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Niagara Mohawk Power Corporation

Financial Statements

For the years ended March 31, 2025, 2024, and 2023

NIAGARA MOHAWK POWER CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Niagara Mohawk Power Corporation

Opinion

We have audited the financial statements of Niagara Mohawk Power Corporation (the "Company"), which comprise the balance sheets as of March 31, 2025 and 2024, and the related statements of operations and comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended March 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2025 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 20, 2025

NIAGARA MOHAWK POWER CORPORATION
STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating revenues	**$ 4,619,808**	$ 4,147,754	$ 4,253,793
Operating expenses:			
Purchased electricity	**1,303,412**	1,098,750	1,176,783
Purchased gas	**248,084**	196,009	378,839
Operations and maintenance	**1,840,059**	1,672,153	1,568,959
Depreciation and amortization	**415,750**	393,716	367,662
Other taxes	**352,241**	335,934	323,605
Total operating expenses	**4,159,546**	3,696,562	3,815,848
Operating income	**460,262**	451,192	437,945
Other income and (deductions):			
Interest on long-term debt, net	**(212,033)**	(169,934)	(149,793)
Other interest, including affiliates interest, net	**(39,625)**	(53,636)	(26,813)
Other income, net	**153,436**	146,426	140,466
Total other deductions, net	**(98,222)**	(77,144)	(36,140)
Income before income taxes	**362,040**	374,048	401,805
Income tax expense	**42,826**	47,175	37,126
Net income	**$ 319,214**	$ 326,873	$ 364,679

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

NIAGARA MOHAWK POWER CORPORATION
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating activities:			
Net income	**$ 319,214**	$ 326,873	$ 364,679
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**415,750**	393,716	367,662
Regulatory amortizations	**(37,357)**	(94,613)	$14,553
Deferred income tax expense	**83,842**	16,161	44,098
Bad debt expense	**126,794**	111,716	35,584
Allowance for equity funds used during construction	**(27,023)**	(18,146)	(26,077)
Pension and postretirement benefits expenses (income), net	**(10,203)**	(9,106)	5,025
Other, net	**4,317**	3,097	2,337
Pension and postretirement benefits contributions	**(84,989)**	8,973	11,730
Environmental remediation payments	**(21,112)**	(13,162)	(29,149)
Changes in operating assets and liabilities:			
Accounts receivable, other receivables and unbilled revenues, net	**(251,870)**	(151,401)	(114,049)
Accounts receivable from/payable to affiliates, net	**60,327**	(11,490)	27,857
Inventory	**15,480**	(29,154)	(53,847)
Regulatory assets and liabilities, (current), net	**9,189**	35,531	(131,958)
Regulatory assets and liabilities, (non-current), net	**(72,500)**	(73,040)	(198,367)
Derivative instruments	**(117,493)**	7,201	316,674
Prepaid and accrued taxes	**(33,794)**	6,925	(113,589)
Accounts payable and other liabilities	**(15,592)**	3,451	107,713
Environmental remediation costs	**3,870**	31,983	19,475
Transmission congestion contracts	**(32,996)**	(150,574)	114,377
Renewable energy certificate obligations, net	**5,014**	(8,819)	(16,711)
Other, net	**(12,793)**	(19,681)	23,078
Net cash provided by operating activities	**326,075**	366,441	771,095
Investing activities:			
Capital expenditures	**(1,863,535)**	(1,459,793)	(1,101,681)
Cost of removal	**(101,520)**	(95,586)	(74,827)
Proceeds from sale of assets	**13,087**	15,461	-
Intercompany money pool	**276,806**	(264,994)	227,291
Other, net	**(860)**	739	5,335
Net cash used in investing activities	**(1,676,022)**	(1,804,173)	(943,882)
Financing activities:			
Preferred stock dividends	**(1,060)**	(1,060)	(1,060)
Payments on long-term debt	**(500,000)**	(69,800)	(300,000)
Issuance of long-term debt	**-**	1,200,000	500,000
Payment of debt issuance cost	**(144)**	(7,500)	(4,088)
Intercompany money pool	**473,824**	-	-
Advance from affiliate	**1,400,000**	-	-
Capital contributions	**-**	300,000	-
Net cash provided by financing activities	**1,372,620**	1,421,640	194,852
Net increase (decrease) in cash, cash equivalents, restricted cash and special deposits	**22,673**	(16,092)	22,066
Cash, cash equivalents, restricted cash and special deposits, beginning of year	**17,257**	33,349	11,283
Cash, cash equivalents, restricted cash and special deposits, end of year	**$ 39,930**	$ 17,257	$ 33,349
Supplemental disclosures:			
Interest paid (net of amounts capitalized)	**$ (209,019)**	$ (150,330)	$ (148,458)
Income taxes paid	**(12,428)**	(41,647)	(105,269)
Significant non-cash items:			
Capital-related accruals included in accounts payable and other	**46,451**	35,171	35,295
ROU assets obtained in exchange for new operating lease liabilities	**78,557**	92,458	156,501
Parent tax loss allocation	**-**	-	15,298

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

NIAGARA MOHAWK POWER CORPORATION
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 39,929**	$ 8,256
Restricted cash and special deposits	**1**	9,001
Accounts receivable, net	**706,997**	544,131
Accounts receivable from affiliates	**43,126**	45,146
Intercompany money pool	**-**	276,806
Unbilled revenues, net	**174,566**	179,262
Inventory	**142,203**	157,683
Regulatory assets	**155,325**	212,424
Derivative instruments	**87,101**	32,850
Prepayments	**72,852**	68,904
Prepaid taxes	**58,137**	62,611
Other	**28,177**	22,975
Total current assets	**1,508,414**	1,620,049
Investments in affiliate	**776**	778
Property, plant and equipment, net	**15,137,751**	13,654,650
Non-current assets:		
Regulatory assets	**1,262,528**	1,168,628
Goodwill	**1,289,132**	1,289,132
Derivative instruments	**15,168**	8,997
Postretirement benefits	**873,327**	668,840
Capital expenditure prepayments	**129,027**	16,932
Other	**72,084**	68,429
Total non-current assets	**3,641,266**	3,220,958
Total assets	**$ 20,288,207**	$ 18,496,435

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

NIAGARA MOHAWK POWER CORPORATION
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2025	March 31, 2024
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable and other	**$ 383,568**	$ 380,318
Accounts payable to affiliates	**222,582**	164,275
Intercompany money pool liability	**473,824**	-
Advance from affiliate	**1,400,000**	-
Current portion of long-term debt	**75,000**	500,000
Taxes accrued	**55,198**	64,322
Customer deposits	**31,052**	39,510
Interest accrued	**54,575**	61,768
Regulatory liabilities	**738,088**	785,960
Derivative instruments	**12,318**	71,941
Operating lease liability	**52,112**	43,645
Renewable energy certificate obligations	**57,824**	52,810
Distributed generation	**168,708**	189,356
Transmission congestion contracts	**39,473**	70,578
Other	**214,305**	242,635
Total current liabilities	**3,978,627**	2,667,118
Non-current liabilities:		
Regulatory liabilities	**2,609,002**	2,546,884
Deferred income tax liabilities, net	**1,402,900**	1,251,357
Postretirement benefits	**14,804**	14,189
Environmental remediation costs	**369,897**	382,508
Derivative instruments	**38,298**	35,746
Operating lease liability	**367,411**	348,032
Other	**296,433**	284,331
Total non-current liabilities	**5,098,745**	4,863,047
Commitments and contingencies (Note 14)		
Capitalization:		
Shareholders' equity	**6,453,132**	6,135,523
Long-term debt	**4,757,703**	4,830,747
Total capitalization	**11,210,835**	10,966,270
Total liabilities and capitalization	**$ 20,288,207**	$ 18,496,435

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

NIAGARA MOHAWK POWER CORPORATION
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

				Accumulated Other Comprehensive Income (Loss)				
	Common Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Unrealized Gain (Loss) on-Securities	Pension and Other Postretirement Benefits	Total Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance as of March 31, 2022	**$ 187,365**	**$ 28,985**	**$ 3,132,566**	**$ 614**	**$ 1,860**	**$ 2,474**	**$ 1,787,212**	**$ 5,138,602**
Net income	-	-	-	-	-	-	364,679	364,679
Other comprehensive income (loss):								
Change in pension and other postretirement obligations, net of $108 tax expense	-	-	-	-	305	305	-	305
Total comprehensive income								364,984
Parent tax loss allocation	-	-	15,298	-	-	-	-	15,298
Preferred stock dividends	-	-	-	-	-	-	(1,060)	(1,060)
Balance as of March 31, 2023	**$ 187,365**	**$ 28,985**	**$ 3,147,864**	**$ 614**	**$ 2,165**	**$ 2,779**	**$ 2,150,831**	**$ 5,517,824**
Net income	-	-	-	-	-		326,873	326,873
Other comprehensive income (loss):								
Change in pension and other postretirement obligations, net of $6 tax benefit	-	-	-	-	(16)	(16)	-	(16)
Total comprehensive income								326,857
Equity infusion from Parent	-	-	300,000	-	-	-	-	300,000
Implementation of ASC 326, net of $2,865 of tax benefit [1]	-	-	-	-	-	-	(8,098)	(8,098)
Preferred stock dividends	-	-	-	-	-	-	(1,060)	(1,060)
Balance as of March 31, 2024	**$ 187,365**	**$ 28,985**	**$ 3,447,864**	**$ 614**	**$ 2,149**	**$ 2,763**	**$ 2,468,546**	**$ 6,135,523**
Net income	-	**-**	**-**	**-**	**-**	**-**	**319,214**	**319,214**
Other comprehensive income (loss):								
Change in pension and other postretirement obligations, net of $193 tax benefit	-	**-**	**-**	-	**(545)**	**(545)**	**-**	**(545)**
Total comprehensive income								**318,669**
Preferred stock dividends	-	**-**	**-**	-	**-**	-	**(1,060)**	**(1,060)**
Balance as of March 31, 2025	**$ 187,365**	**$ 28,985**	**$ 3,447,864**	**$ 614**	**$ 1,604**	**$ 2,218**	**$ 2,786,700**	**$ 6,453,132**

The Company had 187,364,863 shares of common stock authorized, issued and outstanding, with a par value of $1 per share and 289,848 shares of cumulative preferred stock authorized, issued and outstanding, with a par value of $100 per share as of March 31, 2025 and 2024.

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

NIAGARA MOHAWK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Niagara Mohawk Power Corporation ("the Company"), a New York Corporation, is engaged principally in the regulated energy delivery business in New York State. The Company provides electric service to approximately 1.7 million customers in the areas of eastern, central, northern, and western New York and sells, distributes, and transports natural gas to approximately 0.6 million customers in the areas of central, northern, and eastern New York.

The Company is a wholly-owned subsidiary of Niagara Mohawk Holdings, Inc. ("NMHI"), which 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 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 20, 2025, 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, 2025.

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") and the New York Public Service Commission ("NYPSC") regulate the rates the Company charges its customers. The rates charged to our customers are designed to collect the Company's costs to provide service, plus a return on investment. In certain cases, the rate actions of the FERC and NYPSC can result in accounting that differs from non-regulated companies. In these cases, 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 Standards 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

Revenues are recognized for energy service billed on a monthly cycle basis, together with unbilled revenues for the estimated amount of services rendered from the time meters were last read to the end of the accounting period. See Note 3, "*Revenue*" for additional details.

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 enough 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 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 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.

Other Taxes

The Company collects 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 gas and 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 state of New York imposes on corporations a franchise tax that is computed as the higher of a tax based on income or a tax based on capital. To the extent the Company's state tax based on capital is in excess of the state tax based on income, the Company reports such excess in other taxes and taxes accrued in the accompanying financial statements.

The Company's policy is to accrue for property taxes on a calendar year basis.

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.

Restricted Cash and Special Deposits

Restricted cash consists of margin calls to the New York Mercantile Exchange ("NYMEX") and collateral paid to the Company's counterparties for outstanding commodity and financial derivative instruments.

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful account to reflect certain financial assets (including accounts receivable, other accounts receivable, and unbilled accrued revenues) 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.

Inventory

Inventory is composed of materials and supplies and gas in storage.

Gas in storage is stated at weighted average cost and the related cost is recognized when delivered to customers. Existing rate orders allow the Company to pass directly through to customers the cost of gas purchased, along with any applicable authorized delivery surcharge adjustments. Gas costs passed through to customers are subject to regulatory approvals and are audited annually by the NYPSC.

Materials and supplies are stated at weighted average cost, which represents net realizable value, and are expensed or capitalized into property, plant and equipment as used. There were no significant write-offs of obsolete inventory for the years ended March 31, 2025, 2024, or 2023.

The Company had materials and supplies of $132.3 million and $139.2 million, and gas in storage of $9.9 million and $18.5 million as of March 31, 2025 and 2024, respectively.

Renewable Energy Standard Obligation

Renewable Energy Credits (“RECs”) and Zero-Emissions Credits (“ZECs”) are stated at cost and are used to measure compliance with State renewable energy standards. RECs support new renewable generation resources whereas ZECs support generation by in-state nuclear power plants and are purchased through the New York State Energy Research and Development Authority (“NYSERDA”). RECs and ZECs are held primarily to be utilized in fulfillment of New York State compliance obligations.

Transmission Congestion Contracts

The Company participates in the New York Independent Service Operator’s (“NYISO”) Transmission Congestion Contracts auctions. The auctions are held before the start of the next capability period for both summer and winter. The Company receives proceeds upfront from the NYISO for the sale of these transmission rights on its transmission system. The compensation received is recorded as a current or non-current obligation in which the performance obligation is typically satisfied over a six-month or twelve-month period. See Note 3, “*Revenue*” for additional details.

Derivative Instruments

The Company uses derivative instruments to manage commodity price risk. All derivative instruments, except those that qualify for the normal purchase normal sale exception, are recorded on the balance sheet at fair value. All commodity costs, including the impact of derivative instruments, are passed on to customers through the Company’s commodity rate adjustment mechanisms. Regulatory assets or regulatory liabilities are recorded to defer the recognition of unrealized losses or gains on derivative instruments, respectively. The gains or losses on the settlement of these contracts are recognized as purchased electricity and purchased gas on the statements of operations and then refunded to, or collected from, customers consistent with regulatory requirements.

The Company has certain non-trading instruments for the physical purchase of electricity that qualify for the normal purchase normal sale exception and are accounted for upon settlement. If the Company were to determine that a contract no longer qualifies for the normal purchase normal sale exception, then the Company would recognize the fair value of the contract and account for the gains and losses using the regulatory accounting described above.

The Company's accounting policy is to not offset fair value amounts recognized for derivative instruments and related cash collateral receivable or payable with the same counterparty under a master netting agreement, but rather to record and present the fair value of the derivative instrument on a gross basis, with related cash collateral recorded within restricted cash and special deposits on the balance sheet.

Fair Value Measurements

The Company measures derivative instruments, securities and pension and postretirement benefit other than pension ("PBOP") 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, 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 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"). 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.

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 NYPSC. The average composite rates for the years ended March 31, 2025, 2024, and 2023 are as follows:

	Composite Rates		
	March 31,		
	2025	2024	2023
Electric	**2.4%**	2.4%	2.4%
Gas	**2.4%**	2.4%	2.3%
Common	**2.7%**	2.8%	2.9%

Depreciation expense includes a component for the estimated cost of removal, which is recovered through rates charged to customers. Any difference in cumulative costs recovered and costs incurred is recognized as a regulatory liability or regulatory asset, as appropriate. When property, plant and equipment is retired, the original cost, less salvage, is charged to accumulated depreciation, and the related cost of removal is removed from the associated regulatory liability. See Note 5, "*Regulatory Assets and Liabilities*" for additional details.

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 affiliates interest, net. After construction is completed, the Company is permitted to recover these costs through their inclusion in rate base. The Company recorded AFUDC related to equity of $27.0 million, $18.1 million, and $26.1 million, and AFUDC related to debt of $25.0 million, $16.9 million, and $9.6 million, for the years ended March 31, 2025, 2024, and 2023, respectively. The average AFUDC rates for the years ended March 31, 2025, 2024, and 2023 were 5.9%, 5.9%, and 6.3%, 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 (or asset group) may not be recoverable. If such an event is 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. The Company also considers whether there have been any abandonments or disallowances of recently completed plant, such that guidance provided by ASC 980 on regulated property, plant and equipment may apply. For the years ended March 31, 2025, 2024 and 2023, there were no impairment losses recognized for long-lived assets.

Goodwill

The Company tests goodwill for impairment annually, 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. 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, 2024, 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 ended March 31, 2025, 2024, or 2023.

Capital Expenditure Prepayments

Capital expenditure prepayments refer to upfront payments made to vendors for long-lived assets used in certain capital projects. These items are recorded as Capital expenditure prepayments under Non-current assets on the balance sheets until final delivery and acceptance. Once the associated assets are received, the capital expenditure prepayments are recognized as part of Construction Work in Progress ("CWIP"). Corresponding cash outflows are reported when paid under Capital expenditures within Investing Activities on the statements of cash flows.

Asset Retirement Obligations

Asset retirement obligations are recognized for legal obligations associated with the retirement of property, plant and equipment, primarily associated with the Company's gas distribution and electric generation facilities. Asset retirement obligations are recorded at fair value in the period in which the obligation is incurred, if the fair value can be reasonably estimated.

In the period in which new asset retirement obligations, or changes to the timing or amount of existing retirement obligations are recorded, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. In each subsequent period the asset retirement obligation is accreted to its present value at the credit adjusted risk free rate.

The Company applies regulatory accounting guidance and both the depreciation and accretion costs associated with asset retirement obligations are recorded as increases to regulatory assets on the balance sheet. These regulatory assets represent timing differences between the recognition of costs in accordance with U.S. GAAP and costs recovered through the ratemaking process.

The Company does not recognize liabilities for asset retirement obligations for which the fair value cannot be reasonably estimated. Due to the indeterminate removal date, the fair value of the associated liabilities on certain transmission, distribution and other assets cannot currently be estimated, and no amounts are recognized on the financial statements.

Employee Benefits

The Company has defined benefit pension plans and PBOP plans for its employees. The Company recognizes all pension and PBOP plans' funded status on the balance sheet as a net liability or asset with an offsetting adjustment to either accumulated other comprehensive income ("AOCI") in shareholders' equity or to regulatory assets or liabilities if the cost of providing these plans is recovered through rates. 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.

Supplemental Executive Retirement Plans

The Company has corporate assets included in other non-current assets on the balance sheet representing funds designated for Supplemental Executive Retirement Plans, nonqualified retirement, and deferred compensation benefits. These funds are invested in securities primarily consisting of equity investments and investments in municipal and corporate bonds.

Leases

The Company has various operating leases, primarily related to a transmission line, buildings, land, and fleet vehicles. Right-of-use ("ROU") assets consist of the lease liability, together with any payments made to the lessor prior to commencement of the lease (less any lease incentives) and any initial direct costs. ROU assets are amortized over the lease term. Lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. For any leases that do not provide an implicit rate, the Company uses an estimate of its collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. In measuring lease liabilities, the Company excludes variable lease payments, other than those that depend on an index or a rate, or are in substance fixed payments, and includes lease payments made at or before the commencement date. Variable lease payments were not material for the years ended March 31, 2025 and 2024.

The Company recognizes lease expense based on a pattern that conforms to the regulatory ratemaking treatment.

New and Recent Accounting Guidance

Accounting Guidance Not Yet Adopted

Income Taxes (Topic 740): Income Tax Disclosures

In December 2023, the Financial Accounting Standards Board (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 adopt this standard for annual periods effective April 1, 2025.

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 stockholders' equity as previously reported.

3. REVENUE

The following table presents, for the years ended March 31, 2025, 2024 and 2023, revenue from contracts with customers, as well as additional revenue from sources other than contracts with customers, disaggregated by major source:

	Years ended March 31		
	2025	2024	2023
		(in thousands of dollars)	
Revenue from contracts with customers:			
Electric services	**$ 3,684,203**	$ 3,512,362	$ 3,534,616
Gas distribution	**771,170**	694,211	850,842
Total revenue from contracts with customers	**4,455,373**	4,206,573	4,385,458
Revenue from alternative revenue programs	**139,944**	(87,803)	(160,069)
Other revenue	**24,491**	28,984	28,404
Total operating revenues	**$ 4,619,808**	$ 4,147,754	$ 4,253,793

Electric Services and Gas Distribution: Revenue from contracts with customers, includes electric services and gas distribution. Electric services are comprised of electric distribution and transmission services.

The Company owns and maintains an electric and natural gas distribution network in upstate New York. Distribution revenues are primarily from the sale of electricity, gas, and related services to retail customers. Distribution sales are regulated by the NYPSC, which is responsible for determining the prices and other terms of services as part of the rate making process. The arrangement where a utility provides a service to a customer in exchange for a price approved by a regulator is referred to as a tariff sales contract. Gas and electric distribution revenues are derived from the regulated sale and distribution of electricity and natural gas to residential, commercial, and industrial customers within the Company's service territory under the tariff rates. The tariff rates approved by the regulator are designed to recover the costs incurred by the Company for products and services provided and along with a return on investment.

The performance obligation related to distribution sales is to provide electricity and natural gas to the customers on demand. The electricity and natural gas supplied under the respective tariff each represents a single performance obligation as it is a series of distinct goods or services that are substantially the same. The performance obligation is satisfied over time because the customer simultaneously receives and consumes the electricity or natural gas as the Company provides these services. The Company records revenues related to the distribution sales based upon the approved tariff rate and the volume delivered to the customers, which corresponds with the amount the Company has the right to invoice.

The distribution revenue also includes estimated unbilled amounts, which represent the estimated amounts due from retail customers for electricity and natural gas provided to customers by the Company, but not yet billed. Unbilled revenues are determined based on estimated unbilled sales volumes for the respective customer classes and then applying the applicable tariff rate to those volumes. Actual amounts billed to customers when the meter readings occur, may be different from the estimated amounts.

Certain customers have the option to obtain electricity or natural gas from other suppliers. In those circumstances, revenue is only recognized for providing delivery of the commodity to the customer.

The Company owns and operates transmission facilities, which are used to transmit electricity on behalf of other parties and are subject to regulation by FERC. The Company provides open access to the transmission facilities based on the rates approved by the FERC, which are designed to recover the cost of providing the service along with a return on the investments made by the Company, including Transmission Congestion Contract auctions. The Company is a participant in the NYISO, the organization designated by the FERC for managing the movement of electricity across the New York electric grid. As a participant in the NYISO the Company is compensated by the NYISO for the use of its facilities to transmit electricity.

Transmission services are provided as demanded by customers and represents a single performance obligation. The price for the services provided are based on the underlying tariff rates established by FERC related to both the Company and NYISO. The performance obligation is satisfied over time as the transmission services are provided by the Company. The Company records revenue related to transmission services based on the volumes delivered and the approved tariff rates, which corresponds with the amount the Company has the right to invoice, as the Company is entitled to compensation for the performance completed to date.

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's electric and gas distribution rates both have a revenue decoupling mechanism ("RDM") which allows for annual adjustments to the Company's delivery rates as a result of the reconciliation between allowed revenue and billed revenue. The Company's revenues also reflect adjustments for the difference between allowed transmission recoveries and actual transmission revenue. In addition, the Company has positive revenue adjustment mechanisms, such as earnings adjustment mechanisms related to the achievement of certain objectives towards meeting clean energy goals and demand side management initiatives, as well as, gas safety and reliability incentives, and a Smart Path Connect ("SPC") CWIP incentive. See Note 5 "*Regulatory Assets and Liabilities*" and Note 6, "*Rate Matters*" for further information on SPC.

The Company recognizes revenue from ARPs with a corresponding offset to a regulatory asset or liability 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 Revenues: Includes lease income and other transactions that are not considered contracts with customers.

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 recorded bad debt expense of $126.8 million, $111.7 million and ($4.4) million for the years ended March 31, 2025, 2024, and 2023, respectively, within operation and maintenance expenses in the accompanying statements of operations. For the years ended March 31, 2025, 2024 and 2023, bad debt expense reflects the impact of the Phase 1 and Phase 2 Arrears Reduction programs. See Note 6, "*Rate Matters*" for additional details. The activity in the allowance for doubtful accounts for the years ended March 31, 2025 and 2024 is as follows:

	Year Ended March 31, 2025 (in thousands of dollars)		
	Utility Accounts Receivable	Non-utility Accounts Receivable	Total Allowance
Beginning Balance as of April 1, 2024	$ 203,965	$ 20,966	$ 224,931
Credit loss expense (benefit)	93,449	3,223	96,672
Write-offs	(116,703)	(3,515)	(120,218)
Recoveries	33,172	2,388	35,560
Ending Balance as of March 31, 2025	**$ 213,883**	**$ 23,062**	**$ 236,945**

	Year Ended March 31, 2024 (in thousands of dollars)		
	Utility Accounts Receivable	Non-utility Accounts Receivable	Total Allowance
Beginning Balance as of April 1, 2023	$ 176,101	$ 20,598	$ 196,699
Impact of adoption of ASC Topic 326 on April 1, 2023	7,936	3,027	10,963
Credit loss expense (benefit)	91,416	(1,640)	89,776
Write-offs	(99,494)	(3,822)	(103,316)
Recoveries	28,006	2,803	30,809
Ending Balance as of March 31, 2024	$ 203,965	$ 20,966	$ 224,931

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 sheets:

	March 31,	
	2025	2024
	(in thousands of dollars)	
Regulatory assets		
Current:		
Derivative instruments	**$ -**	$ 65,841
Rate adjustment mechanisms	**15,153**	34,318
Clean Energy Standard	**34,518**	14,383
Gas costs adjustment	**20,911**	12,156
Smart Path Connect CWIP incentive	**42,567**	26,604
Other	**42,176**	59,122
Total	**155,325**	212,424
Non-current:		
Environmental response costs	**395,860**	413,103
Storm costs	**653,677**	554,634
Other	**212,991**	200,891
Total	**1,262,528**	1,168,628
Regulatory liabilities		
Current:		
Derivative instruments	**51,653**	-
Energy efficiency	**373,246**	323,385
Rate adjustment mechanisms	**242,745**	429,760
Other	**70,444**	32,815
Total	**738,088**	785,960
Non-current:		
Cost of removal	**289,612**	303,197
Energy Highway - Section 70	**117,114**	110,678
Energy efficiency	**143,272**	126,758
Postretirement benefits	**925,243**	797,122
Property taxes	**165,817**	113,907
Regulatory tax liability, net	**508,448**	576,341
Other	**459,496**	518,881
Total	**$ 2,609,002**	$ 2,546,884

Regulatory assets associated with future financial obligations and deferred in accordance with orders issued by the NYPSC do not earn a return until such time a cash outlay has been made. The recovery period of these regulatory assets is to be determined in future rate plans or other orders issued by the NYPSC.

Clean Energy Standard: Under the Clean Energy Standard ("CES") order issued by the NYPSC the Company is required to purchase RECs and ZECs to support the New York's goal to reduce statewide greenhouse gas emissions. The Company defers the difference between the cost of the RECs and ZECs and the actual collections through the Clean Energy Standard Supply charge billed to retail commodity customers.

Cost of removal: Represents cumulative amounts collected, but not yet spent, to dispose of property, plant and equipment. This liability is discharged as removal costs are incurred.

Derivative instruments: The Company evaluates open commodity derivative instruments for regulatory deferral by determining if they are probable of recovery from, or refund to, customers through future rates. As of March 31, 2025 and March 31, 2024, all derivative contracts were subject to regulatory deferral. Derivative instruments are recorded at fair value, with changes in fair value recorded as regulatory assets or regulatory liabilities in the period in which the change occurs.

Energy efficiency: Represents the difference between revenue billed to customers through a rate allowance included in Company's current rate plan and the costs of the Company's energy efficiency programs as approved by the NYPSC.

Energy Highway – Section 70: The Company was authorized to lease certain existing transmission right-of-way to LS Power, New York Power Authority ("NYPA"), and Transco, and to transfer the transmission facilities to LS Power and Transco for their electric transmission upgrade project. The regulatory liability balance primarily represents the proceeds from the sale of assets, the lease of land and carrying charges at the pre-tax WACC rate.

Environmental response costs: The regulatory asset represents deferred costs associated with the Company's share of the estimated costs to investigate and perform certain remediation activities at sites with which it may be associated. The Company's rate plans provide for specific rate allowances for these costs, with variances deferred for future recovery from, or return to, customers. The Company fully reconciles actual site investigations expenses to the annual rate allowance, any under or over expenditures is deferred for future refund to, or recovery from, customers. The regulatory liability represents actual expenses below the rate allowance. This regulatory balance does not earn a return and is excluded from the rate base. The recovery period is to be determined in future rate plans or other orders issued by the NYPSC.

Gas costs adjustment: The Company is subject to rate adjustment mechanisms for commodity costs, whereby an asset or liability is recognized resulting from differences between billed revenues and the underlying cost of supply. These amounts will be refunded to, or recovered from, customers over the following calendar year.

Postretirement benefits: The regulatory asset balance represents the Company's unamortized, non-cash accrual of net actuarial gains and losses in addition to actual costs associated with Company's pension plans in excess of amounts received in rates that are to be collected in future periods. The regulatory liability represents the Company's, unamortized, non-cash accrual of net PBOP actuarial gains and losses in addition to excess amounts received in rates over actual costs of the Company's PBOP plans that are to be passed back in future periods. A portion of this regulatory balance does not earn a return and is excluded from the rate base. The recovery period is to be determined in future rate plans or other orders issued by the NYPSC.

Property taxes: Under the current rate plan, the property tax regulatory liability represents 90% of actual property and special franchise tax expenses above the rate allowance for future collection from the Company's customers.

Rate adjustment mechanisms: In addition to commodity costs, the Company is subject to a number of additional rate adjustment mechanisms whereby an asset or liability is recognized resulting from differences between actual revenues and the underlying cost being recovered or differences between actual revenues and targeted amounts as approved by the NYPSC.

Regulatory tax liability, net: Represents over-recovered federal deferred taxes of the Company primarily as a result of regulatory flow through accounting treatment, state income tax rate changes and excess federal deferred taxes as a result of the Tax Cuts and Jobs Act of 2017.

Smart Path Connect CWIP incentive: As approved by FERC, the Company was granted an incentive in the form of recovery of prudently-incurred transmission-related CWIP in rate base effective April 1, 2023 for the SPC transmission project with an anticipated in-service date of December 2025. See Note 6 "*Rate Matters*" for additional details.

Storm costs: The annual electric revenue requirements provide funding for major storm incremental costs of $30.0 million in each of the Rate Years under the current three-year rate plan. The deferral threshold for a major storm is $0.75 million to be applied to all qualifying regions, in the aggregate, in the Company's service territory for a given storm event. The Company defers the difference between the base rate allowance and the allowable actual major storm incremental costs for future refund to or recovery from customers.

6. RATE MATTERS

Electric and Gas Filing

On May 28, 2024, the Company filed to increase revenues by $525 million and $148 million, for its electric and gas businesses, respectively, in the twelve months ending March 31, 2026 ("Rate Year One"). While the Company's rate filings propose new rates for Rate Year One only, cost data for three additional years have been included to facilitate a potential multi-year settlement.

On January 31, 2025, the Company filed a request to extend the suspension period through July 31, 2025, subject to a Make Whole provision, which would restore the Company to the same financial position it would have been in had there been no extension and new rates went into effect on May 1, 2025.

On April 25, 2025, the Department of Public Service Staff ("DPS"), the Company and other parties to the settlement filed a Joint Proposal ("JP") for a three-year rate plan beginning May 1, 2025 and ending March 31, 2028, which includes an 11-month period in Rate Year One instead of the 12 months. To reduce rate volatility to customers over the term of the rate plan, the planned rate increases would be implemented on a levelized percentage basis, which results in increases in revenues for the Company of approximately $167.3 million and $57.4 million in Rate Year 1, $297.4 million and $64.5 million in Rate Year 2, and $243.4 million and $71.8 million in Rate Year 3 for electric and gas delivery service, respectively. The Company's revenue requirement for electric operations includes the amortization of a net electric regulatory asset balance as of December 31, 2023, totaling $186.7 million over a ten-year period. The settlement is based upon a 9.5% return on equity ("ROE") and a ratemaking capital structure that reflects a common equity component of 48% for the Company. The rate plans include an earnings sharing mechanism, where the Company will share a portion of any earnings in excess of 10.0% with customers.

General Rate Case

On September 27, 2021, the Company, the Department of Public Service ("DPS") Staff and other settlement parties filed a Joint Proposal ("NIMO-JP2") for a three-year rate plan for the Company's electric and gas businesses beginning July 1, 2021 and ending June 30, 2024. The proposed revenue increases were 1.4% for electric operations and 1.8% for gas operations in Rate Year 1 and 1.9% for both electric and gas operations in Rate Year 2 and Rate Year 3. To mitigate the potential bill impacts on customers, the settlement applies existing deferral credits of $145.9 million and $53.5 million for electric and gas customers, respectively, over the term of the rate plan and Stayout Period. The settlement is based upon a 9% return on equity and a ratemaking capital structure reflecting a common equity component of 48%. The NIMO-JP2 includes an earnings sharing mechanism by which customers will share in earnings in excess of a 9.5% calculated return on equity for each rate year under the rate plan. In addition, the NIMO-JP2 also includes mechanisms that would allow the Company to extend the rate plan by nine months ("Stayout Period").

On January 20, 2022, the NYPSC approved and adopted the three-year settlement through June 30, 2024 and supporting schedules for the Company's electric and gas businesses with limited additional requirements. Beginning July 1, 2024, the Company began the Stayout Period which continued the provisions of the current rate plan with some modifications, including the deferral of incremental revenue requirement over the allowance in base rates for the net utility plant and depreciation expense reconciliation mechanism (capped at forecast levels) and Commission-approved energy efficiency costs not recovered in base rates to achieve energy efficiency targets (not to exceed the authorized budget) for the nine months ending March 31, 2025.

Advanced Metering Infrastructure

On November 20, 2020, the NYPSC issued an order ("2020 AMI Order") which approved the Company's proposal for the deployment of AMI, also referred to as smart meters. In the approved rate case, the Company is authorized to recover $119 million of AMI-related operations and maintenance ("O&M") expense incurred during the six-year AMI deployment period beginning fiscal year 2022 subject to a downward-only reconciliation at the end of the six-year AMI deployment period. Likewise, the 2020 AMI Order established a capital expenditure cap for the program of approximately $475.2 million over the six-year AMI deployment period.

Arrears Reduction Program

On June 16, 2022, the NYPSC approved an order authorizing the implementation of the Phase 1 Arrears Reduction Program, whereby, the Company's total Energy Affordability Program ("EAP") arrears reduction one-time bill credits were to be funded by approximately $40.0 million from the New York State budget allocation, a shareholder contribution of $1.9 million under the Company's approved petition for alternative recovery mechanism of COVID-19 unbilled fees, utilization of $25 million from existing deferred EAP liabilities, with the remaining balance to be recovered from customers through a surcharge over a three year recovery period effective on August 1, 2022. The Company issued a total of approximately $105.7 million of Phase 1 EAP one-time bill credits to its electric and gas customers for the program.

On January 19, 2023, the NYPSC issued an order authorizing the Phase 2 Arrears Reduction Program ("Phase 2 Order"). The Phase 2 program provided approximately $72.9 million of one-time bill credits, to eligible customers who did not receive relief under the Phase 1 program. On February 21, 2023, in accordance with the Phase 2 Order, National Grid submitted a compliance filing and also requested a proposed uncollectible expense reconciliation mechanism in exchange for a future adjustment of the Phase 2 program customer surcharge which the Company does not expect will have a material impact to the financial statements. A decision on this proposal is pending an order from NYPSC.

New York Transmission Projects

CLCPA Phase 2

On August 19, 2022, FERC accepted the New York Transmission Owners' (a group of New York electric utilities including the Company) Phase 2 Cost Sharing and Recovery Agreement ("CSRA"), which was developed to recover the costs of local transmission upgrades determined by the NYPSC to be necessary to meet New York's climate and renewable energy goals as required by the Climate Leadership and Community Protection Act ("CLCPA"). CSRA provides that the costs of NYPSC-approved local transmission upgrades will be shared statewide among the CLCPA's customers and recovered on a volumetric load-ratio basis. On February 16, 2023, the NYPSC issued an order authorizing Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, Rochester Gas & Electric Corporation and Niagara Mohawk Power Corporation (the "Sponsoring Utilities") (i) to proceed with more than $4 billion of proposed transmission upgrades (with some modifications) and (ii) to seek recovery of associated costs through the previously approved CSRA. The order approved 100% of the approximately $2 billion in transmission upgrades proposed by the Company in the Northern New York and the Capital regions.

Smart Path Connect

On August 12, 2022, the NYPSC approved National Grid and NYPA filing seeking permission to construct and operate the SPC project. SPC is a bulk transmission project jointly developed with NYPA in Northern New York. The Company's expected capital portion of the project, as specified in the FERC order approving the Company's filing, is approximately $535.0 million and will upgrade approximately 55 miles of an existing double circuit North-South transmission corridor from the Canadian border to central New York.

In July 2023, FERC approved the bulk of the Company's filing under Section 205 of the Federal Power Act. FERC's order approved the Company's request for an ROE of 10.3% for the SPC Project, a transmission incentive in the form of recovery of 100 percent of prudently incurred costs for CWIP in rate base, and the statewide cost allocation agreement for the SPC project all effective April 1, 2023. FERC's July 2023 order also found that the Company's proposed method of allocating General Plant and A&G expenses between the SPC project and the existing Transmission Service Charge raised an issue of material fact, and it set this single issue for hearing and settlement. Settlement proceedings began in August 2023 and are on-going at the present time. Settlement filing was submitted to the NYISO on June 3, 2024. FERC approved the SPC settlement on August 8, 2024.

At March 31, 2025, the Company had SPC related investment of $465.8 million on its balance sheet. At March 31, 2024, the Company had SPC related investment of $302.8 million on its balance sheet.

7. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2025	2024
	(in thousands of dollars)	
Plant and machinery	**$ 16,559,124**	$ 15,578,196
Land and buildings	**828,311**	784,566
Assets in construction	**1,923,603**	1,346,339
Software and other intangibles	**29,750**	28,667
Operating lease ROU assets	**644,977**	582,684
Total property, plant and equipment	**19,985,765**	18,320,452
Accumulated depreciation and amortization	**(4,622,702)**	(4,475,130)
Accumulated amortization – operating lease ROU assets	**(225,312)**	(190,672)
Property, plant and equipment, net	**$ 15,137,751**	$ 13,654,650

8. DERIVATIVE INSTRUMENTS

The Company utilizes derivative instruments to manage commodity price risk associated with its natural gas and electricity purchases. The Company's commodity risk management strategy is to reduce fluctuations in firm gas and electricity sales prices to its customers.

The Company's financial exposures are monitored and managed as an integral part of the Company's overall financial risk management policy. The Company engages in risk management activities only in commodities and financial markets where it has an exposure, and only in terms and volumes consistent with its core business.

Volumes

Volumes of outstanding commodity derivative instruments measured in dekatherms ("dth") and megawatt hours ("MWh") are as follows:

	March 31,	
	2025	2024
	(in thousands)	
Gas contracts (dth)	**24,168**	24,135
Electric contracts (MWh)	**14,373**	14,255

Derivative Financial Instruments

The following tables reflect the gross and net amounts of the Company's derivative assets and liabilities as of March 31, 2025 and 2024:

March 31, 2025
(in thousands of dollars)

	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the Balance Sheets	Net amounts of assets (liabilities) presented in the Balance Sheets	Gross amounts not offset in the Balance Sheets	Net amount
ASSETS:	***A***	***B***	***C=A+B***	***D***	***E=C-D***
Current assets					
Gas contracts	$ 4,423	$ -	$ 4,423	$ 13	$ 4,410
Electric contracts	82,678	-	82,678	11,697	70,981
Non-current assets					
Gas contracts	-	-	-	-	-
Electric contracts	15,168	-	15,168	13,740	1,428
Total	102,269	-	102,269	25,450	76,819
LIABILITIES:					
Current liabilities					
Gas contracts	(13)	-	(13)	(13)	-
Electric contracts	(12,305)	-	(12,305)	(11,697)	(608)
Non-current liabilities					
Gas contracts	-	-	-	-	-
Electric contracts	(38,298)	-	(38,298)	(13,740)	(24,558)
Total	(50,616)	-	(50,616)	(25,450)	(25,166)
Net assets	$ 51,653	$ -	$ 51,653	$ -	$ 51,653

March 31, 2024 (in thousands of dollars)					
ASSETS:	Gross amounts of recognized assets (liabilities) A	Gross amounts offset in the Balance Sheets B	Net amounts of assets (liabilities) presented in the Balance Sheets C=A+B	Gross amounts not offset in the Balance Sheets D	Net amount E=C-D
Current assets					
Gas contracts	$ 119	$ -	$ 119	$ 31	$ 88
Electric contracts	32,731	-	32,731	26,764	5,967
Non-current assets					
Gas contracts	-	-	-	-	-
Electric contracts	8,997	-	8,997	6,547	2,450
Total	41,847	-	41,847	33,342	8,505
LIABILITIES:					
Current liabilities					
Gas contracts	(2,954)	-	(2,954)	(31)	(2,923)
Electric contracts	(68,987)	-	(68,987)	(26,764)	(42,223)
Non-current liabilities					
Gas contracts	-	-	-	-	-
Electric contracts	(35,746)	-	(35,746)	(6,547)	(29,199)
Total	(107,687)		(107,687)	(33,342)	(74,345)
Net liabilities	$ (65,840)	$ -	$ (65,840)	$ -	$ (65,840)

The Company enters into enabling agreements that allow for payment netting with its counterparties, which reduces its exposure to counterparty risk by providing for the offset of amounts payable to the counterparty against amounts receivable from the counterparty.

The changes in fair value of the Company's rate recoverable contracts are offset by changes in regulatory assets and liabilities. As a result, the changes in fair value of those contracts had no impact in the accompanying statements of operations. All of the Company's derivative instruments are subject to rate recovery as of March 31, 2025 and 2024.

Credit and Collateral

The Company is exposed to credit risk related to transactions entered into for commodity price risk management. Credit risk represents the risk of loss due to counterparty non-performance. Credit risk is managed by assessing each counterparty's credit profile and negotiating appropriate levels of collateral and credit support.

The Company enters into commodity transactions on the NYMEX. The NYMEX clearing houses act as the counterparty to each trade. Transactions on the NYMEX must adhere to comprehensive collateral and margining requirements. As a result, transactions on the NYMEX are significantly collateralized and have limited counterparty credit risk.

The credit policy for commodity transactions is managed and monitored by the Finance Committee to National Grid plc's Board of Directors ("Finance Committee"), which is responsible for approving risk management policies and objectives for risk assessment, control and valuation, and the monitoring and reporting of risk exposures. NGUSA's Energy Procurement Risk Management Committee ("EPRMC") is responsible for approving transaction strategies, annual supply plans, and counterparty credit approval, as well as all valuation and control procedures. The EPRMC is chaired by the Head of Treasury & Risk Operations and reports to both the NGUSA Board of Directors and the Finance Committee.

The EPRMC monitors counterparty credit exposure and appropriate measures are taken to bring such exposures below the limits, including, without limitation, netting agreements, and limitations on the type and tenor of trades. In instances where a counterparty's credit quality has declined, or credit exposure exceeds certain levels, the Company may limit its credit exposure by restricting new transactions with the counterparty, requiring additional collateral or credit support, and negotiating the early termination of certain agreements. Similarly, the Company may be required to post collateral to its counterparties.

The Company's credit exposure for all commodity derivative instruments, and applicable payables and receivables, net of collateral, and instruments that are subject to master netting agreements, was a net asset of $51.7 million and a net liability of $65.8 million as of March 31, 2025 and 2024, respectively.

The aggregate fair value of the Company's commodity derivative instruments with credit-risk-related contingent features that were in a liability position as of March 31, 2025 and 2024 was $3.3 million and $68.1 million, respectively. The Company had zero and $24.7 million collateral posted for these instruments as of March 31, 2025 and 2024, respectively. At March 31, 2025, if the Company's credit rating were to be downgraded by one, two, or three levels, it would be required to post zero, $2.3 million and $3.5 million additional collateral to its counterparties. At March 31, 2024, if the Company's credit rating were to be downgraded by one, two, or three levels, it would be required to post $3.5 million, $22.8 million and $44.3 million additional collateral to its counterparties. The counterparties had $10.4 million and zero posted to the Company as of March 31, 2025, and March 31, 2024, respectively.

9. FAIR VALUE MEASUREMENTS

The following tables present assets and liabilities measured and recorded at fair value on the balance sheet on a recurring basis and their level within the fair value hierarchy as of March 31, 2025 and 2024:

	March 31, 2025			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands of dollars)		
Assets:				
Derivative instruments				
Gas contracts	$ -	$ 4,349	$ 74	$ 4,423
Electric contracts	-	96,989	857	97,846
Securities	4,301	16,128	-	20,429
Total	4,301	117,466	931	122,698
Liabilities:				
Derivative instruments				
Gas contracts	-	17	-	17
Electric contracts	-	49,272	1,327	50,599
Total	-	49,289	1,327	50,616
Net assets (liabilities)	$ 4,301	$ 68,177	$ (396)	$ 72,082

	March 31, 2024							
	Level 1		Level 2		Level 3		Total	
			(in thousands of dollars)					
Assets:								
Derivative instruments								
Gas contracts	$	-	$	-	$	119	$	119
Electric contracts		-		41,503		225		41,728
Securities		19,678		-		-		19,678
Total		19,678		41,503		344		61,525
Liabilities:								
Derivative instruments								
Gas contracts		-		-		2,954		2,954
Electric contracts		-		103,920		813		104,733
Total		-		103,920		3,767		107,687
Net assets (liabilities)	$	19,678	$	(62,417)	$	(3,423)	$	(46,162)

Derivative instruments: The Company's Level 2 fair value derivative instruments primarily consist of over-the-counter ("OTC") electric and gas swap contracts, OTC gas options and physical gas purchase contracts with pricing inputs obtained from the NYMEX and the Intercontinental Exchange ("ICE"), except in cases where the ICE publishes seasonal averages or where there were no transactions within the last seven days. The Company uses the Black Scholes option model to price all financial options. All model inputs (underlying forward prices, discount rates and volatilities) use market observable information. The Company may utilize discounting based on quoted interest rate curves, including consideration of non-performance risk, and may include a liquidity reserve calculated based on bid/ask spreads for the Company's Level 2 derivative instruments. Substantially all of these price curves are observable in the marketplace throughout at least 95% of the remaining contractual quantity, or they could be constructed from market -observable curves with correlation coefficients of 95% or higher.

The Company's Level 3 fair value derivative instruments consist of physical gas option purchase contracts, which are valued based on internally-developed models. Industry-standard valuation techniques, such as the Black-Scholes pricing model, Monte Carlo simulation, and Financial Engineering Associates libraries are used for valuing such instruments. For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivative instruments valued using indicative price quotations whose contract tenure extends into unobservable periods. In instances where observable data is unavailable, consideration is given to the assumptions that market participants would use in valuing the asset or liability. This includes assumptions about market risks such as liquidity, volatility, and contract duration. Such instruments are categorized in Level 3 as the model inputs generally are not observable. The Company considers non-performance risk and liquidity risk in the valuation of derivative instruments categorized in Level 2 and Level 3.

The significant unobservable inputs used in the fair value measurement of the Company's gas derivative instruments and electric derivative instruments are implied volatility, electric forward curves, and gas forward curves. A relative change in commodity price at various locations underlying the open positions can result in significantly different fair value estimates.

Securities: Securities are included in other non-current assets on the balance sheet and primarily include equity and debt investments based on quoted market prices (Level 1) and municipal and corporate bonds based on quoted prices of similar traded assets in open markets (Level 2).

10. EMPLOYEE BENEFITS

The Company participates in two non-contributory defined benefit pension plans (the "Pension Plans") and two PBOP plans (the "PBOP Plans", together with the Pension Plans, the "Plans"). The Company calculates benefits under these plans based on age, years of service and pay using March 31 as a measurement date. In addition, the Company also participates in defined contribution plans for eligible employees. The plans are sponsored by the National Grid USA Service Company.

Plan assets are maintained in commingled trusts. In respect of cost determination, plan assets are allocated to the Company based on the Company's proportionate share of the Plan's projected benefit obligation. The Plan's costs are first directly charged to the Company based on the Company's employees that participate in the Plan. Costs associated with affiliated service companies' employees are then allocated as part of the labor burden for work performed on the Company's behalf. The Company applies deferral accounting for pension and PBOP expenses associated with its regulated gas and electric operations. Any differences between actual pension costs and amounts used to establish rates are deferred and collected from, or refunded to, customers in subsequent periods. Pension and PBOP service costs are included within operations and maintenance expense and non-service costs are included within other income (deductions), 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 Pension Plans are composed of both a qualified and a non-qualified plan. The qualified pension plan provides substantially all union employees, as well as all nonunion employees hired before January 1, 2011, with a retirement benefit. The qualified pension plan is a cash balance pension plan design in which pay-based credits are applied based on service time and interest credits are applied at rates set forth in the plan. For nonunion employees, effective January 1, 2011, pay-based credits are based on a combination of service time and age. Some employees who met certain age and service requirements (referred to as the Transition Group) were grandfathered into the final average pay formula and upon retirement receive the greater of the final average pay formula or the cash balance formula benefit under the plan. The non-qualified pension plan provides additional pension benefits to certain eligible participants whose compensation levels exceeds Internal Revenue Service ("IRS") limits. The funding policy is determined largely by the Company's rate agreements with the NYPSC. However, the contribution to the qualified pension plan for any year will not be less than the minimum amount required under IRS regulations. During the years ended March 31, 2025, 2024, and 2023, the Company did not make any contributions to the qualified pension plans. The Company does not expect to contribute to the Pension Plans during the year ending March 31, 2026.

Benefit payments to Pension Plan participants for the years ended March 31, 2025, 2024, and 2023 were $39.2 million, $30.5 million, and $136.9 million, respectively. Benefit payments for the year ended March 31, 2023 included payments for an annuity contract purchase.

In May 2022, the Company agreed to purchase a group annuity contract that transferred approximately $515.0 million of pension obligations and related plan assets to an insurance company. This transaction resulted in a settlement gain of $62.6 million, which was deferred as a regulatory liability. The Company also recognized settlement gains of $2.2 million during the fiscal year ended March 31, 2023 due to plan payouts that exceeded the threshold as prescribed in ASC 715 included in total cost above.

PBOP Plans

The Company's 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 health coverage. The PBOP Plans are funded based on rate agreements with the NYPSC. During the years ended March 31, 2025, 2024, and 2023, the Company made contributions of $80.6 million, zero and zero, respectively to the PBOP Plans. The Company contributions for the year ended March 31, 2025 included a nonrecurring contribution. The Company does not expect to contribute to the PBOP Plans during the year ending March 31, 2026.

Gross benefit payments to PBOP plan participants for the years ended March 31, 2025, 2024, and 2023 were $80.3 million, $74.3 million, and $72.0 million, respectively.

Net Periodic Benefit Costs

The Company's total net periodic pension (benefit) cost for the years ended March 31, 2025, 2024, and 2023 are $4.0 million, ($1.5) million, and ($75.0) million, respectively. This included non-service pension costs (benefits) for the years ended March 31, 2025 and 2024 of ($19.3) million and ($24.7) million, respectively.

The Company's total net periodic PBOP (benefit) cost for the years ended March 31, 2025, 2024, and 2023 are ($80.1) million, ($73.9) million, and ($53.3) million, respectively. This included non-service PBOP costs (benefits) for the years ended March 31, 2025 and 2024 of ($88.3) million and ($82.8) million, respectively.

Amounts Recognized in AOCI and Regulatory Assets/Liabilities

The following tables summarize other pre-tax changes in actuarial gains/losses and prior service costs recognized primarily in regulatory assets/liabilities and accumulated other comprehensive income for the years ended March 31, 2025, 2024, and 2022:

	Pension Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial (gain) loss	**$ (3,728)**	$ 37,899	$ 103,524
Reversal of net actuarial gain due to settlement	**-**	103	64,826
Amortization of net actuarial gain (loss)	**(5,481)**	(4,182)	6,208
Amortization of prior service cost, net	**(35)**	(958)	(912)
Total	**$ (9,244)**	$ 32,862	$ 173,646
Change in regulatory assets or liabilities	**$ (8,947)**	$ 32,955	$ 174,048
Change in AOCI	**(297)**	(93)	(402)
Total	**$ (9,244)**	$ 32,862	$ 173,646

	PBOP Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial gain	**$ (97,698)**	$ (75,357)	$ (14,888)
Amortization of net actuarial gain	**60,474**	53,160	37,461
Total	**$ (37,224)**	$ (22,197)	$ 22,573
Change in regulatory assets or liabilities	**$ (38,259)**	$ (22,311)	$ 22,584
Change in AOCI	**1,035**	114	(11)
Total	**$ (37,224)**	$ (22,197)	$ 22,573

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

The following tables summarize the Company's amounts in regulatory assets/liabilities and accumulated other comprehensive income on the balance sheet that have not yet been recognized as components of net actuarial gains/losses as of March 31, 2025, 2024, and 2023:

	Pension Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial loss	**$ 64,066**	$ 73,275	$ 39,455
Prior service cost (credit)	**(481)**	(446)	512
Total	**$ 63,585**	$ 72,829	$ 39,967
Included in regulatory asset	**$ 63,661**	$ 72,608	$ 39,653
Included in AOCI	**(76)**	221	314
Total	**$ 63,585**	$ 72,829	$ 39,967

	PBOP Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial gain	**$ (549,024)**	$ (511,800)	$ (489,603)
Prior service credit	**(425)**	(425)	(425)
Total	**$ (549,449)**	$ (512,225)	$ (490,028)
Included in regulatory liabilities	**$ (547,353)**	$ (509,094)	$ (486,783)
Included in AOCI	**(2,096)**	(3,131)	(3,245)
Total	**$ (549,449)**	$ (512,225)	$ (490,028)

Amounts Recognized on the Balance Sheet

	Pension Plans		PBOP Plans	
	March 31,		March 31,	
	2025	2024	**2025**	2024
	(in thousands of dollars)			
Projected benefit obligation	**$ (541,255)**	$ (541,642)	**$ (1,053,463)**	$ (1,177,133)
Allocated fair value of assets	**948,050**	943,183	**1,504,183**	1,425,761
Funded status	**$ 406,795**	$ 401,541	**$ 450,720**	$ 248,628
Non-current assets	**$ 407,934**	$ 403,040	**$ 465,393**	$ 265,800
Current liabilities	**(129)**	(181)	**(879)**	(4,301)
Non-current liabilities	**(1,010)**	(1,318)	**(13,794)**	(12,871)
Total	**$ 406,795**	$ 401,541	**$ 450,720**	$ 248,628

For the year ended March 31, 2025, the net actuarial gain for Pension was primarily driven by an increase in the discount rate, partially offset by actual asset returns that were less than expected. The net actuarial gain for PBOP was driven by an increase in discount rate and favorable claims experience, partially offset by asset losses due to actual returns that were less than expected and an increase in the prescription drug trend assumption. For the year ended March 31, 2024, the net actuarial loss for Pension was primarily driven by a demographic census data loss related to actual lump sum payments, partially offset by an increase in discount rate and slight changes in the retirement assumption tables resulting from a recent experience study. The net actuarial gain for the PBOP was 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 loss for Pension was largely driven by asset losses due to returns that were less than expected as well as the increase in the cash balance interest crediting rate, offset by the increase in discount rate and slight changes to the withdrawal assumption resulting from the recent experience study. The net actuarial gains for the PBOP Plans were driven by the increase in discount rate and savings resulting from a new Medicare Advantage contract for PBOP, offset by asset losses and the slight withdrawal assumption changes. The net actuarial gains were partially offset by asset losses due to returns that were less than expected.

Expected Benefit Payments

Based on current assumptions, the Company expects to make the following benefit payments subsequent to March 31, 2025: (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**
2026	$ 43,307	$ 66,245
2027	42,428	67,698
2028	43,578	69,334
2029	42,509	70,359
2030	42,451	71,606
2031-2035	201,485	364,699
Total	$ 415,758	$ 709,941

Assumptions Used for Employee Benefits Accounting

	Pension Plans		
	Years Ended March 31,		
	2025	2024	2023
Benefit Obligations:			
Discount rate	**5.50%**	5.15%	4.85%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**4.45%**	4.45%	4.45%
Weighted average cash balance interest crediting rate	**5.80%**	5.20%	5.25%
Net Periodic Benefit Costs:			
Discount rate	**5.15%**	4.85%	3.65%-5.05%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**4.45%**	4.45%	4.45%
Expected return on plan assets	**5.75%**	6.25%	4.25%
Weighted average cash balance interest crediting rate	**5.20%**	5.25%	2.90%

	PBOP Plans		
	Years Ended March 31,		
	2025	2024	2023
Benefit Obligations:			
Discount rate	**5.50%**	5.15%	4.85%
Net Periodic Benefit Costs:			
Discount rate	**5.15%**	4.85%	3.65%
Expected return on plan assets	**6.00%-6.25%**	6.25%-6.75%	5.00%-5.50%

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. The Company uses high quality corporate bond yields and 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 target asset allocation, resulting in the expected return on plan assets for each plan.

Assumed Health Cost Trend Rate

	Years Ended March 31,	
	2025	2024
Health care cost trend rate assumed for next year		
Pre 65	**6.00%**	6.20%
Post 65	**5.00%**	5.10%
Prescription	**9.00%**	8.00%
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**	2033

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 the Company. Life insurance and medical benefits are provided for eligible retirees, dependents, and surviving spouses of the Company.

The Company 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, to 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 contribution and expense 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 2025 reflects the results of such a pension study conducted and implemented in fiscal year 2025. The non-Union PBOP Plan asset liability study was conducted in fiscal year 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. The last Union PBOP study was conducted in fiscal year 2023.

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 is 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 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 31,2025 and 2024 are as follows:

	Pension Plans		**Union PBOP Plans**		**Nonunion PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2025	2024	**2025**	2024	**2025**	2024
Equity	**6%**	5%	**15%**	15%	**66%**	67%
Diversified alternatives	**3%**	3%	**5%**	5%	**0%**	0%
Fixed income securities	**70%**	70%	**80%**	80%	**34%**	33%
Private equity	**13%**	14%	**0%**	0%	**0%**	0%
Real estate	**3%**	4%	**0%**	0%	**0%**	0%
Infrastructure	**5%**	4%	**0%**	0%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

During the years ended March 31, 2025 and 2024, certain PBOP trusts related to multiple NGUSA plans were consolidated. 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, 2025			
	Level 1	**Level 2**	**Not categorized**	**Total**
	(in thousands of dollars)			
Pension assets:				
Equity	$ 2,193	$ -	$ 48,501	$ 50,694
Diversified alternatives	-	-	23,104	23,104
Corporate bonds	-	548,626	49,725	598,351
Government securities	2,100	367,372	2,702	372,174
Private equity	-	-	127,523	127,523
Real estate	-	-	29,463	29,463
Infrastructure	-	-	48,073	48,073
Total assets	$ 4,293	$ 915,998	$ 329,091	$ 1,249,382
Pending transactions				(229,954)
Total net assets				$ 1,019,428
PBOP assets:				
Equity	$ -	$ -	$ 591,894	$ 591,894
Diversified alternatives	133,413	-	-	133,413
Corporate bonds	-	1,747,882	55,001	1,802,883
Government securities	50,251	418,815	530	469,596
Insurance contracts	-	-	168,560	168,560
Private equity	-	-	25	25
Total assets	$ 183,664	$ 2,166,697	$ 816,010	$ 3,166,371
Pending transactions				28,896
Total net assets				$ 3,195,267

	March 31, 2024			
	Level 1	Level 2	Not categorized	Total
	(in thousands of dollars)			
Pension assets:				
Equity	$ 5,020	$ -	$ 59,442	$ 64,462
Diversified alternatives	-	-	34,250	34,250
Corporate bonds	-	571,510	52,816	624,326
Government securities	496	104,618	868	105,982
Private equity	-	-	128,842	128,842
Real estate	-	-	34,104	34,104
Infrastructure	-	-	46,532	46,532
Total assets	$ 5,516	$ 676,128	$ 356,854	$ 1,038,498
Pending transactions				(25,705)
Total net assets				$ 1,012,793
PBOP assets:				
Equity	$ -	$ -	$ 372,797	$ 372,797
Diversified alternatives	52,213	-	4,848	57,061
Corporate bonds	-	769,829	52,088	821,917
Government securities	31,910	216,979	532	249,421
Insurance contracts	-	-	160,400	160,400
Private equity	-	-	48	48
Total assets	$ 84,123	$ 986,808	$ 590,713	$ 1,661,644
Pending transactions				13,122
Total net assets				$ 1,674,766

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 assets 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 include 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 include US agency and treasury securities, as well as state and local municipal bonds. The plans also include a small amount of Non-US government debt which is also captured here. US Government money market funds are also included. In addition, interest rate futures and swaps are held as a tool to manage interest rate risk.

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

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 US 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.

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: Accounts receivable and accounts payable are short term cash transactions that are expected to settle within a few days of the measurement date.

Defined Contribution Plan

NGUSA has defined contribution retirement plans that covers substantially all employees. For the years ended March 31, 2025, 2024, and 2023, the Company recognized an expense in the accompanying statements of operations of $15.2 million, $14.1 million, and $12.6 million, respectively, for matching contributions.

11. CAPITALIZATION

Total capitalization for the Company at March 31, 2025 and 2024 is as follows:

			(in thousands of dollars) March 31, 2025	2024
Total shareholders' equity			**$ 6,453,132**	$ 6,135,523
	Interest Rate	Maturity Date		
Unsecured Notes:				
Senior Notes	3.51%	October 1, 2024	**-**	500,000
Senior Notes	4.28%	December 15, 2028	**500,000**	500,000
Senior Notes	1.96%	June 27, 2030	**600,000**	600,000
Senior Notes	2.76%	January 10, 2032	**400,000**	400,000
Senior Notes	5.29%	January 17, 2034	**500,000**	500,000
Senior Notes	4.28%	October 1, 2034	**400,000**	400,000
Senior Notes	4.12%	November 28, 2042	**400,000**	400,000
Senior Notes	3.03%	June 27, 2050	**500,000**	500,000
Senior Notes	5.78%	September 16, 2052	**500,000**	500,000
Senior Notes	5.66%	January 17, 2054	**700,000**	700,000
Notes			**4,500,000**	5,000,000
State Authority Financing:				
1985 Series B	3.29%	December 1, 2025	**37,500**	37,500
1985 Series C	3.29%	December 1, 2025	**37,500**	37,500
1986 Series A	3.42%	December 1, 2026	**44,700**	44,700
1987 Series A	3.45%	March 1, 2027	**25,760**	25,760
1987 Series B-1	3.43%	July 1, 2027	**68,200**	68,200
1987 Series B-2	3.48%	July 1, 2027	**25,000**	25,000
2004 Series A	3.43%	July 1, 2029	**115,705**	115,705
Bonds			**354,365**	354,365
Total debt			**4,854,365**	5,354,365
Unamortized debt discount			**(4)**	(5)
Unamortized debt issuance costs			**(21,658)**	(23,613)
Total debt less unamortized costs			**4,832,703**	5,330,747
Current portion of long-term debt			**75,000**	500,000
Total long-term debt			**4,757,703**	4,830,747
Total capitalization			**$ 11,210,835**	$ 10,966,270

The aggregate maturities of long-term debt for the years subsequent to March 31, 2025 are as follows:

(in thousands of dollars) **March 31,**	**Maturities of Long-Term Debt**
2026	$ 75,000
2027	70,460
2028	93,200
2029	500,000
2030	115,705
Thereafter	4,000,000
Total	**$ 4,854,365**

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, 2025 and 2024, the Company was in compliance with all such covenants.

Debt Authorizations

The Company had regulatory approval from the FERC to issue up to $1.0 billion of short-term debt internally or externally. The authorization was renewed with an effective date of October 15, 2024 and will expire on October 14, 2026. The Company had no external short-term debt as of March 31, 2025 and 2024. Refer to Note 16, "*Related Party Transactions*" under "*Intercompany Money Pool*" for short-term debt outstanding with associated companies.

On June 12, 2025, the NYPSC authorized the Company to issue up to $3.3 billion of new long-term debt securities through March 31, 2028. In addition, NYPSC had previously authorized the Company to issue debt to redeem approximately $29 million of preferred stock, if it is economical and in the best interest of customers.

Under the previous authorization, the Company has issued $2.1 billion of long-term debt as of March 31, 2025 and 2024.

Dividend Restrictions

The Company is limited by the various rate plans, NYPSC orders, and FERC orders with respect to the amount of dividends the Company can pay. If the Company's total debt exceeds 55% of its total capital excluding goodwill but does not exceed 57%, then the Company will be permitted to pay dividends up to an amount equal to but no greater than 50% of its net income for the previous twelve months until its average total debt for the most recent six-month period is less than or equal to 55%. If the Company's total debt exceeds 57% then the Company may not pay dividends until the average total debt for the most recent six months ending is less than or equal to 55%. As long as the bond ratings on the least secure forms of debt issued by the Company and National Grid plc remain investment grade and do not fall to the lowest investment grade rating (with one or more negative watch downgrade notices issued with respect to such debt), the Company is allowed to pay dividends. During the years ended March 31, 2025, 2024 and 2023, the Company was in compliance with all such covenants.

The Company's filed rate plan includes a ratemaking capital structure of approximately 52% debt and 48% equity through the combination of long-term debt issuance and dividend payments.

Cumulative Preferred Stock

The Company has certain issues of non-participating cumulative preferred stock outstanding where the security is guaranteed by National Grid plc and can be redeemed at the option of the Company. There are no mandatory redemption provisions on the Company's cumulative preferred stock. A summary of cumulative preferred stock is as follows:

	Shares Outstanding		Amount		
	March 31,		March 31,		Call
Series	**2025**	2024	**2025**	2024	Price
	(in thousands of dollars, except per share and number of shares data)				
$100 par value -					
3.40% Series	**57,524**	57,524	**$ 5,753**	$ 5,753	$ 103.50
3.60% Series	**137,152**	137,152	**13,715**	13,715	104.85
3.90% Series	**95,171**	95,171	**9,517**	9,517	106.00
Golden Share	**1**	1	**-**	-	Non-callable
Total	**289,848**	289,848	**$ 28,985**	$ 28,985	

In connection with the acquisition of KeySpan Corporation by NGUSA, the Company became subject to a requirement to issue a class of preferred stock, having one share (the "Golden Share"), subordinate to any existing preferred stock. The holder of the Golden Share would have voting rights that limit the Company's right to commence any voluntary bankruptcy, liquidation, receivership, or similar proceeding without the consent of the holder of the Golden Share. The NYPSC subsequently authorized the issuance of the Golden Share to a trustee, GSS Holdings, Inc. ("GSS"), who will hold the Golden Share subject to a Services and Indemnity Agreement requiring GSS to vote the Golden Share in the best interests of New York State. On July 8, 2011, the Company issued the Golden Share with a par value of $1.

The Company did not redeem any preferred stock as of March 31, 2025, 2024, or 2023. The annual dividend requirement for cumulative preferred stock was $1.1 million as of March 31, 2025, 2024, and 2023.

12. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Current tax expense (benefit):			
Federal	**$ (28,313)**	$ 30,105	$ 6,508
State	**(12,703)**	909	(13,480)
Total current tax expense (benefit)	**(41,016)**	31,014	(6,972)
Deferred tax expense (benefit):			
Federal	**52,747**	(3,506)	9,052
State	**31,706**	20,293	35,691
Total deferred tax expense (benefit)	**84,453**	16,787	44,743
Amortized investment tax credits (1)	**(611)**	(626)	(645)
Total deferred tax expense (benefit)	**83,842**	16,161	44,098
Total income tax expense	**$ 42,826**	$ 47,175	$ 37,126

(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 Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2025, 2024, and 2023 are 11.8%, 12.6%, and 9.2%, respectively. The following table presents a reconciliation of income tax expense at the federal statutory tax rate of 21% to the actual tax expense:

	Years Ended March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Computed tax	**$ 76,029**	$ 78,550	$ 84,379
Change in computed taxes resulting from:			
State income tax, net of federal benefit	**15,012**	16,749	17,547
Amortization of regulatory tax liability-net	**(47,257)**	(47,943)	(63,714)
Audit and related reserve movements	**135**	778	(211)
Investment tax credits	**(611)**	(626)	(645)
Other items, net	**(482)**	(333)	(230)
Total changes	**(33,203)**	(31,375)	(47,253)
Total income tax expense	**$ 42,826**	$ 47,175	$ 37,126

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

Inflation Reduction Act

The Inflation Reduction Act ("IRA"), enacted in August of 2022, imposes a 15% CAMT on the "adjusted financial statement income" of certain large corporations that qualify as an “applicable corporation” for tax years beginning after December 31, 2022. Once a corporation qualifies as an applicable corporation, it remains one for all future taxable years. National Grid meets the qualifications of an applicable corporation and is therefore subject to CAMT beginning with the fiscal 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,			
	2025		2024	
	(in thousands of dollars)			
Deferred tax assets:				
Allowance for doubtful accounts	**$**	**61,926**	$	58,786
Environmental remediation costs		**103,474**		107,980
Postretirement benefits		**9,781**		11,098
Regulatory liabilities		**795,203**		788,013
Reserves not currently deducted		**118,120**		111,136
Corporate alternative minimum tax credit		**25,413**		23,444
Other items		**106,532**		93,866
Total deferred tax assets		**1,220,449**		1,194,323
Deferred tax liabilities:				
Postretirement benefits - asset		**228,244**		174,801
Property-related differences		**2,002,790**		1,898,811
Regulatory assets		**370,556**		360,938
Other items		**13,816**		2,577
Total deferred tax liabilities		**2,615,406**		2,437,127
Net deferred income tax liabilities		**1,394,957**		1,242,804
Deferred investment tax credits		**7,943**		8,553
Deferred income tax liabilities, net	**$**	**1,402,900**	$	1,251,357

Net Operating Losses

The amounts and expiration dates of the Company's net operating losses carryforward for the year ended March 31, 2025 are as follows:

	Carryforward Amount *(in thousands of dollars)*		Expiration Period
Federal	$	186,966	Indefinite
New York	$	529,361	2040-2045

As a result of the accounting for uncertain tax positions, the amount of deferred tax assets reflected in the financial statements is less than the amount of the tax effect of the federal and state net operating losses carryforward reflected on the income tax returns.

Status of Income Tax Examinations

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

Jurisdiction	**Tax Year**
Federal	March 31, 2022
New York	March 31, 2016

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliates interest and related penalties, if applicable, in other income, net, in the accompanying statements of operations. As of March 31, 2025 and 2024, the Company has accrued for interest related to unrecognized tax benefits of $2.6 million and $2.6 million, respectively. During the years ended March 31, 2025, 2024, and 2023, the Company recorded interest expense of $0.0 million, $0.5 million and interest income of $0.5 million, respectively. No tax penalties were recognized during the years ended March 31, 2025, 2024, or 2023.

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.

13. ENVIRONMENTAL MATTERS

The normal ongoing operations and historic activities of the Company are subject to various federal, state, and local environmental laws and regulations. Under federal and state Superfund laws, potential liability for the historic contamination of property may be imposed on responsible parties jointly and severally, without regard to fault, even if the activities were lawful when they occurred.

The United States Environmental Protection Agency ("EPA"), and the New York State Department of Environmental Conservation ("DEC"), as well as private entities, have alleged that the Company is a potentially responsible party under state or federal law for the remediation of numerous sites. The Company's most significant liabilities relate to former Manufactured Gas Plant ("MGP") facilities formerly owned or operated by the Company. The Company is currently investigating and remediating, as necessary, those MGP sites and certain other properties under agreements with the EPA and the DEC.

The Company estimated the remaining costs of environmental remediation activities were $395.9 million and $413.2 million as of March 31, 2025 and 2024, respectively. These liabilities are expected to be settled over approximately 46 years, and these undiscounted amounts have been recorded as estimated liabilities on the balance sheet. However, remediation costs for each site may be materially higher than estimated, depending on changing technologies and regulatory standards, selected end use for each site, and actual environmental conditions encountered. The Company has recovered amounts from certain insurers and potentially responsible parties, and, where appropriate, the Company may seek additional recovery from other insurers and from other potentially responsible parties, but it is uncertain whether, and to what extent, such efforts will be successful.

By rate orders effective July 1, 2021, NYPSC has decreased the annual rate allowance of $21.1 million ($17.9 million in electric base rates and $3.2 million in gas base rates). Any annual spend above the $21.1 million rate allowance is deferred for future recovery. Previous rate orders have provided for similar recovery mechanisms (with different rate allowances and thresholds). Accordingly, as of March 31, 2025 and 2024, the Company has recorded environmental regulatory assets of $395.9 million and $413.1 million, respectively, and environmental regulatory liabilities of $84.8 million and $86.6 million, respectively.

The Company believes that its ongoing operations, and its approach to addressing conditions at historic sites, are in compliance with all applicable environmental laws. Where the Company has regulatory recovery, it believes that the obligations imposed on it because of the environmental laws will not have a material impact on its results of operations or financial position.

14. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has several long-term contracts for the purchase of electric power. Substantially all of these contracts require power to be delivered before the Company is obligated to make payment. Additionally, the Company has entered into various contracts for gas delivery, storage, and supply services. Certain of these contracts require payment of annual demand charges, which are recoverable from customers. The Company is liable for these payments regardless of the level of service required from third-parties. In addition, the Company has various capital commitments related to the construction of property, plant, and equipment.

The Company's commitments under these long-term contracts for the years subsequent to March 31, 2025 are summarized in the table below:

(in thousands of dollars) **March 31,**	**Energy Purchases**	**Capital Commitments**
2026	$ 172,056	$ 199,945
2027	107,554	47,462
2028	91,038	15,366
2029	86,630	9,156
2030	86,788	2,835
Thereafter	177,303	-
Total	$ 721,369	$ 274,764

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. NGUSA was deemed a victim of the crimes. On June 23, 2021, based on the US Attorney's announcement, the NYPSC issued an order commencing a proceeding to examine the potential impacts of the employee misconduct on the capital and O&M expenditures of National Grid's downstate New York gas companies.

Over the past three years, National Grid has fully cooperated with the NYPSC's investigation, which was resolved through a settlement that was approved by the NYPSC on December 19, 2024. In the interest of ensuring that the KeySpan Gas East Corporation and the Brooklyn Union Gas Company (the "Downstate New York Gas Companies") customers were not financially impacted by the criminal conduct, the Downstate New York Gas Companies agreed to defer for the benefit of customers $20 million of revenues previously collected in rates. As of March 31, 2025, KeySpan Gas East Corporation and Brooklyn Union Gas Company have recorded regulatory liabilities of $7 million and $13 million, respectively, for their share of the settlement. The Company does not expect this matter will have a materially adverse effect on its results of operations, financial position, or cash flows.

Nuclear Contingencies

As of March 31, 2025 and 2024, the Company had a liability of $202.1 million and $192.5 million, recorded in non-current liabilities on the balance sheet, for the disposal of nuclear fuel irradiated prior to 1983. The Nuclear Waste Policy Act of 1982 provides three payment options for liquidating such liability and the Company has elected to delay payment, with interest, until the year in which Constellation Energy Group Inc., which purchased the Company's nuclear assets, initially plans to ship irradiated fuel to an approved Department of Energy ("DOE") disposal facility.

The 2010 Federal budget eliminated almost all funding for the creation of the Yucca Mountain repository. A Blue-Ribbon Commission ("BRC") on America's Nuclear Future, appointed by the U.S. Energy Secretary, released a report on January 26, 2012, detailing comprehensive recommendations for creating a safe, long-term solution for managing and disposing of the nation's spent nuclear fuel and high-level radioactive waste.

In early 2013, the DOE issued an updated "*Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Radioactive Waste*" in response to the BRC recommendations. This strategy included a consolidated interim storage facility that was planned to be operational in 2025. However, due to continued delays on the part of the DOE, and the amount of time required for DOE to select a site location and develop the necessary infrastructure for long-term spent nuclear fuel storage, the Company cannot predict the date at which the DOE will begin accepting spent nuclear fuel.

In the Consolidated Appropriations Act, 2021, Congress appropriated funds to the DOE for interim storage activities. Interim storage is an important component of a waste management system and will enable near-term consolidation and temporary storage of spent nuclear fuel. This will allow for removal of spent nuclear fuel from reactor sites, provide useful research opportunities, and build trust and confidence with stakeholders and the public by demonstrating a consent-based approach to siting.

DOE anticipates that an interim storage facility would need to operate until the fuel can be moved to final disposal. The duration of the interim period depends on the completion of a series of significant steps, such as the need to identify, license, and construct a facility, plus the time needed to move the spent nuclear fuel.

Other Litigation

In addition to the matters described above, 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.

15. LEASES

The Company has various operating leases, primarily related to a transmission line, buildings, land, and fleet vehicles used to support the electric and gas operations, with lease terms ranging between 3 and 48 years.

Operating lease ROU assets are included in property, plant and equipment, net, and operating lease liabilities are included in other current liabilities and other noncurrent liabilities on the balance sheet. As of March 31, 2025 and 2024, the Company did not have any finance leases.

As of March 31, 2025, the Company did not have material rights or obligations under operating leases that have not yet commenced.

The following table presents the components of cash flows arising from lease transactions and other operating lease-related information:

	Year Ended March 31,		
	2025	2024	2023
(In thousands of dollars)			
Cash paid for amounts included in lease liabilities			
Operating cash flows from operating leases	**$ 66,657**	$ 57,300	$ 53,956
ROU assets obtained in exchange for new operating lease liabilities	**$ 78,557**	$ 92,458	$ 156,501
Weighted-average remaining lease term – operating leases	**8 years**	9 years	8 years
Weighted-average discount rate – operating leases	**4.42%**	3.91%	2.94%

The following contains the Company's maturity analysis of its operating lease liabilities as of March 31, 2025, showing the undiscounted cash flows on an annual basis reconciled to the discounted operating lease liabilities recognized in the comparative balance sheet:

	Operating Leases *(in thousands of dollars)*
Year Ending March 31,	
2026	**$ 67,800**
2027	**63,423**
2028	**58,335**
2029	**51,831**
2030	**43,042**
Thereafter	**251,553**
Total future minimum lease payments	**535,984**
Less: imputed interest	**(116,461)**
Total	**$ 419,523**
Reported as of March 31, 2025:	
Current lease liability	**$ 52,112**
Non-current lease liability	**367,411**
Total	**$ 419,523**

16. 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 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,	
	2025	2024	**2025**	2024
	(in thousands of dollars)			
NGUSA	**$ -**	$ 23	**$ 9,716**	$ 20,663
NGUSA Service Company	**40,598**	44,910	**212,049**	143,029
Other	**2,528**	213	**817**	583
Total	**$ 43,126**	$ 45,146	**$ 222,582**	$ 164,275

Equity infusion from Parent

During the year ended March 31, 2024, the Company received capital contributions totaling $300.0 million from Parent, the contribution represents Additional Paid in Capital.

Advance from Affiliate

On September 27, 2024, the Company received Board authorization for non-interest bearing open account advances up to $1.5 billion through March 31, 2028, to be received from NGUSA for working capital needs. At March 31, 2025 and 2024, the Company had an outstanding advance from affiliate of $1.4 billion and zero, respectively.

Intercompany Money Pool

The settlement of the Company's various transactions with NGUSA and certain affiliates generally occurs via the intercompany money pool in which it participates. The Company is a participant in the Regulated Money Pool and can both borrow and invest funds. Investments in 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 consolidated 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 $5.0 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 borrowing of $473.8 million and intercompany money pool investment of $276.8 million as of March 31, 2025 and 2024, respectively. The average interest rates for the intercompany money pool were 5.1%, 5.2%, and 2.9% for the years ended March 31, 2025, 2024, and 2023, respectively. Additionally, NGUSA had committed revolving credit facilities of approximately $6.8 billion, all of which have expiry dates beyond May 2027, with an annual extension option potentially taking this to June 2028. As of March 31, 2025, 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, 2025, 2024, and 2023 costs allocated to the Company were $784.9 million, $725.0 million, and $644.7 million, respectively.