of January 1, 2023, PPL operates the electric transmission facilities in Rhode Island on behalf of RIE.

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), including the accounting principles for rate-regulated entities. The financial statements reflect the ratemaking practices of the applicable regulatory authorities.

The Company has evaluated subsequent events and transactions through June 28 2024**,** the date of issuance of these financial statements, and concluded that there were no events or transactions that require adjustment to, or disclosure in, the financial statements as of and for the year ended March 31, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements that conform to U.S. GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities included in the financial statements. Such estimates and assumptions are reflected in the accompanying financial statements. Actual results could differ from those estimates.

Regulatory Accounting

The Federal Energy Regulatory Commission ("FERC") has jurisdiction over the rates the Company charges its customers and certain activities, including (i) regulating certain transactions among the Company's affiliates; (ii) governing the issuance acquisition and disposition of securities and assets; and (iii) approving certain utility mergers and acquisitions. The Company defers costs (as regulatory assets) or recognizes obligations (as regulatory liabilities) if it is probable that such amounts will be recovered from, or refunded to, customers through future rates. In accordance with Accounting Standard Codification ("ASC") 980, "Regulated Operations," regulatory assets and liabilities are reflected on the balance sheet consistent with the treatment of the related costs in the ratemaking process.

Revenue Recognition

The Company has two primary sources of revenue: transmission and stranded cost recovery. Transmission revenues are based on a formula rate that recovers the Company's actual costs plus a return on investment, which are recovered through regional network service ("RNS") rates and local network service ("LNS") rates. The Company has received authorization from the FERC to recover through contract termination charges ("CTC's") substantially all of the costs associated with the divestiture of its electricity generation investments (nuclear and non-nuclear) and related contractual commitments that were not recovered through the sale of those investments (i.e. stranded costs). Stranded costs are recovered from the former wholesale customers of the Company. See Note 6, "*Rate Matters*", and Note 12, "*Commitments and Contingencies*", for further details on the stranded costs.

Other Taxes

The Company may collect taxes and fees from customers such as sales taxes, other taxes, surcharges, and fees that are levied by state or local governments on the sale or distribution of electricity. The Company accounts for taxes that are imposed on customers (such as sales taxes) on a net basis (excluded from revenues), while taxes imposed on the Company, such as excise taxes, are recognized on a gross basis.

The Company accrues property taxes in the period in which they are levied by the respective taxing authority.

Income Taxes

Federal and state income taxes have been computed utilizing the asset and liability approach that requires the recognition of deferred tax assets and liabilities for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Deferred income taxes also reflect the tax effect of net operating losses, capital losses, and general business credit carryforwards. The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income of the appropriate tax character will be generated to realize the benefits of existing deferred tax assets. When the evaluation of the evidence indicates that the Company will not be able to realize the benefits of existing deferred tax assets, a valuation allowance is recorded to reduce existing deferred tax assets to the net realizable amount.

The effects of tax positions are recognized in the financial statements when it is more likely than not that the position taken, or expected to be taken, in a tax return will be sustained upon examination by taxing authorities based on the technical merits of the position. The financial effect of changes in tax laws or rates is accounted for in the period of enactment. Deferred investment tax credits are amortized over the useful life of the underlying property.

NGNA files consolidated federal tax returns including all of the activities of its subsidiaries. Each subsidiary determines its tax provision based on the separate return method, modified by a benefits-for-loss allocation pursuant to a tax sharing agreement between NGNA and its subsidiaries. The benefit of consolidated tax losses and credits are allocated to the NGNA subsidiaries giving rise to such benefits in determining each subsidiary's tax expense in the year that the loss or credit arises. In a year that a consolidated loss or credit carryforward is utilized, the tax benefit utilized in consolidation is paid proportionately to the subsidiaries that gave rise to the benefit regardless of whether that subsidiary would have utilized the benefit. The tax sharing agreement also requires NGNA to allocate its parent tax losses, excluding deductions from acquisition indebtedness, to each subsidiary in the consolidated federal tax return with taxable income. The benefit of the allocation of NGNA's parent tax losses to its subsidiaries is accounted for as a capital contribution and is performed in conjunction with the annual intercompany cash settlement process following the filing of the federal tax return. The Corporate Alternative Minimum Tax ("CAMT") is allocated based on the ratio of separate company CAMT to total consolidated NGNA CAMT.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost which approximates fair value.

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts to reflect certain financial assets (including accounts receivable and other accounts receivable) net of expected credit losses, at estimated net realizable value. Effective April 1, 2023, the current expected credit loss model was applied for purposes of calculating the allowance for doubtful accounts.

The allowance for doubtful accounts is determined based on a variety of factors, including, for each type of receivable, applying an estimated reserve percentage to each aging category, which takes into account historical collections, write-off experience, and management's assessment of collectability from customers, as appropriate. Management continuously assesses the collectability of receivables and adjusts estimates accordingly if circumstances change and such adjustments are reasonable and supportable based on actual experience, current conditions, and forward-looking information as well as future expectations. Receivable balances are written-off against the allowance for doubtful accounts when the accounts are disconnected and/or terminated, and when such balances are deemed to be uncollectible. The Company recorded bad debt expense of $(0.8) million, $1.2 million, and $0.7 million for the years ended March 31, 2024, 2023, and 2022 respectively, within operations and maintenance expense in the accompanying statements of operations.

Inventory

Inventory is primarily composed of materials and supplies. Materials and supplies are stated at weighted average cost, which represents net realizable value, and are expensed or capitalized as used. There were no significant write-offs of obsolete inventory for the years ended March 31, 2024, 2023, and 2022.

The Company had materials and supplies of $16.0 million and $11.1 million as of March 31, 2024 and 2023, respectively.

Fair Value Measurements

The Company measures pension and postretirement benefits other than pension plan assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following is the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access as of the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data;
- Level 3: unobservable inputs, such as internally-developed forward curves and pricing models for the asset or liability due to little or no market activity for the asset or liability with low correlation to observable market inputs; and
- Not categorized: Investments in certain funds, that meet certain conditions of ASC 820, "Fair Value Measurement", are not required to be categorized within the fair value hierarchy. These investments are typically in commingled funds or limited partnerships that are not publicly traded and have ongoing subscription and redemption activity. As a practical expedient, the fair value of these investments is the Net Asset Value ("NAV") per fund share.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost. The cost of repairs and maintenance is charged to expense and the cost of renewals and betterments that extend the useful life of property, plant and equipment is capitalized. The capitalized cost of additions to property, plant and equipment includes costs such as direct material, labor and benefits, and an allowance for funds used during construction ("AFUDC").

Depreciation is computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the FERC and state regulatory bodies. In January 2022, the average composite rate increased to 3.6% as a result of newly approved rates.

	2024	2023	2022
Composite rates	**3.6%**	3.6%	2.7%

Depreciation expense includes a component for estimated cost of removal ("COR"), which is recovered through rates charged to customers. Any difference in cumulative costs recovered and costs incurred is recognized as a regulatory liability, and the difference in cumulative costs incurred in excess of costs recovered is recognized as a regulatory asset. When property, plant and equipment is retired, the original cost, less salvage, is charged to accumulated depreciation, and the related COR is removed from the associated regulatory asset.

Allowance for Funds Used During Construction

The Company records AFUDC, which represents the debt and equity costs of financing the construction of new property, plant and equipment. The equity component of AFUDC is reported in the accompanying statements of operations as non-cash income in “Other income, net”. The debt component of AFUDC is reported as a non-cash offset to “Other interest, including affiliate interest, net”. As of January 1, 2022, the Company was permitted to recover 50% of construction work in progress (“CWIP”) through inclusion in rate base. The Company recorded AFUDC related to equity of $12.6 million, $9.8 million and $15.1 million, and AFUDC related to debt of $3.3 million, $1.8 million, and $2.6 million for the years ended March 31, 2024, 2023, and 2022, respectively. The average AFUDC rates for the years ended March 31, 2024, 2023, and 2022 were 7.8%, 8.0%, and 8.1%, respectively.

Impairment of Long-Lived Assets

The Company tests the impairment of long-lived assets when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If identified, the recoverability of an asset is determined by comparing its carrying value to the estimated undiscounted cash flows that the asset is expected to generate. If the comparison indicates that the carrying value is not recoverable, an impairment loss is recognized for the excess of the carrying value over the estimated fair value. For the years ended March 31, 2024, 2023, and 2022 there were no impairment losses recognized for long-lived assets.

Goodwill

The Company tests goodwill for impairment annually on October 1, or more frequently if events occur or circumstances exist that indicate it is more likely than not that the fair value of the Company is below its’ carrying amount. The goodwill impairment test requires a recoverability test based on the comparison of the Company’s estimated fair value with its’ carrying value, including goodwill. If the estimated fair value exceeds the carrying value, goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, the Company is required to recognize an impairment charge for such excess, limited to the carrying amount of goodwill.

The Company applies two valuation methodologies to estimate its fair value, principally discounted projected future net cash flows and market-based multiples, commonly referred to as the income approach and market approach. Key assumptions include, but are not limited to, estimated future cash flows, multiples of earnings, and an appropriate discount rate. In estimating future cash flows, the Company incorporates current market information and historical factors. The determination of fair value incorporates significant unobservable inputs, requiring the Company to make significant judgments, whereby actual results may differ from assumed and estimated amounts. For the year ended March 31, 2024, the Company applied a 50/50 weighting for each valuation methodology, as it believes that each approach provides equally valuable and reliable information regarding the Company’s estimated fair value.

The Company performed its latest annual goodwill impairment test as of October 1, 2023, at which time the Company’s estimated fair value significantly exceeded the carrying value. The Company did not recognize any goodwill impairment during the years ending March 31, 2024, 2023, or 2022.

Variable Interest Entities

A variable interest entity (“VIE”) is an entity that does not have a sufficient equity method investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the obligation to absorb losses, the right to receive residual returns or the right to make decisions about the entity’s activities that most significantly impact the entity’s economic performance. The primary beneficiary is the business enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and the obligation to absorb losses or right to receive benefits that could be significant to the VIE. The primary beneficiary holds a controlling financial interest in an entity and is required to consolidate the VIE.

The Company determines whether they are the primary beneficiary of a VIE by evaluating the purpose and design of the entity, the nature of the VIE's risks and the risks that the Company absorbs, who has the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE, and who has the obligation to absorb losses or rights to receive benefits that could be significant to the VIE.

The Company has non-controlling interests in Yankee Atomic (34.5%), Connecticut Yankee (19.5%), and Maine Yankee (24%) (the "Yankees") which own nuclear generating facilities that are permanently retired and are being decommissioned. As these investments do not meet the criteria outlined above, they are not considered a VIE. See Note 8, "*Equity Method Investments*" for additional details.

Employee Benefits

The Company participates with other subsidiaries in defined benefit pension plans and postretirement benefit other than pension ("PBOP") plans for its employees, administered by NGUSA. The Company recognizes its portion of the pension and PBOP plans' funded status on the balance sheet as a net liability or asset with an offsetting adjustment to accumulated other comprehensive income ("AOCI") in shareholders' equity. The cost of providing these plans is recovered through rates; therefore, the net funded status is offset by a regulatory asset or liability. The Company measures and records its pension and PBOP funded status at the year-end date. Pension and PBOP plan assets are measured at fair value, using the year-end market value of those assets.

New and Recent Accounting Guidance

Accounting Guidance Recently Adopted

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements" which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The accounting standard provides a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses that replaces existing incurred loss impairment methodology requiring delayed recognition of credit losses. A broader range of reasonable and supportable information must be considered in developing estimates of credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses.

In May 2019, the FASB issued ASU 2019-05, "Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief", permitting entities to irrevocably elect the fair value option for financial instruments that were previously recorded at amortized cost basis within the scope of Topic 326, except for held-to-maturity debt securities. In March 2022, the FASB issued ASU 2022-02, "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The update eliminates the accounting guidance for troubled debt restructurings by creditors and enhances the disclosure requirements for loan refinancing and restructurings made with borrowers experiencing financial difficulty.

The Company adopted this new guidance on April 1, 2023. See Note 4 "*Allowance for Doubtful Accounts*" for further information.

Accounting Guidance Not Yet Adopted

Leases (Topic 842): Common Control Arrangements

In March 2023, the FASB issued ASU 2023-01, "Leases (Topic 842): Common Control Arrangements" which addresses two issues; under Issue 1, the ASU offers a practical expedient that gives an option of using the written terms and conditions of a common-control arrangement (instead of enforceable terms rights and obligations) when determining whether a lease exists and the subsequent accounting for the lease, including the lease's classification. Further, under Issue 2, the ASU requires leasehold improvements in common control leases be amortized by the lessee over the useful life of the improvements with no consideration of the lease term as long as the lessee controls the use of the underlying asset. In addition, a lessee that no longer controls the use of the underlying asset will account for the transfer of the underlying asset as an adjustment to equity.

The Company will adopt this standard for annual periods effective April 1, 2024, including interim periods. The Company is currently assessing the application of the new guidance but does not expect the adoption to have a material impact on the presentation, results of operations, cash flows, and financial position of the Company.

Income Taxes (Topic 740): Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" which improves the income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid.

The Company will early adopt this standard for annual periods effective April 1, 2025. The Company is currently assessing the application of the new guidance but does not expect the adoption to have a material impact. .

Reclassifications

Certain reclassifications have been made to the financial statements to conform the prior period's balances to the current period's presentation. These reclassifications had no effect on reported income, statement of cash flows, total assets, or shareholders' equity as previously reported.

3. REVENUE

The following table presents, for the years ended March 31, 2024, 2023 and 2022, revenues from contracts with customers, as well as additional revenue from sources other than contracts with customers, disaggregated by major source:

	Years ended March 31,		
	2024	2023	2022
		(in thousands of dollars)	
Revenues from Contracts with Customers:			
Electric Transmission	**$ 543,106**	$ 478,076	$ 465,737
Stranded Cost Recovery (refund)	**-**	-	(8,335)
Total Revenues from Contracts with Customers	**543,106**	478,076	457,402
Revenue from Alternative Revenue Programs	**20,166**	-	14,370
Other Revenue	**6,369**	6,102	5,279
Total Operating Revenues	**$ 569,641**	$ 484,178	$ 477,051

Electric Transmission

Transmission systems generally include overhead lines, underground cables and substations, connecting generation and interconnectors to the distribution system. The Company owns, maintains, and operates an electric transmission system spanning Massachusetts, Rhode Island, New Hampshire and Vermont. The Company's transmission services are provided under tariffs administered by the Regional Transmission Operators (i.e. Independent System Operators ("ISO") New England or under grandfathered agreements), approved and regulated by the FERC in respect of interstate transmission. Electric transmission revenues arise under Transmission Congestion Contract auctions, Transmission Service Agreements and Local / Regional Network Services under tariff/rate agreements. The Company bills its transmission services typically monthly, in the month after service has been provided. The Company recognizes the revenue over time when the amounts are billed.

The Company is a participating transmission owner in ISO New England which is a third party responsible for administering and collecting RNS transmission revenue from local distribution utilities, generators and municipalities, which includes revenues from the affiliate company MECO, as well as former affiliated company RIE. The Company is also responsible for administering and collecting LNS transmission revenue from local distribution utilities, generators and municipalities, including affiliated MECO, as well as former affiliated company RIE. For the years ended March 31, 2024, 2023, and 2022, the Company recognized revenues of $476.8 million, $418.8 million and $423.9 million from affiliated companies.

Stranded Cost Recovery

The Company has received authorization from the FERC to recover through CTC's substantially all the costs associated with the divestiture of its electricity generation investments and related contractual commitments that were not recovered through the sale of those stranded investments. Stranded costs are recovered from the former wholesale customers of the Company. See the "Stranded Cost Recovery" section in Note 6, "*Rate Matters*".

Revenue from Alternative Revenue Programs

The Company records revenues in accordance with accounting principles for rate-regulated operations for arrangements between the Company and the regulator, which are not accounted for as contracts with customers. These primarily include programs that qualify as Alternative Revenue Programs ("ARPs"). ARPs enable the Company to adjust rates in the future, in response to past activities or completed events. The Company also has other ARPs related to other rate making mechanisms. The Company recognizes revenue from ARPs with a corresponding offset to a regulatory asset or liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24-months from the end of the annual reporting period.

Other

Other revenues include proceeds from right of ways with affiliates New England Hydro-Transmission Electric Company, Inc., New England Hydro-Transmission Corporation, and New England Electric Transmission Corporation, and revenue from transmission pole rentals that are not considered to be revenues from contracts with customers. For the years ended March 31, 2024, 2023, and 2022 the Company recognized revenue for right of ways with affiliates of $5.2 million, $5.0 million, and $5.4 million, respectively.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are recorded at amortized cost, net of a credit loss allowance for doubtful accounts. The allowance primarily relates to trade receivables from utility customers (both billed and unbilled), as well as amounts receivable from various other counterparties such as governmental agencies, municipalities, and other utilities. The Company had a total allowance for doubtful accounts of $2.7 million and $2.4 million, of which $2.4 million and $2.4 million relates to Accounts receivable, $0.1 million and zero million relates to Unbilled revenues, and $0.2 million and zero relates to certain other current assets as of March 31, 2024 and 2023, respectively. The activity in the allowance for doubtful accounts for the year ended March 31, 2024 is as follows:

	Year Ended March 31, 2024
	(in thousands of dollars)
Beginning Balance	**$ 2,395**
Impact of adoption of ASC Topic 326 on April 1, 2023	**1,042**
Credit Loss Expense (Benefit)	**(745)**
Write-Offs	**(70)**
Recoveries	**55**
Ending Balance	**$ 2,677**

5. REGULATORY ASSETS AND LIABILITIES

The Company records regulatory assets and liabilities that result from the ratemaking process. The following table presents the regulatory assets and regulatory liabilities recorded on the balance sheet:

	March 31,	
	2024	2023
	(in thousands of dollars)	
Regulatory assets		
Postretirement benefits asset	**$ 13,934**	$ 20,031
Yankee nuclear decommissioning costs	**7,787**	8,126
Over/Under Rate adjustment	**70,435**	45,455
Other	**41**	99
Total	**$ 92,197**	$ 73,711
Regulatory liabilities		
CTC Charges	**$ 24,716**	$ 29,803
Postretirement benefits liability	**6,381**	-
Regulatory tax liability	**208,448**	222,487
Cost of removal	**87,849**	45,584
Rate adjustment mechanism (AFUDC)	**-**	13,674
Other	**4,916**	12,312
Total	**$ 332,310**	$ 323,860

The regulatory assets summarized above do not earn a rate of return.

Cost of Removal: Represents cumulative removal amounts collected from customers, but not yet spent, to dispose of property, plant and equipment.

CTC charges: Stranded cost recovery revenues are collected through a CTC, which is billed to former wholesale customers of the Company in connection with the Company's divestiture of its electricity generation investments. CTC-related liabilities consist of obligations to customers that resulted from the sale of certain stranded assets or amounts collected from third parties that will be refunded to customers. These amounts are being refunded to customers as determined per rate filings.

Over/Under Rate adjustment: As described in Note 2, "*Summary of Significant Accounting Policies*", the Company defers costs to recover from customers through future rates. The over/under rate adjustment is a result of differences between billed and allowed recoverable costs.

Postretirement benefits asset: Represents the Company's unamortized non-cash accrual of net actuarial gains and losses, offset by the excess amounts received in rates over actual costs of the Company's pension and PBOP plans, that are to be recovered from or passed back to customers in future periods.

Postretirement benefits liability: On July 31, 2023, NEP filed a revised fixed expense amount for transmission related PBOP expense as part of NEP's Annual Transmission Revenue Requirement filing. The Company was approved to refund the over recovery of PBOP to customers by December 31, 2025.

Rate adjustment mechanism (AFUDC): As of January 1, 2022, the Company was permitted to recover 50% of CWIP through inclusion in the rate base, and established a regulatory liability for 50% of AFUDC to avoid double recovery of the return on CWIP and AFUDC.

Regulatory tax liability: Represents over-recovered federal deferred taxes of the Company, primarily as a result of the Tax Cuts and Jobs Act of 2017 ("Tax Act").

Yankee nuclear decommissioning costs: The Yankees operated nuclear generating units which have been permanently decommissioned. Spent nuclear fuel remains on each site, awaiting fulfillment by the U.S. Department of Energy ("DOE") of its statutory obligation to remove it. In addition, groundwater monitoring is ongoing at each site. The Company has recorded a regulatory asset reflecting the estimated future decommissioning billings and the remaining asset retirement obligation from the Yankees.

6. RATE MATTERS

Stranded Cost Recovery

Under the settlement agreements approved by state commissions and the FERC, the Company is permitted to recover stranded costs (those costs associated with its former generating investments (nuclear and non-nuclear) and related contractual commitments that were not recovered through the sale of those investments). The Company earns a return on equity ("ROE") related to stranded cost recovery consisting of nuclear-related investments. In Massachusetts and Rhode Island, the current ROEs are 9.2% and 10.46%, respectively. The Company will recover its remaining non-nuclear stranded costs until the costs associated with the decommissioned nuclear units cease. Refer to "Decommissioning Nuclear Units" section in Note 12, "*Commitments and Contingencies*".

7. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant, and equipment at cost and operating lease right-of-use ("ROU") assets along with accumulated depreciation and amortization:

	March 31,	
	2024	2023
	(in thousands of dollars)	
Plant and machinery	**$ 3,901,570**	$ 3,513,555
Assets in construction	**476,025**	440,424
Land and buildings	**128,810**	142,569
Motor vehicles and equipment	**64**	64
Software and other intangibles	**2,545**	2,545
Operating lease ROU assets	**4,417**	2,273
Total Property, plant and equipment	**4,513,431**	4,101,430
Accumulated depreciation and amortization	**(862,105)**	(782,953)
Accumulated amortization – Operating lease ROU assets	**(916)**	(725)
Property, plant and equipment, net	**$ 3,650,410**	$ 3,317,752

8. EQUITY METHOD INVESTMENTS

The following table presents the equity method investments recorded on the balance sheets:

	March 31,	
	2024	2023
	(in thousands of dollars)	
Yankees	**$ 1,833**	$ 1,773
Hydros	**2,230**	2,112
Total equity method investments	**$ 4,063**	$ 3,885

As of March 31, 2024 and 2023, the Company has ownership interest of 3.3% in each of New England Hydro-Transmission Electric Company, Inc., and New England Hydro-Transmission Corporation ("Hydros"), which own and operate the Massachusetts portion of an international transmission interconnection between the electric systems of Hydro-Quebec and New England.

Yankee Nuclear Power Companies

The Company has non-controlling interests in Yankee Atomic (34.5%), Connecticut Yankee (19.5%), and Maine Yankee (24%) (the "Yankees") which own nuclear generating facilities that are permanently retired and are being decommissioned. Spent nuclear fuel remains on each site, awaiting fulfillment by the DOE of its statutory obligation to remove it. In addition, groundwater monitoring is ongoing at each site. Summarized consolidated statement of income and balance sheet data for the Yankees are as follows:

	For the Years Ended March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Operating revenue	**$ 645**	$ 566	$ 474
Operating expenses	**319**	254	175
Other deductions, net	**78**	85	83
Total expenses	**397**	339	258
Net income	**$ 248**	$ 227	$ 216

	March 31,	
	2024	2023
	(in thousands of dollars)	
Assets		
Current assets	**$ 11,341**	$ 9,382
Property, plant and equipment	**874**	874
Non-current assets	**587,709**	583,270
Total assets	**$ 599,924**	$ 593,526
Liabilities and equity		
Current liabilities	**$ 4,480**	$ 3,644
Non-current liabilities	**588,006**	582,693
Equity	**7,438**	7,189
Total liabilities and equity	**$ 599,924**	$ 593,526

9. EMPLOYEE BENEFITS

The Company participates with other NGUSA subsidiaries in a qualified and non-qualified non-contributory defined benefit plan (the "Pension Plans") and PBOP plans (together with the Pension Plan (the "Plans")), covering substantially all employees.

Plan assets are maintained for all of NGUSA and its subsidiaries in commingled trusts. In respect of cost determination, plan assets are primarily allocated to the Company based on its proportionate share of the projected benefit obligations. The Plan's costs are first directly charged to the Company based on the Company's employees that participate in the Plans. Costs associated with affiliated service companies' employees are then allocated as part of the labor burden for work performed on the Company's behalf. Pension and PBOP service costs are included within operation and maintenance expenses, and non-service costs are included within other income, net in the accompanying statements of operations. Non-service costs contain components for interest cost, expected return on assets, amortization of actuarial gain/loss and settlement charges. Portions of the net periodic benefit costs disclosed below have been capitalized as a component of property, plant and equipment.

Pension Plans

The Qualified Pension Plans are defined benefit plans which provide most union employees, as well as non-union employees hired before January 1, 2011, with a retirement benefit. Supplemental non-qualified, non-contributory executive retirement programs provide additional defined pension benefits for certain executives. During the years ended March 31, 2024, 2023, and 2022, the Company made contributions of approximately zero, $0.8 million, and zero, respectively, to the Qualified Pension Plans. The Company does not expect to contribute to the Qualified Pension Plans during the year ending March 31, 2025.

Benefit payments to Pension Plan participants for the years ended March 31, 2024, 2023, and 2022, were approximately $24.2 million, $10.2 million, and $9.8 million, respectively. Benefit payments for the year ended March 31, 2024 included payments for an annuity purchase contract.

PBOP Plans

The PBOP Plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must contribute to the cost of their coverage. During the years ended March 31, 2024, 2023, and 2022, the Company made no contributions to the PBOP Plans. The Company does not expect to contribute to the PBOP Plans during the year ending March 31, 2025.

Gross benefit payments to PBOP plan participants for the years ended March 31, 2024, 2023, and 2022 were approximately $1.9 million, $1.9 million, and $2.6 million, respectively.

Net Periodic Benefit Costs

The Company's total pension (benefit) cost for the years ended March 31, 2024, 2023, and 2022 were $(2.4) million, $(1.3) million, and $1.1 million, respectively. This included non-service pension costs (benefits) for the years ended March 31, 2024 of ($2.5) million.

The Company's total PBOP (benefit) cost for the years ended March 31, 2024, 2023, and 2022 were $(1.5) million, $(1.2) million, and $(1.0) million, respectively. This included non-service PBOP costs (benefits) for the years ended March 31, 2024 of ($1.5) million.

Amounts Recognized in AOCI and Regulatory Assets

The following tables summarize other pre-tax changes in actuarial gains/losses and prior service costs recognized primarily in regulatory assets and accumulated other comprehensive income as of March 31, 2024, 2023, and 2022:

	Pension Plans		
	Years Ended March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial losses (gains)	**$ (4,875)**	$ 1,616	$ (13,735)
Amortization of net actuarial losses	**(26)**	(581)	(3,154)
Total	**$ (4,901)**	$ 1,035	$ (16,889)
Change in regulatory assets or liabilities	**$ (4,606)**	$ 1,337	$ (16,850)
Change in AOCI	**(295)**	(302)	(39)
Total	**$ (4,901)**	$ 1,035	$ (16,889)

	PBOP Plans		
	Years Ended March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial gains	**$ (1,480)**	$ (1,239)	$ (4,213)
Amortization of net actuarial losses	**-**	-	(24)
Amortization of prior service cost, net	**(11)**	(11)	(11)
Total	**$ (1,491)**	$ (1,250)	$ (4,248)
Change in regulatory assets or liabilities	**$ (1,491)**	$ (1,250)	$ (4,248)
Total	**$ (1,491)**	$ (1,250)	$ (4,248)

Amounts Recognized in AOCI and Regulatory Assets – not yet recognized as components of net actuarial gains/losses

The following tables summarize the Company's amounts in regulatory assets and accumulated other comprehensive income on the balance sheet that have not yet been recognized as components of net actuarial gain/loss as of March 31, 2024, 2023, and 2022:

	Pension Plans		
	Years Ended March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial losses	**$ 15,123**	$ 20,024	$ 18,989
Total	**$ 15,123**	$ 20,024	$ 18,989
Included in regulatory assets	**$ 15,025**	$ 19,631	$ 18,294
Included in AOCI	**98**	393	695
Total	**$ 15,123**	$ 20,024	$ 18,989

	PBOP Plans		
	Years Ended March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial (gains) losses	**$ (1,150)**	$ 330	$ 1,569
Prior service cost	**58**	69	80
Total	**$ (1,092)**	$ 399	$ 1,649
Included in regulatory assets or liabilities	**$ (1,092)**	$ 399	$ 1,649
Total	**$ (1,092)**	$ 399	$ 1,649

Reconciliation of Funded Status to Amount Recognized

	Pension Plans		PBOP Plans	
	March 31,		March 31,	
	2024	2023	**2024**	2023
	(in thousands of dollars)			
Project benefit obligation	**$ (94,030)**	$ (119,182)	**$ (21,044)**	$ (21,755)
Allocated fair value of assets	**140,285**	158,203	**40,577**	38,749
Funded status	**$ 46,255**	$ 39,021	**$ 19,533**	$ 16,994
Non-current assets	**$ 46,460**	$ 39,440	**$ 19,579**	$ 17,068
Current liabilities	**-**	-	**(46)**	(74)
Non-current liabilities	**(205)**	(419)	**-**	-
Total	**$ 46,255**	$ 39,021	**$ 19,533**	$ 16,994

For the year ended March 31, 2024, the net actuarial gain for Pension was primarily driven by an increase in discount rate and slight changes in the retirement assumption tables resulting from a recent experience study, partially offset by asset losses due to returns that were less than expected. The net actuarial gains for the PBOP Plans were driven by an increase in discount rate, savings recognized from a Pharmacy Benefit Manager market check completed for the Company's contract, as well as the updated Medicare Advantage contract to reflect actual enrollment. For the year ended March 31, 2023, the net actuarial losses for the Pension and PBOP Plans were primarily driven by asset losses due to returns that were less than expected. These losses were partially offset by the increase in the discount rate, slight changes to the withdrawal assumption resulting from the recent experience study, and savings resulting from a new Medicare Advantage contract for PBOP.

Expected Benefit Payments

Based on current assumptions, the Company expects to make the following benefit payments subsequent to March 31, 2024 (amounts for PBOP Plans are shown net of employer group waiver plan subsidies expected):

(in thousands of dollars) **Years ended March 31,**	**Pension Plans**	**PBOP Plans**
2025	$ 9,426	$ 2,221
2026	9,238	2,202
2027	9,661	2,147
2028	9,989	2,077
2029	10,231	1,997
2030-2034	53,823	8,401
Total	**$ 102,368**	**$ 19,045**

Assumptions Used for Employee Benefits Accounting

	Pension Plans		
	Years Ended March 31,		
	2024	2023	2022
Benefit Obligations:			
Discount rate	**5.15%**	4.85%	3.65%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**4.25%**	4.25%	4.25%
Weighted average cash balance interest credit rate	**4.47%**	4.40%	2.75%
Net Periodic Benefit Costs:			
Discount rate	**4.85%**	3.65%-4.30%	3.25%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.10%
Rate of compensation increase (union)	**4.25%**	4.25%	4.05%
Expected return on plan assets	**6.50%**	5.25%-5.75%	5.50%
Weighted average cash balance interest credit rate	**4.40%**	2.75%	2.75%

	PBOP Plans		
	Years Ended March 31,		
	2024	2023	2022
Benefit Obligations:			
Discount rate	**5.15%**	4.85%	3.65%
Net Periodic Benefit Costs:			
Discount rate	**4.85%**	3.65%-4.30%	3.25%
Expected return on plan assets	**6.25%-6.75%**	5.00%-6.00%	5.00%-5.50%

The Company selects its discount rate assumptions based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. Specifically, the Company uses the Aon AA Only Bond Universe Curve along with the expected future cash flows from the Company retirement plans to determine the weighted average discount rate assumption.

The expected rate of return for various passive asset classes is based both on analysis of historical rates of return and forward looking analysis of risk premiums and yields. Current market conditions, such as inflation and interest rates, are evaluated in connection with the setting of the long-term assumptions. A premium is added for active management of both equity and fixed income securities. The long-term rates of return for each asset class are then weighted in accordance with the actual asset allocation, resulting in the expected return on plan assets for each plan.

Assumed Health Cost Trend Rate

	March 31,	
	2024	2023
Health care cost trend rate assumed for next year		
Pre 65	**6.20%**	6.40%
Post 65	**5.10%**	5.20%
Prescription	**8.00%**	7.10%
Rate to which the cost trend is assumed to decline (ultimate)	**4.50%**	4.50%
Year that rate reaches ultimate trend		
Pre 65	**2031**	2031+
Post 65	**2031**	2031+
Prescription	**2033**	2031+

Plan Assets

The Pension Plan is a trusted non-contributory defined benefit plan covering all eligible represented employees of the Company and eligible non-represented employees of the participating National Grid companies. The PBOP Plans are both a contributory and non-contributory, trusteed, employee life insurance and medical benefit plan sponsored by NGUSA. Life insurance and medical benefits are provided for eligible retirees, dependents, and surviving spouses of the NGUSA.

NGUSA, as the Plan sponsor manages the benefit plan investments for the exclusive purpose of providing retirement benefits to participants and beneficiaries and paying plan expenses. The benefit plans' named fiduciary is the Retirement Plans Committee ("RPC"). The RPC seeks to minimize the long-term cost of operating the Plans, with a reasonable level of risk. The investment objectives of the Plans are to maintain a level and form of assets adequate to meet benefit obligations to participants, achieve the expected long-term total return on the Plans' assets within a prudent level of risk, and maintain a level of volatility that is not expected to have a material impact on the Company's expected contributions and expenses or the Company's ability to meet plan obligations.

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS") which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan which is intended to meet the objectives of the plans by diversifying their funds across asset classes, investment styles and fund managers. An asset/liability study is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year-end 2024 reflects the results of such a pension study conducted and implemented in fiscal year 2024. As a result of that asset liability analysis, the asset mix for the Pension Plan were changed to further reduce investment risk given increased funded status of the plans and to better hedge the respective plan liabilities. The Non-Union PBOP Plan asset liability study was conducted in 2024. As a result of that study, the RPC approved changes to the KeySpan and Niagara Mohawk Non-Union PBOP asset allocation effective in fiscal year 2024.

Individual fund managers operate under written guidelines provided by the RPC, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. National Grid management, in conjunction with a third-party investment advisor, regularly monitors and reviews asset class performance, total fund performance, and compliance with asset allocation guidelines. This information is reported to the RPC at quarterly meetings. The RPC changes fund managers and rebalances the portfolio as appropriate.

Equity investments are broadly diversified across U.S. and non-U.S. stocks, as well as across growth, value, and small and large capitalization stocks. Likewise, the fixed income portfolio is broadly diversified across market segments and mainly invested in investment-grade securities. Where investments are made in non-investment grade assets the higher volatility is carefully judged and balanced against the expected higher returns. While the majority of plan assets are invested in equities and fixed income securities, other asset classes are utilized to further diversify the investments. These asset classes include private equity, real estate, and diversified alternatives. The objective of these other investments is enhancing long-term returns while improving portfolio diversification. For the PBOP Plans, since the earnings on a portion of the assets are taxable, those investments are managed to maximize after-tax returns, consistent with the broad asset class parameters established by the asset/liability study. Investment risk and return are reviewed by the plan investment advisors, National Grid management, and the RPC on a regular basis. The assets of the Plans have no significant concentration of risk in one country (other than the United States), industry or entity.

The target asset allocations for the benefit plans as of March 31, 2024 and 2023 are as follows:

	Pension Plans		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2024	2023	**2024**	2023	**2024**	2023
Equity	**13%**	24%	**15%**	15%	**70%**	70%
Diversified alternatives	**4%**	7%	**5%**	5%	**0%**	0%
Fixed income securities	**60%**	60%	**80%**	80%	**30%**	30%
Private equity	**12%**	4%	**0%**	0%	**0%**	0%
Real estate	**5%**	3%	**0%**	0%	**0%**	0%
Infrastructure	**6%**	2%	**0%**	0%	**0%**	0%
Total	**100%**	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

The following tables provide the fair value measurements amounts for the pension and PBOP assets at the trust level: (includes all trusts applicable to Plans the Company participates in):

	March 31, 2024			
	Level 1	**Level 2**	**Not categorized**	**Total**
	(in thousands of dollars)			
Pension Assets:				
Investments				
Equity	$ 33,748	$ -	$ 211,424	$ 245,172
Diversified alternatives	18,614	-	64,033	82,647
Corporate bonds	-	615,887	138,114	754,001
Government securities	2,056	166,919	179,406	348,381
Private equity	-	-	222,159	222,159
Real estate	-	-	91,543	91,543
Infrastructure	-	-	110,291	110,291
Total assets	**$ 54,418**	**$ 782,806**	**$ 1,016,970**	**$ 1,854,194**
Pending transactions				**(44,661)**
Total net assets				**$ 1,809,533**

	Level 1	Level 2	Not categorized	Total
PBOP Assets:				
Investments				
Equity	$ 45,180	$ -	$ 128,400	$ 173,580
Diversified alternatives	17,870	-	1,628	19,498
Corporate bonds	-	229,188	-	229,188
Government securities	10,416	92,491	631	103,538
Insurance contracts	-	-	41,699	41,699
Total assets	**$ 73,466**	**$ 321,679**	**$ 172,358**	**$ 567,503**
Pending transactions				**5,152**
Total net assets				**$ 572,655**

	March 31, 2023			
	Level 1	**Level 2**	**Not categorized**	**Total**
		(in thousands of dollars)		
Pension Assets:				
Investments				
Equity	$ 59,894	$ -	$ 235,930	$ 295,824
Diversified alternatives	34,092	-	112,876	146,968
Corporate bonds	-	577,597	160,085	737,682
Government securities	2,701	150,827	184,534	338,062
Private equity	-	-	213,372	213,372
Real estate	-	-	113,168	113,168
Infrastructure	-	-	96,438	96,438
Total assets	**$ 96,687**	**$ 728,424**	**$ 1,116,403**	**$ 1,941,514**
Pending transactions				**(22,711)**
Total net assets				**$ 1,918,803**
PBOP Assets:				
Investments				
Equity	$ 59,685	$ -	$ 106,977	$ 166,662
Diversified alternatives	19,661	-	2,057	21,718
Corporate bonds	-	214,895	-	214,895
Government securities	13,309	90,634	781	104,724
Insurance contracts	-	-	38,731	38,731
Total assets	**$ 92,655**	**$ 305,529**	**$ 148,546**	**$ 546,730**
Pending transactions				**4,079**
Total net assets				**$ 550,809**

The methods used to fair value pension and PBOP assets are described below:

Equity: Equity includes both actively and passively-managed assets with investments in domestic equity index funds as well as international equities.

Diversified alternatives: Diversified alternatives consist of holdings of global tactical asset allocation funds that seek to invest opportunistically in a range of asset classes and sectors globally.

Corporate bonds: Corporate bonds consist of debt issued by various corporations and corporate money market funds. Corporate Bonds also includes small investments in preferred securities as these are used in the fixed income portfolios as yield producing investments. In addition, certain fixed income derivatives are included in this category such as credit default swaps to assist in managing credit risk.

Government securities: Government securities includes U.S. agency and treasury securities, as well as state and local municipality bonds. The plans hold a small amount of Non-U.S. government debt which is also captured here. U.S. Government money market funds are also included. In addition, interest rate futures and swaps are included in this category as a tool to manage interest rate risk.

Private equity: Private equity consists of limited partnerships investments where all the underlying investments are privately held. This consists of primarily buy-out investments with smaller allocations to venture capital.

Real estate: Real estate consists of limited partnership investments primarily in U.S. core open end real estate funds as well as some core plus closed end real estate funds.

Infrastructure: Infrastructure consists of limited partnerships investments that seek to invest in physical assets that are considered essential for a society to facilitate the orderly operation of its economy. Investments in infrastructure typically include transportation assets (such as airports and toll roads) and utility type assets. Investments in Infrastructure funds are utilized as a diversifier to other asset classes within the pension portfolio. Infrastructure investments are also typically income producing assets.

Insurance contracts: Insurance contracts consists of Trust Owned Life Insurance.

Not Categorized: For investments in commingled funds that are not publicly traded and have ongoing subscription and redemption activity, the fair value of the investment is the NAV per fund share, derived from the underlying securities' quoted prices in active markets, and they are excluded from the fair value hierarchy. Investments in commingled funds with redemption restrictions and that use NAV are excluded from the fair value hierarchy.

Pending transactions/Receivables/Payables: These are short term cash transactions that are expected to settle within a few days of the measurement date.

10. CAPITALIZATION

Total capitalization for the Company at March 31, 2024 and 2023 was as follows:

	Interest Rate	Maturity Date	March 31, 2024	March 31, 2023
			(in thousands of dollars)	
Total shareholders' equity			**$ 2,030,082**	$ 2,007,057
Term Loans:				
Unsecured Notes:				
Senior Notes	3.80%	December 5, 2047	**400,000**	400,000
Senior Notes	2.81%	October 6, 2050	**400,000**	400,000
Senior Notes	5.94%	November 25, 2052	**300,000**	300,000
Total Debt			**1,100,000**	1,100,000
Unamortized debt discount			**(2,180)**	(2,239)
Unamortized debt issuance costs			**(8,335)**	(8,695)
Total debt less unamortized costs			**1,089,485**	1,089,066
Current portion of long-term debt			**-**	-
Total long-term debt			**1,089,485**	1,089,066
Total capitalization			**$ 3,119,567**	$ 3,096,123

The aggregate maturities of long-term debt for the years subsequent to March 31, 2024 as follows:

(in thousands of dollars) Years Ending March 31,	
2025-2029	-
Thereafter	1,100,000
Total	$ 1,100,000

The Company's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity and financial covenants such as restrictions on the level of indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of the Company's debt, and may restrict the Company's ability to draw upon its facilities or access the capital markets. As of March 31, 2024 and 2023, the Company was in compliance with all such covenants.

Debt Authorizations

The Company has regulatory approval from the FERC to issue up to $1.5 billion of short-term debt. The authorization was renewed with an effective date of October 15, 2022 and expires on October 14, 2024. The Company had no short-term debt outstanding to third-parties as of March 31, 2024 and 2023.

On May 23, 2017, the Company had received all required approvals from the Massachusetts Department of Public Utilities, New Hampshire Public Utilities Commission and Vermont Public Service Board authorizing the Company to issue up to $800 million of long-term debt in one or more transactions through May 23, 2020. On November 30, 2017, the Company issued $400 million of unsecured senior long-term debt with a maturity date of December 5, 2047.

On August 31, 2020, the Company received additional approvals from the Massachusetts Department of Public Utilities, New Hampshire Public Utilities Commission and Vermont Public Service Board authorizing the Company to issue up to $1.1 billion of long-term debt in one or more transactions through August 31, 2023. On October 6, 2020, the Company issued $400 million of unsecured senior long-term debt with a maturity date of October 6, 2050. On November 25, 2022, the company issued $300 million of unsecured senior long-term debt with a maturity date of November 25, 2052.

Dividend Restrictions

Pursuant to provisions in connection with prior mergers, payment of dividends on common stock are not permitted if, after giving effect to such payment of dividends, common equity becomes less than 30% of total capitalization. At March 31, 2024 and 2023, common equity was 65.1% and 64.9% of total capitalization, respectively. Under these provisions, none of the Company's retained earnings at March 31, 2024 and 2023 were restricted as to common dividends.

For the fiscal years ended 2024 and 2023, the Company paid dividends on common stock of $150 million and $40 million, respectively.

Cumulative Preferred Stock

The Company has non-participating cumulative preferred stock outstanding which can be redeemed at the option of the Company. There are no mandatory redemption provisions and no call options on the Company's cumulative preferred stock. A summary of cumulative preferred stock is as follows:

	Shares Outstanding		**Amount**	
	March 31,		**March 31,**	
Series	**2024**	2023	**2024**	2023
	(in thousands of dollars, except per share and number of shares data)			
$100 par value -				
6.00% Series	**11,117**	11,117	**$ 1,112**	$ 1,112

The Company did not redeem any preferred stock as of March 31, 2024 and 2023. The annual dividend requirement for cumulative preferred stock was $0.07 million as of March 31, 2024 and 2023.

11. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,		
	2024	**2023**	**2022**
	(in thousands of dollars)		
Current tax expense:			
Federal	**$ 21,643**	$ 15,515	$ 17,924
State	**2,748**	6,601	2,168
Total current tax expense	**24,391**	22,116	20,092
Deferred tax expense:			
Federal	**10,105**	9,825	6,086
State	**16,554**	6,691	10,808
Total deferred tax expense	**26,659**	16,516	16,894
Amortized investment tax credits [1]	**(172)**	(204)	(228)
Total deferred tax expense	**26,487**	16,312	16,666
Total income tax expense	**$ 50,878**	$ 38,428	$ 36,758

[1] Investment tax credits ("ITC") are accounted for using the deferral and gross up method of accounting and amortized over the depreciable life of the property giving rise to the credits.

Statutory Reconciliation

The Company's effective tax rate for the years ended March 31, 2024, 2023, and 2022 was 22.7%, 20.8%, and 18.9%, respectively. The following table presents a reconciliation of income tax expense (benefit) at the federal statutory tax rate of 21% to the actual tax expense:

	Years Ended March 31,		
	2024	**2023**	**2022**
	(in thousands of dollars)		
Computed tax	**$ 47,147**	$ 38,735	$ 40,799
Change in computed taxes resulting from:			
State income tax, net of federal benefit	**15,250**	10,501	10,251
Amortization of regulatory tax liability, net	**(11,580)**	(10,329)	(13,196)
Investment tax credits	**(172)**	(204)	(228)
Other	**233**	(275)	(868)
Total changes	**3,731**	(307)	(4,041)
Total income tax expense	**$ 50,878**	$ 38,428	$ 36,758

The Company is included in the NGNA and subsidiaries' consolidated federal income tax return, and Massachusetts unitary state income tax return. The Company has joint and several liability for any potential assessments against the consolidated group.

Inflation Reduction Act

On August 16, 2022, President Biden signed into law the Inflation Reduction Act ("IRA"), which may impact how the U.S. taxes certain large corporations. The IRA imposes a 15% corporate alternative minimum tax ("CAMT") on the "adjusted financial statement income" of certain large corporations for tax years beginning after December 31, 2022. National Grid is subject to the new CAMT on its federal income tax return for the tax year ending March 31, 2024. Any CAMT amount paid will generate a CAMT credit carryforward that has no expiration period and can be claimed against regular income tax in the future.

Deferred Tax Components

	March 31,	
	2024	2023
	(in thousands of dollars)	
Deferred tax assets:		
Regulatory liabilities	**$ 74,387**	$ 76,354
Corporate alternative minimum tax credit	**5,224**	-
Other items	**5,751**	6,363
Total deferred tax assets	**85,362**	82,717
Deferred tax liabilities:		
Property related differences	**547,173**	511,984
Regulatory assets	**25,188**	20,138
Other items	**18,332**	15,434
Total deferred tax liabilities	**590,693**	547,556
Net deferred income tax liabilities	**505,331**	464,839
Deferred investment tax credits	**1,033**	1,205
Deferred income tax liabilities, net	**$ 506,364**	$ 466,044

Tax Years Subject to Examination

The following table indicates the earliest tax year subject to examination for each major jurisdiction:

Jurisdiction	**Tax Year**
Federal	March 31, 2021
Massachusetts	March 31, 2013

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statement of income. As of March 31, 2024 and 2023, the Company has accrued for interest related to unrecognized tax benefits of $0.3 million and $0.3 million, respectively. During the years ended March 31, 2024, the Company recorded no interest expense and for the years ended March 31, 2023, and 2022, the Company recorded interest expense of $0.2 million and $0.2 million, respectively. No tax penalties were recognized during the years ended March 31, 2024, 2023, and 2022.

It is reasonably possible that other events will occur during the next twelve months that would cause the total amount of unrecognized tax benefits to increase or decrease. However, the Company does not believe any such increases or decreases would be material to its results of operations, financial position, or cash flows.

12. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has various capital commitments related to the construction of property, plant, and equipment. The Company is liable for these payments regardless of the level of service required from third-parties.

The Company's commitments for the years subsequent to March 31, 2024 are summarized in the table below:

(in thousands of dollars) **March 31,**	**Capital Expenditures**
2025	$ 88,323
2026	7,062
2027	17,754
2028	16,160
2029	4,649
Thereafter	-
Total	$ 133,948

Legal Matters

Federal and Regulatory Investigations into Allegations of Fraud and Bribery

On June 17, 2021, five former employees of National Grid USA Service Company, Inc. in the downstate New York facilities department were arrested on federal charges alleging fraud and bribery. The five former employees subsequently pleaded guilty to the charges, pursuant to plea agreements and have been sentenced. NGUSA was deemed a victim of the crimes. On June 23, 2021, based on the US Attorney's announcement, the New York Public Service Commission ("NYPSC") issued an order commencing a proceeding to examine certain programs and related capital and operations and maintenance ("O&M") expenditures of NGUSA, and the New York Gas Companies. National Grid has fully cooperated with the NYPSC's inquiries regarding the alleged misconduct. The Company does not expect this matter will have a materially adverse effect on its results of operations, financial position, or cash flows.

The Company is subject to various legal proceedings arising out of the ordinary course of its business. The Company does not consider any of such proceedings to be material, individually or in the aggregate, to its business or likely to result in a material adverse effect on its results of operations, financial position, or cash flows.

FERC ROE Complaints

Four separate complaints have been filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (collectively the "Complainants"). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the New England Transmission Operators' ("NETO"), of which the Company is one, base ROE of 11.14% that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE of 10.57% and the maximum ROE for transmission incentive ("incentive cap") of 11.74%, asserting that these ROEs were unjust and unreasonable. The Company recorded a liability of $38.2 million and $38.9 million, included in "Other current liabilities" on the accompanying balance sheets as of March 31, 2024 and 2023, respectively, for the potential refund as a result of reduction of the base ROE.

With the exception of the FERC order issued on October 16, 2018, where the FERC proposed a new framework to determine whether an existing ROE is unjust and unreasonable and, if so, how to calculate a replacement ROE, the FERC has not issued a final order on the Company's ROE complaints nor the applicability of the FERC orders on the MISO ROE complaint proceedings on other transmission owners.

Given the significant uncertainty relating to the October 2018 FERC order, and the subsequent orders issued on the MISO ROE complaint proceedings, the Company has concluded that there is no reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods at this time. Further, the Company believes that the current reserve is the best estimate of the potential loss.

Decommissioning Nuclear Units

The Company is a minority equity owner of, and former purchaser of electricity from, the Yankees. The Yankees have been permanently shut down and physically decommissioned. Spent nuclear fuel remains on each site awaiting fulfillment by the DOE of its statutory and contractual obligation to remove it. Future estimated billings are as follows:

	The Company's Investment as of March 31, 2024			Future Estimated Billings to the Company
Unit	%	Amount *(in thousands of $)*	Date Retired	Amount *(in thousands of $)*
Yankee Atomic	34.5	$ 551	Feb 1992	$ -
Connecticut Yankee	19.5	512	Dec 1996	-
Maine Yankee	24.0	770	Aug 1997	7,788

The Yankees are periodically required to file rate cases for FERC review, which present the Yankees' estimated future decommissioning costs. The Yankees collect the approved costs from their purchasers, including the Company. Future estimated billings from the Yankees are based on cost estimates. These estimates include the projections of groundwater monitoring, security, liability and property insurance, and other costs. They also include costs for interim spent fuel storage facilities which the Yankees have constructed while they await removal of the fuel by the DOE as required by the Nuclear Waste Policy Act of 1982, and contracts between the DOE and each of the Yankees. As of March 31, 2024 and 2023, the Company has recorded a deferred liability of $7.8 million and $8.0 million, respectively, which is fully offset by a regulatory asset, reflecting the estimated future decommissioning billings from the Yankees.

In 2013, the FERC accepted settlements establishing rate mechanisms by which each of the Yankees maintains funding for operations and decommissioning, and credits to its purchasers, including the Company, any net proceeds in excess of funding costs received as part of the DOE litigation proceedings discussed below.

The Yankees have brought several litigations against the DOE for the failure to remove their respective nuclear fuel stores as required by the Nuclear Waste Policy Act and contracts. This includes spent fuel storage costs incurred for the periods through 2002 (the "Phase I Litigation"), through 2008 (the "Phase II Litigation"), through 2013 (the "Phase III Litigation") and through 2016 (the "Phase IV Litigation"). For the respective periods, the Yankees were awarded approximately $160.0 million, $235.4 million, $76.8 million, and $104.0 million from the U.S. Court of Claims. The Company received $25.6 million, $57.8 million, $4.5 million, and $7.0 million, respectively. The Company refunds its share to its customers through the CTC's.

On March 25, 2021, the Yankees filed Phase V litigation against the DOE seeking damages aggregating more than $100 million for the period 2017-2020. On June 8, 2022, the damages claim was amended to include the period 2021. On February 7, 2024, the judge in the Phase V proceeding granted the Yankees' motion for partial summary judgement and denied DOE's cross-motion for summary judgement, ruling in essence that DOE could not use trust fund earnings to offset against damages. The Phase V trial is scheduled to begin on October 28, 2024.

Despite insufficient funding and actions of the DOE to block its construction, the U.S. Court of Appeals for the DC Circuit directed the Nuclear Regulatory Commission ("NRC") to resume the Yucca Mountain licensing process. On November 18, 2013, the NRC ordered its staff to resume work on its Yucca Mountain safety report, but scarce funding precluded progress in the licensing process. The federal administration opposes disposal at Yucca Mountain. On January 26, 2012, a Blue Ribbon Commission, which was charged with advising the DOE regarding alternatives to disposal at Yucca Mountain, issued a final report recommending that priority be given to removal of spent fuel from shutdown reactor sites. The Secretary of Energy has begun a process to identify a federal consent-based interim storage site. Private entities have initiated proposals, and submitted license applications to the NRC, to site consolidated interim storage facilities in Texas and New Mexico. On September 13, 2021, the NRC approved issuance of the license for the proposed Texas facility. On August 25, 2023, a U.S. Court of Appeals vacated the NRC license. On March 14, 2024, the Court denied NRC's petition for en banc review. A Texas statute prohibits storage of nuclear waste except at existing sites. On May 9, 2023, the NRC approved issuance of the proposed New Mexico facility. On March 27, 2024, the Court vacated the NRC license. A New Mexico statute prohibits shipment of nuclear waste into New Mexico. Other necessary approvals of the facilities have not been obtained. The Governors of Texas and New Mexico oppose the facilities. It is impossible to predict when the DOE will fulfill its obligation to take possession of the Yankees' spent fuel. The Independent Spent Fuel Storage Installation (ISFSI) operation, maintenance and decommissioning costs that are actually incurred by the Yankees may substantially exceed the estimated amounts.

13. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

NGUSA and its affiliates provide various services to the Company, including executive and administrative, customer services, financial (including accounting, auditing, risk management, tax, and treasury/finance), human resources, information technology, legal, and strategic planning, that are charged between the companies and charged to each company.

The Company records short-term receivables from, and payables to, certain of its affiliates in the ordinary course of business. The amounts receivable from, and payable to, its affiliates do not bear interest and are settled through the intercompany money pool. A summary of net outstanding accounts receivable from affiliates and accounts payable to affiliates is as follows:

	Accounts Receivable from Affiliates		Accounts Payable to Affiliates	
	March 31,		March 31,	
	2024	2023	**2024**	2023
	(in thousands of dollars)			
NGUSA	**$ 23**	$ 1,408	**$ 4,457**	$ 4,887
NGUSA Service Company	**3,462**	3,291	**24,518**	32,542
Massachusetts Electric Company	**86,802**	66,401	**7,407**	7,346
Other	**471**	1,495	**680**	610
TOTAL	**$ 90,758**	$ 72,595	**$ 37,062**	$ 45,385

The Company is a participating transmission owner in ISO New England, which is a third party responsible for administering and collecting RNS transmission revenue from local distribution utilities, generators and municipalities, which include affiliate company MECO. For purposes of these financial statements, the outstanding balances associated to those revenue activities are reflected in accounts receivable from affiliates as of March 31, 2024 and 2023.

Advance from Affiliate

The Company entered into an agreement with NGUSA whereby the Company can borrow up to $400 million from time to time for working capital needs. The advance is non-interest bearing. At March 31, 2024 and 2023, the Company had no outstanding advances from NGUSA.

Intercompany Money Pool

The settlement of the Company's various transactions with NGUSA and certain affiliates generally occurs via the intercompany money pool. The Company is a participant in the Regulated Money Pool and can both borrow and invest funds. Borrowings from the Regulated Money Pool bear interest in accordance with the terms of the Regulated Money Pool Agreement. As the Company fully participates in the Regulated Money Pool rather than settling intercompany charges with cash, all changes in the intercompany money pool balance are reflected as investing or financing activities in the accompanying statements of cash flows. For the purpose of presentation in the statements of cash flows, it is assumed all amounts settled through the intercompany money pool are constructive cash receipts and payments, and therefore are presented as such.

The Regulated Money Pool is funded by operating funds from participants. NGUSA has the ability to borrow up to $3.0 billion from National Grid plc for working capital needs, including funding of the Regulated Money Pool, if necessary. The Company had short-term intercompany money pool borrowings of $116.8 million as of March 31, 2024 and had short-term intercompany money pool investments of $156.9 million as of March 31, 2023. The average interest rates for the intercompany money pool were 5.2%, 2.9%, and 0.4% for the years ended March 31, 2024, 2023, and 2022, respectively. Additionally, NGUSA had committed revolving credit facilities of approximately $6.7 billion, all of which have expiry dates beyond March 31, 2026, with two one-year extensions. As of March 31, 2024 these facilities have not been drawn against and can be used to fund the Money Pool.

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at cost without a markup. The service company costs are generally allocated to associated companies through a tiered approach. First and foremost, costs are directly charged to the benefited company whenever practicable. Secondly, in cases where direct charging cannot be readily determined, costs are allocated using cost/causation principles linked to the relationship of that type of service, such as number of employees, number of customers/meters, capital expenditures, value of property owned, and total transmission and distribution expenditures. Lastly, all other costs are allocated based on a general allocator determined using a 3-point formula based on net margin, net property, plant and equipment, and operations and maintenance expense.

Charges from the service companies of NGUSA to the Company are mostly related to traditional administrative support functions. For the years ended March 31, 2024, 2023, and 2022, costs allocated to the Company using the second and third tiers noted above were $168.0 million, $138.5 million, and $132.6 million, respectively.