nationalgrid

Massachusetts Electric Company

Financial Statements

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

MASSACHUSETTS ELECTRIC COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Massachusetts Electric Company

Opinion

We have audited the financial statements of Massachusetts Electric Company (the "Company"), which comprise the balance sheets as of March 31, 2025 and 2024, and the related statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended March 31, 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

MASSACHUSETTS ELECTRIC COMPANY
STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating revenues	**$ 2,896,809**	$ 2,700,872	$ 2,871,989
Operating expenses:			
Purchased electricity	**585,070**	559,832	855,898
Operations and maintenance	**1,796,524**	1,675,119	1,591,333
Depreciation and amortization	**201,443**	182,813	168,929
Other taxes	**113,595**	62,712	96,080
Total operating expenses	**2,696,632**	2,480,476	2,712,240
Operating income	**200,177**	220,396	159,749
Other income and (deductions):			
Interest on long-term debt	**(100,210)**	(78,937)	(76,708)
Other interest, including affiliate interest, net	**(873)**	(3,563)	2,889
Other income, net	**126,860**	57,149	40,924
Total other income (deductions), net	**25,777**	(25,351)	(32,895)
Income before income taxes	**225,954**	195,045	126,854
Income tax expense	**50,590**	47,078	22,856
Net income	**$ 175,364**	$ 147,967	$ 103,998

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

MASSACHUSETTS ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating activities:			
Net income	**$ 175,364**	$ 147,967	$ 103,998
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**201,443**	182,813	168,929
Regulatory amortizations	**17,137**	14,791	(10,741)
Deferred income tax expense	**16,788**	76,411	94,490
Bad debt expense	**45,894**	50,870	40,262
Allowance for equity funds used during construction	**(12,791)**	(1,837)	(10,415)
Pension and postretirement (benefits) expenses	**(24,807)**	(13,638)	10,608
Other non-cash items	**3,385**	616	793
Pension and postretirement benefit contributions, net	**(15,221)**	2,501	(15,976)
Environmental remediation payments	**(1,992)**	(7,323)	(4,161)
Changes in operating assets and liabilities:			
Accounts receivable and unbilled revenues, net	**(172,543)**	(72,316)	(198,571)
Accounts receivable from/payable to affiliates, net	**4,847**	75,850	(6,483)
Inventory	**8,904**	(34,942)	(11,341)
Regulatory assets and liabilities (current), net	**13,913**	(26,103)	(37,054)
Regulatory assets and liabilities (non-current), net	**(11,073)**	(175,857)	(79,130)
Prepaid and accrued taxes, net	**62,744**	76,026	(111,728)
Accounts payable and other liabilities	**134,818**	(56,557)	227,662
Renewable energy certificate obligations, net	**(18,915)**	(31,195)	27,273
Other, net	**(5,925)**	(1,749)	15,855
Net cash provided by operating activities	**421,970**	206,328	204,270
Investing activities:			
Capital expenditures	**(590,645)**	(508,686)	(388,863)
Cost of removal	**(37,162)**	(32,547)	(29,422)
Proceeds from sale of assets	**5,749**	-	-
Intercompany money pool	**233,010**	(252,922)	151,781
Other, net	**-**	261	4,548
Net cash used in investing activities	**(389,048)**	(793,894)	(261,956)
Financing activities:			
Preferred stock dividends	**(100)**	(75)	(100)
Issuance of long-term debt	**-**	400,000	-
Payment of debt issuance costs	**-**	(3,000)	-
Intercompany money pool	**-**	(66,546)	66,546
Equity infusion from Parent	**-**	250,000	-
Net cash (used in) provided by financing activities	**(100)**	580,379	66,446
Net increase (decrease) in cash, cash equivalents, restricted cash, and special deposits	**32,822**	(7,187)	8,760
Cash, cash equivalents, restricted cash, and special deposits, beginning of year	**30,847**	38,034	29,274
Cash, cash equivalents, restricted cash, and special deposits, end of year	**$ 63,669**	$ 30,847	$ 38,034
Supplemental disclosures:			
Interest paid, net of amounts capitalized	**$ (93,571)**	$ (76,021)	$ (75,865)
Income taxes refunded (paid)	**30,715**	97,897	(7,804)
Significant non-cash items:			
Capital-related accruals included in accounts payable	**20,921**	14,130	8,282
Parent tax loss allocation	**-**	-	2,509
Right-of-use ("ROU") assets obtained in exchange for new operating lease liabilities	**21,181**	21,559	12,453

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

MASSACHUSETTS ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 35,688**	$ 9,513
Restricted cash and special deposits	**27,981**	21,334
Accounts Receivable, net	**700,716**	601,521
Accounts receivable from affiliates	**25,443**	23,504
Intercompany money pool asset	**19,912**	252,922
Unbilled revenues, net	**117,796**	135,956
Inventory	**147,389**	168,770
Regulatory assets	**224,840**	233,707
Other, net	**70,283**	36,591
Total current assets	**1,370,048**	1,483,818
Property, plant, and equipment, net	**5,351,252**	4,874,700
Non-current assets:		
Regulatory assets	**1,151,737**	1,061,559
Goodwill	**1,008,244**	1,008,244
Postretirement benefits asset	**92,542**	65,189
Other	**18,463**	12,359
Total non-current assets	**2,270,986**	2,147,351
Total assets	**$ 8,992,286**	$ 8,505,869

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

MASSACHUSETTS ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2025	2024
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable and other	**$ 621,971**	$ 554,256
Accounts payable to affiliates	**227,394**	220,608
Customer deposits	**10,890**	12,188
Interest accrued	**25,990**	25,999
Regulatory liabilities	**5,046**	-
Renewable energy certificate obligations	**135,336**	166,728
Payroll and benefits accruals	**31,301**	27,951
Environmental remediation costs	**6,278**	5,851
Distributed generation advances	**56,733**	55,128
Other	**127,354**	31,175
Total current liabilities	**1,248,293**	1,099,884
Non-current liabilities:		
Regulatory liabilities	**939,144**	820,946
Deferred income tax liabilities, net	**712,500**	683,286
Environmental remediation costs	**68,731**	64,372
Other	**116,620**	106,098
Total non-current liabilities	**1,836,995**	1,674,702
Commitments and contingencies (Note 12)		
Capitalization:		
Shareholders’ equity	**3,719,006**	3,543,929
Long-term debt	**2,187,992**	2,187,354
Total capitalization	**5,906,998**	5,731,283
Total liabilities and capitalization	**$ 8,992,286**	$ 8,505,869

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

MASSACHUSETTS ELECTRIC COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

	Common Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss): Unrealized Gain on Available-For-Sale Securities	Accumulated Other Comprehensive Income (Loss): Pension and Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss): Total Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance as of March 31, 2022	**$ 59,953**	**$ 2,259**	**$ 1,869,190**	**$ 252**	**$ (540)**	**$ (288)**	**$ 1,110,782**	**$ 3,041,896**
Net income	-	-	-	-	-	**-**	103,998	103,998
Other comprehensive income:								
Change in pension and other postretirement obligations, net of $71 tax expense	-	-	-	-	190	**190**	-	190
Total comprehensive income								104,188
Parent tax loss allocation	-	-	2,509	-	-	**-**	-	2,509
Preferred stock dividends	-	-	-	-	-	**-**	(100)	(100)
Balance as of March 31, 2023	**$ 59,953**	**$ 2,259**	**$ 1,871,699**	**$ 252**	**$ (350)**	**$ (98)**	**$ 1,214,680**	**$ 3,148,493**
Net income	-	-	-	-	-	**-**	147,967	147,967
Other comprehensive income (loss):								
Change in pension and other postretirement obligations, net of $91 tax expense	-	-	-	-	240	**240**	-	240
Total comprehensive income								148,207
Equity infusion from Parent	-	-	250,000	-	-	**-**	-	250,000
Preferred stock dividends	-	-	-	-	-	**-**	(75)	(75)
Implementation of ASC 326, net of $1,014 tax benefit [(1)]	-	-	-	-	-	**-**	(2,696)	(2,696)
Balance as of March 31, 2024	**$ 59,953**	**$ 2,259**	**$ 2,121,699**	**$ 252**	**$ (110)**	**$ 142**	**$ 1,359,876**	**$ 3,543,929**
Net income	-	-	-	-	-	**-**	175,364	175,364
Other comprehensive income:								
Change in pension and other postretirement obligations, net of $70 tax benefit	-	-	-	-	(187)	**(187)**	-	(187)
Total comprehensive income								175,177
Preferred stock dividends	-	-	-	-	-	**-**	(100)	(100)
Balance as of March 31, 2025	**$ 59,953**	**$ 2,259**	**$ 2,121,699**	**$ 252**	**$ (297)**	**$ (45)**	**$ 1,535,140**	**$ 3,719,006**

The Company had 2,398,111 shares of common stock authorized, issued, and outstanding, with a par value of $25 per share, and 22,585 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.

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

MASSACHUSETTS ELECTRIC COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Massachusetts Electric Company ("the Company") is an electric retail distribution company providing electric service to approximately 1.4 million customers in Massachusetts. The properties of the Company consist principally of substations and distribution lines interconnected with transmission and other facilities of New England Power Company ("NEP"), an affiliated entity.

The Company is a wholly owned subsidiary of National Grid USA ("NGUSA" or the "Parent"), a public utility holding company with regulated subsidiaries engaged in the generation of electricity and the transmission, distribution, and sale of both natural gas and electricity. NGUSA is a direct wholly owned subsidiary of National Grid North America Inc. ("NGNA") and an indirect wholly owned subsidiary of National Grid plc, a public limited company incorporated under the laws of England and Wales.

Pursuant to a settlement agreement associated with NGUSA's purchase of Nantucket Electric Company ("Nantucket Electric") in 1996, which was approved by the Massachusetts Department of Public Utilities ("DPU"), the Company and its affiliate, Nantucket Electric, are considered as one regulated entity for the purpose of recovering costs and establishing rates assessed to customers, with the exception of the recovery of Nantucket Electric's investment in two undersea electric cables. In the recovery of certain regulatory assets, funding of the recovery is from the customers of both companies. The mechanism by which recovery is ultimately achieved, however, is through a single regulatory asset recorded on the balance sheet of the Company. Nantucket Electric's share of these costs and recoveries is reflected through a return on equity ("ROE") mechanism between the Company and Nantucket Electric, as discussed in Note 14, "Related Party Transactions".

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, with the exception of items otherwise disclosed in these financial statements.

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 DPU regulate the rates the Company charges its customers. In certain cases, the rate actions of the FERC and the DPU 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 electric distribution services 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 reporting 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 sufficient future taxable income of the appropriate tax character will be generated to realize the benefits of existing deferred tax assets. When the evaluation of the evidence indicates that the Company will not be able to realize the benefits of existing deferred tax assets, a valuation allowance is recorded to reduce existing deferred tax assets to the net realizable amount.

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

NGNA files consolidated federal tax returns including all of the activities of its subsidiaries. Each subsidiary determines its tax provision based on the separate return method, modified by a benefits-for-loss allocation pursuant to a tax sharing agreement between NGNA and its subsidiaries. The benefits 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 those subsidiaries 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 electricity. The Company accounts for taxes that are imposed on customers (such as sales taxes) on a net basis (excluded from revenues).

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 and special deposits consist of collateral paid to the Independent System Operator – New England (“ISO-NE”) in connection with the ISO-NE’s market participant financial assurance requirement.

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts to reflect certain financial assets (including accounts receivable, unbilled accrued revenues, and other current assets) 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 as well as purchased renewable energy certificates ("RECs"). 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. Purchased RECs are stated at cost. There were no significant write-offs of obsolete inventory for the years ended March 31, 2025, 2024, and 2023.

The Company had materials and supplies of $67.3 million and $76.2 million and purchased RECs of $80.1 million and $92.6 million as of March 31, 2025 and 2024, respectively.

Renewable Energy Certificate Obligations

RECs are stated at cost and are used to measure compliance with state renewable energy standards. The Company is required to comply with the Renewable Energy Portfolio Standard, which requires retail sellers of electricity to obtain a certain minimum percentage or amount of their power supply from renewable energy sources. RECs support new renewable generation resources and are held primarily to be utilized in fulfillment of the Company's compliance obligations under the Renewable Energy Portfolio Standard.

Power Purchase Agreements

The Company enters into power purchase agreements ("PPAs") to procure electricity to serve its electric service customers. The Company first evaluates whether such agreements contain a lease. In performing this evaluation, the Company considers whether the terms of the PPA provide the Company with the right to direct use of the generating facility and if the Company has the right to obtain substantially all of the economic benefits derived from use of the facility. In determining whether the Company has the right to direct use of the facility, the Company will consider which rights have the most significant impact on the economic benefits to be derived from the asset; for example, dispatch rights or the right to be involved in the facility's design. If the PPA is determined to contain a lease, the Company assesses whether it should be classified as a finance lease or an operating lease.

If the PPA does not contain a lease, the Company assesses whether the contract is a derivative or includes one or more embedded derivatives. In making this determination, the Company assesses whether the PPA includes a notional amount or payment provision through the contract's delivery requirements or terms of default. If the PPA is a derivative or contains one or more embedded derivatives, the Company will assess whether the requirements for election of the normal purchases and normal sales scope exception are met. If the requirements for the election are not met or the election is not made, the Company reports the derivative at fair value on the consolidated balance sheet. If the election is made, the Company accounts for the PPA as an executory contract whereby costs are recognized as electricity is purchased. If the contract does not contain a lease and is not a derivative, the Company accounts for the PPA as an executory contract.

The Company also assesses whether the PPA is a variable interest in a variable interest entity (“VIE”). In determining whether the PPA is a variable interest, the Company assesses whether the contract absorbs certain risks, such as commodity price risk, that the VIE was designed to pass on to its interest holders. If the PPA is determined to be a variable interest in a VIE, the Company determines whether it is the primary beneficiary.

Distributed Generation Advances

Distributed generation refers to electricity that is generated from sources located near the point of use instead of centralized generation sources. Customers wishing to connect a power-generating facility to the Company’s electric power system are responsible for all review and study costs, interconnection equipment costs, and system modification costs reasonably incurred by the Company that are attributable to the proposed interconnection project. The Company bills customers for the costs that it expects to incur, and customers must pay these costs before the Company performs any work. The Company records such customer contributions that have not yet been spent within the distributed generation liability on the balance sheet. As of March 31, 2025 and 2024, the Company’s distributed generation liability was $56.7 million and $55.1 million, respectively.

Fair Value Measurements

The Company measures 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 pay 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 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 materials, 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 FERC and the DPU. The average composite rates for the years ended March 31, 2025, 2024, and 2023 were 3.2%, 3.1%, and 3.1%, respectively.

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 COR is removed from the associated regulatory liability.

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 (deductions), net. The debt component of AFUDC is reported as a non-cash offset to other interest, including affiliate 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 $12.8 million, $1.8 million, and $10.4 million, and AFUDC related to debt of $6.0 million, $9.2 million, and $4.4 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 7.3%, 5.7%, and 7.2%, respectively.

Impairment of Long-Lived Assets

The Company tests long-lived assets for impairment 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 group is determined by comparing its carrying value to the estimated undiscounted cash flows the asset group is expected to generate. If the comparison indicates that the carrying value is not recoverable, an impairment loss is recognized for the excess of 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 on October 1, or more frequently if events occur or circumstances exist that indicate it is more likely than not that the fair value of the Company is below its carrying amount. The goodwill impairment test requires a recoverability test based on the comparison of the Company's estimated fair value with its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, the Company is required to recognize an impairment charge for such excess, limited to the carrying amount of goodwill.

The Company applies two valuation methodologies to estimate its fair value, discounted projected future net cash flows and market-based multiples, commonly referred to as the income approach and market approach, respectively. Key assumptions include, but are not limited to, estimated future cash flows, an appropriate discount rate, and multiples of earnings. In estimating future cash flows, the Company incorporates current market information and historical factors. The determination of fair value incorporates significant unobservable inputs, requiring the Company to make significant judgments, whereby actual results may differ from assumed and estimated amounts. For the year ended March 31, 2025, 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, and 2023.

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 distribution 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.

The Company applies regulatory accounting guidance, and both the depreciation and accretion costs associated with asset retirement obligation 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 distribution and other assets cannot currently be estimated, and no amounts are recognized on the financial statements.

Employee Benefits

The Company participates with other NGUSA subsidiaries in defined benefit pension plans and PBOP plans for its employees, administered by NGUSA. The Company recognizes its portion of the pension and PBOP plans' funded status on the balance sheet as a net liability or asset. The cost of providing these plans is recovered through rates; therefore, the net funded status is partially offset by a regulatory asset or liability. The pension and PBOP plans' assets are commingled and allocated to measure and record pension and PBOP funded status at each year-end date. Pension and PBOP plan assets are measured at fair value, using the year-end market value of those assets.

Leases

The Company has various operating leases, primarily related to 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 those that 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, 2024, and 2023.

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

New and Recent Accounting Guidance

Accounting Guidance Recently Adopted

Common Control Arrangements

In March 2023, the FASB issued ASU 2023-01, *"Leases (Topic 842): Common Control Arrangements"* which addresses two issues; under Issue 1, the ASU offers a practical expedient that gives an option of using the written terms and conditions of a common-control arrangement (instead of enforceable terms rights and obligations) when determining whether a lease exists and the subsequent accounting for the lease, including the lease's classification.

Further, under Issue 2, the ASU requires leasehold improvements in common control leases be amortized by the lessee over the useful life of the improvements with no consideration of the lease term as long as the lessee controls the use of the underlying asset. In addition, a lessee that no longer controls the use of the underlying asset will account for the transfer of the underlying asset as an adjustment to equity.

The Company adopted this standard on April 1, 2024. The adoption did not materially affect the Company's financial position, results of operations, or cash flows.

Accounting Guidance Not Yet Adopted

Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures"* which improves the income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The Company will 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, statements 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	**$ 2,950,243**	$ 2,720,894	$ 2,804,165
Total revenue from contracts with customers	**2,950,243**	2,720,894	2,804,165
Revenue from alternative revenue programs	**(90,460)**	(50,452)	34,685
Other revenue	**37,026**	30,430	33,139
Total operating revenues	**$ 2,896,809**	$ 2,700,872	$ 2,871,989

Electric services: The Company owns, maintains, and operates an electric distribution network in upstate Massachusetts. Distribution revenues are primarily from the sale of electricity and related services to retail customers. Distribution sales are regulated by the DPU, which is responsible for determining the prices and other terms of services as part of the ratemaking 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. Electric services revenues are derived from the regulated sale and distribution of electricity 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 the products and services provided, along with a return on investment.

The performance obligation related to these sales is to provide electricity to the customers on demand. The electricity supplied under the tariff 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 as the Company provides these services. The Company records revenues 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.

This revenue also includes estimated unbilled amounts, which represent the estimated amounts due from retail customers for electricity provided to customers by the Company but not yet billed. Unbilled revenues are determined by taking 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 from other suppliers. In those circumstances, revenue is only recognized for providing delivery of the commodity to the customer.

Additionally, the Company owns an electric transmission system in Massachusetts. Transmission systems generally include overhead lines, underground cables, and substations connecting generation and interconnectors to the distribution system. The Company's transmission services are regulated by both the ISO-NE and the FERC. Additionally, the Company makes available its transmission facilities to NEP for operation and control pursuant to an integrated facilities agreement. See Note 14, "Related Party Transactions", for additional details. Transmission revenues arise under tariff/rate agreements and are collected primarily from the Company's distribution customers.

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 distribution rates 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.

In addition, the Company has other ARPs related to the achievement of certain objectives, demand-side management initiatives, and certain other rate-making mechanisms. The Company recognizes revenues from ARPs with a corresponding offset to a regulatory asset or liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24 months from the end of the annual reporting period.

Other revenue: 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 $54.7 million, $61.2 million, and $40.3 million for the years ended March 31, 2025, 2024, and 2023, respectively, within operations and maintenance expense in the accompanying statements of operations.

The activity in the allowance for doubtful accounts for the years ended March 31, 2025 and 2024 was as follows:

	Year Ended March 31,					
	2025			2024		
	(in thousands of dollars)					
	Utility Accounts Receivable	**Non-utility Accounts Receivable**	**Total Allowance**	Utility Accounts Receivable	Non-utility Accounts Receivable	Total Allowance
Beginning balance	**$ 215,700**	**$ 4,691**	**$ 220,391**	$ 205,123	$ 3,802	$ 208,925
Impact of adoption of ASC Topic 326 on April 1, 2023	**-**	**-**	**-**	4,033	453	4,486
Credit loss expense	**71,930**	**1,070**	**73,000**	92,453	875	93,328
Write-offs	**(108,503)**	**(2,555)**	**(111,058)**	(102,091)	(3,226)	(105,317)
Recoveries	**19,172**	**2,287**	**21,459**	16,182	2,787	18,969
Ending balance	**$ 198,299**	**$ 5,493**	**$ 203,792**	$ 215,700	$ 4,691	$ 220,391

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:		
Rate adjustment mechanisms	**$ 76,250**	$ 127,199
Renewable energy certificates	**55,258**	74,174
Revenue decoupling mechanism	**15,888**	16,544
Transmission service	**65,527**	5,190
Other	**11,917**	10,600
Total	**224,840**	233,707
Non-current:		
AMI/AMR recovery	**32,380**	7,818
Capital tracker	**15,168**	-
Electric vehicle incentive program	**35,020**	13,578
Environmental response costs	**73,034**	68,427
Exogenous events	**172,018**	90,003
Grid modernization	**42,034**	26,918
Net metering deferral	**321,842**	340,488
Postretirement benefits	**90,013**	79,902
Rate adjustment mechanisms	**41,302**	31,144
Storm costs	**265,550**	340,818
Other	**63,376**	62,463
Total	**1,151,737**	1,061,559
Regulatory liabilities		
Current:		
Rate adjustment mechanisms	**5,046**	-
Total	**5,046**	-
Non-current:		
Cost of removal	**388,577**	362,692
Energy efficiency	**160,337**	68,810
Environmental response costs	**19,505**	15,696
Postretirement benefits	**78,221**	73,429
Regulatory tax liability, net	**271,603**	284,098
Other	**20,901**	16,221
Total	**$ 939,144**	$ 820,946

Regulatory assets associated with future financial obligations that were deferred in accordance with orders issued by the DPU do not earn a return until such time a cash outlay has been made.

The Company recovers carrying charges related to regulatory assets where there has been a cash outlay. These carrying charges include an interest component, recognized as a component of regulatory assets, associated with the portion of the regulatory assets deemed to be financed with debt. These carrying charges also include an equity return component, which is an allowance for earnings on shareholders' investment. This equity return component will be recovered through future rates but is not recognized for financial reporting purposes. The equity return component not recognized in the financial statements as of March 31, 2025 and 2024 was $28.9 million and $4.5 million, respectively.

Advanced metering infrastructure ("AMI") / Automatic meter reading ("AMR") recovery: The regulatory asset tracks the incremental expenses and cost recovery related to the Company's AMI recovery, approved by the DPU in D.P.U. 21-81, and the legacy AMR meters that are now included in the Advanced Meter Infrastructure Factor (“AMIF”) per the rate case order D.P.U. 23-150. The Company is allowed to recover incremental costs associated with the Company’s implementation and deployment of AMI. Recovery of eligible AMI investments is limited to investments made over a five-year term during calendar years 2023 through 2027. The Company is allowed recovery of return on rate base, depreciation expense and property taxes associated with AMR legacy meters.

Capital tracker: The Infrastructure, Safety, Reliability, and Electrification (“ISRE”) Program was approved by the DPU in D.P.U. 23-150. Under the mechanism, the Company is authorized to recover costs associated with the Company’s implementation and deployment of its core capital investments under the program and seek cost recovery for these supporting investments through the annual ISRE factor filing.

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

Electric vehicle incentive program: This regulatory asset represents deferred costs associated with expenses incurred by the Company under its approved Electric Vehicle Market Development Program and Cost Recovery Provisions. The Company is permitted to recover the incremental costs associated with the design, construction, funding of electric vehicle charging equipment stations, and certain program development expenses.

Energy efficiency: Represents the difference between revenue billed to customers through the Company’s energy efficiency charge and the costs of the Company’s energy efficiency programs, as approved by the state authorities.

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 regulatory liability represents the excess of amounts received in rates over the Company’s actual site investigation and remediation costs. This regulatory balance does not earn a return.

Exogenous events: This regulatory asset represents deferred costs that qualify for exogenous cost recovery under the Company’s Performance-based Ratemaking ("PBR") plan. This includes 1) exogenous property taxes, as approved per D.P.U. 23-55, resulting from the property tax valuation methodology change by the Department of Revenue; 2) exogenous storm costs where the incremental costs exceed $30.0 million per event (provided that the combined balance of the Company’s storm fund and any costs over $30.0 million associated with such storm event exceed $75.0 million); and 3) exogenous costs related to borderline services that neighboring utilities provide to the Company’s customers and borderline services the Company provides to the neighboring utilities’ customers. The property tax and borderline related events do not earn a return.

Grid modernization: Represents the deferred costs associated with the approved Grid modernization program approved per D.P.U. 15-120. Under the mechanism, the Company is allowed to recover incremental grid modernization capital investment under the program and implements a reconciling mechanism to concurrently recover capital expenditures and related incremental operation and maintenance (“O&M”) costs.

Net metering deferral: Reflects the recovery mechanism for costs associated with customer-installed on-site generation facilities, including the costs of renewable generation credits. This surcharge provides the Company with a mechanism to recover such amounts.

Postretirement benefits: As a result of guidance received in the Company’s most recent base distribution rate case in D.P.U. 23-150, it was determined that any differences between actual costs and amounts used to establish rates related to pension and PBOP expenses starting October 1, 2024 are no longer deferred and collected from, or refunded to, customers in subsequent periods but will now be included as a component of base rate recovery. Prior to the DPU order, the Company’s unamortized non-cash accrual of net actuarial gains and losses, offset by the excess amounts received in rates over actual costs of the Company’s pension and PBOP plans, were recovered from or passed back to customers in future periods. The order allowed the deferral balance as of September 30, 2024 to be deferred and collected from, or refunded to, customers in subsequent periods. These regulatory assets and liabilities do not earn a return and are excluded from the rate base.

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 billed revenues and the underlying cost being recovered or differences between billed revenues and targeted amounts, as approved by the DPU. The rate related regulatory assets such as long-term contracting for renewable energy recovery ("LTCRER") and unbilled revenue do not earn a return.

Regulatory tax liability, net: Represents over-recovered federal and state 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 ("Tax Act").

Renewable energy certificates: Represents deferred costs associated with the Company's compliance with Massachusetts' Renewable Portfolio Standards ("RPS"). The RPS legislation was established to foster the development of new renewable energy sources. The regulatory asset will be recovered over the next year. The regulatory assets do not earn a return and are excluded from the rate base.

Revenue decoupling mechanism ("RDM"): As approved by the DPU, the Company has an electric RDM, which allows for an annual adjustment to the Company's delivery rates as a result of the reconciliation between allowed revenue and billed and unbilled revenues. Any difference is recorded as a regulatory asset or regulatory liability. Only regulatory assets related to the unbilled revenues do not earn a return.

Storm costs: The Company is allowed to recover qualifying storm costs from all retail delivery service customers. This balance reflects costs incurred and yet to be recovered. See Note 6, "Rate Matters", for additional information regarding the recovery of storm costs.

Transmission service: The Company arranges transmission service on behalf of its customers and bills the costs of those services to customers pursuant to the Company's Transmission Service Cost Adjustment Provision. Any over or under recoveries of these costs are passed on to customers receiving transmission service over the subsequent year. The regulatory assets do not earn a return and are excluded from the rate base.

6. RATE MATTERS

General Rate Case

On September 30, 2024, the Company and its affiliate, Nantucket Electric, received an order from the DPU on its proposed base distribution rate filing. The DPU approved a base distribution revenue increase of $90.2 million based upon a 9.35% return on equity, and a capital structure of 52.83% equity, 47.12% long-term debt, and 0.05% preferred stock. The order includes a new ISRE mechanism that provides timely funding for growing core capital investment requirements up to a cap, a Performance-Based Ratemaking ("PBR-O") recovery mechanism for O&M costs, and an increase in storm cost recovery. The new base distribution rates were reflected on customers' bills effective November 1, 2024.

PBR Plan Filing

On June 14, 2024, the Company and Nantucket Electric filed their fifth annual PBR filing, proposing to recover $81.5 million related to two exogenous storm events. On September 30, 2024, DPU approved the Company's request for recovery, subject to review and reconciliation, and directed the Company to file the final cost accounting for the storms by June 30, 2025.

On June 13, 2025, the Company and Nantucket Electric filed their first annual PBR filing approved in the 2023 rate case. The filing requested a PBR adjustment effective October 1, 2025, of approximately $26.4 million, based on a PBR percentage of

4.70%. Additionally, the filing proposed to recover $19.9 million of prior period exogenous event expense associated with net borderline purchases. If approved, this will be recovered over twelve months from October 2025 through September 2026.

Recovery of Transmission Costs

The Company's transmission facilities are currently operated in combination with the transmission facilities of its New England affiliate, NEP, as a single integrated system, with NEP designated as the combined operator. In accordance with the provisions in the Integrated Facilities Agreement ("IFA") between NEP and the Company, the Company is compensated for its actual monthly transmission costs, with its authorized maximum ROE of 11.74% on its transmission assets.

Grid Modernization Plan

On August 19, 2015, the Company, together with Nantucket Electric, filed its first proposed grid modernization plan ("GMP"). On May 10, 2018, the DPU issued an order approving $82.0 million in grid-facing investments for calendar year 2018-2020 (subsequently, the DPU extended the GMP to a fourth year).

The Company, together with Nantucket Electric, filed its proposed four-year GMP (for calendar years 2022–2025) on July 1, 2021, which included proposals to continue the previously-approved investments (designated as "Track 1" in the proceeding), invest in a distributed energy resource management system ("DERMS"), conduct two demonstration projects, and deploy AMI (all designated as "Track 2" in the proceeding). On October 7, 2022, the DPU issued its final order on Track 1, preauthorizing a $300.8 million budget.

On November 30, 2022, the DPU issued its Track 2 order, preauthorizing $35.4 million in new grid-facing investments for the years 2022-2025 GMP, $391.1 million in spending for AMI core investments for calendar years 2023-2027, and $96.1 million for AMI support investments.

On March 15, 2024, the Company, together with Nantucket Electric, made its first annual AMI cost recovery filing for calendar year 2023 seeking recovery of $3.9 million. On April 24, 2024, the DPU issued an order preliminarily approving the Company's proposed cost recovery, subject to further investigation and reconciliation. On March 14, 2025, the Company filed AMI cost recovery filing for calendar year 2024 seeking to recover $25.6 million. On April 29, 2025, the DPU issued a preliminary ruling allowing cost recovery to begin, subject to further investigation and reconciliation.

On March 15, 2024, the Company, together with Nantucket Electric, made its GMP cost recovery filing for calendar year 2023, seeking recovery of $20.4 million. On April 29, 2024, the DPU issued an order preliminarily approving the Company's proposed cost recovery, subject to further investigation and reconciliation. On March 14, 2025, the Company made its GMP cost recovery filing for calendar year 2024, seeking to recover $31.6 million. On April 29, 2025, the DPU issued a preliminary ruling allowing cost recovery to begin, subject to further investigation and reconciliation.

Storm Threshold Deferral Requests

On June 14, 2024, the Company and Nantucket Electric requested approval to defer $10.85 million of storm expenditures related to calendar year 2023 until the storm cost recovery filing is made in 2025. On February 11, 2025, the DPU permitted recovery of this amount through the Company's Storm Fund Replenishment Factor ("SFRF"), subject to a prudency review in a future proceeding.

The DPU approved the Company and Nantucket Electric's request to defer $24.8 million of storm deductibles related to calendar years 2020 through 2022 for future recovery which was later updated to $18.6 million. On September 30, 2024, the DPU approved the recovery of $14.0 million through the Company's SFRF in the D.P.U. 23-150 order.

Storm Cost Recovery

On May 31, 2024, the Company and Nantucket Electric submitted a cost recovery filing to the DPU for eight qualifying weather events which occurred between January 17, 2022 through December 22, 2022 totaling $45.1 million in O&M costs.

Electric Sector Modernization Plan

Massachusetts climate legislation requires each electric distribution company to develop an Electric Sector Modernization Plan ("ESMP") to proactively upgrade the distribution system to help the Commonwealth realize its statewide greenhouse gas ("GHG") emissions limits and sublimits. On August 29, 2024, the DPU issued its order approving the ESMPs filed by the Company and Nantucket Electric, and the other Massachusetts electric distribution companies ("EDCs") as strategic plans (with minor modifications) for the five-year period July 1, 2025 through June 30, 2030. Per the order, the EDCs, informed by stakeholder engagement, proposed a long-term system planning process and cost allocation mechanism to proactively upgrade the distribution system to connect solar and energy storage projects in place of the provisional system planning program for Capital Investment Project ("CIP") proposals.

On June 13, 2025, the Company and Nantucket Electric received an order from the DPU approving a total expenditure budget of $698.0 million for eligible investments. Additionally, the DPU adopted the Company's proposed annual reconciling cost recovery mechanism to recover the revenue requirements associated with these investments.

Capital Investment Projects

On October 31, 2024, the DPU approved four CIPs the Company and Nantucket Electric proposed under the Provisional System Planning Program ("PSPP") that the DPU established to facilitate interconnecting certain solar and energy storage system (DG) facilities to the distribution system.

On April 14, 2025, the Company and Nantucket Electric submitted a new CIP proposal under the extension of the program established in the ESMP order, allocating approximately $39.1 million in costs, which will be recovered from interconnecting and distribution customers.

Solar Phase II and III

On August 30, 2024, the Company and Nantucket Electric made a cost recovery filing for the last solar generation facility in the Solar Phase III program. The facility is located in Grafton, MA and went into service on June 30, 2024. The total revenue requirement requested was $1.3 million. The remaining Phase II and Phase III solar facilities were included for recovery through base distribution rates in D.P.U 23-150.

On January 15, 2025, the Company and Nantucket Electric filed a proposal to update the Solar factors to recover $2.2 million for (1) the 12-month revenue requirement for the Grafton facility and (2) the reconciliation from the prior year of the thirteen Phase II and Phase III facilities' actual revenue requirement, O&M, property taxes, net proceeds from the sales of energy to ISO-NE, proceeds from the sales of renewable energy certificate, market value of REC used for RPS compliance and proceeds associated with bidding the capacity of the solar generating facilities into the ISO-NE Forward Capacity Market against billed revenue generated through the Solar Factors.

On March 17, 2025, the DPU approved the Company's recovery of $7.1 million in costs incurred in 2022 associated with Phase II and III Company owned solar facilities and the base distribution rate true-up.

Electric Vehicle Program

On March 7, 2025, the Company, together with Nantucket Electric, received approval from the DPU to recover $5.8 million in costs associated with the Electric Vehicle ("EV") programs (Phase I, II, III) for calendar year 2023 through the EV Factor.

2025-2027 Three-Year Energy Efficiency Plan

On October 31, 2024, the three-year energy efficiency plan was filed which involves nearly $5.0 billion investment to help achieve Massachusetts' 2030 climate goals. The Company and Nantucket Electric's requested budget for the next three years is $1.5 billion.

On February 28, 2025, the DPU approved the Program Administrators' ("PAs") three-year plans, with modifications, the most notable of which is a large reduction in budget of $500.0 million to the residential sector, from a plan total of $5.0 billion to $4.5 billion. The PAs submitted their compliance filing on April 30, 2025, which reflected the $500.0 million reduction and are awaiting a final order from the DPU.

Service Quality

On March 20, 2025, the Company filed proposals to refund $15.1 million in penalties to customers due to service quality issues in calendar year 2023. The penalties stemmed from failure to meet metrics regarding customer complaints, Circuit Average Interruption Duration Index, and Circuit Average Interruption Frequency Index. The Company proposed to refund the penalties as a one-time credit on customer bills in May 2025 with any residual balance to be included in the Company's RDM reconciliation.

Infrastructure, Safety, Reliability, and Electrification

The Company, together with Nantucket Electric, filed its first annual ISRE filing on June 13, 2025. The filing proposed to recover $21.7 million of incremental costs associated with the Company's implementation and deployment of its core capital investments. If approved, rates will go into effect on October 1, 2025.

Department of Energy Resources ("DOER")

On March 4, 2025, the Company received a request from the DOER to credit a sum of Alternative Compliance Payments collected by the DOER to the Company's residential customers. As of March 31, 2025, the Company has recorded this as a receivable within other current assets, net and a liability within other current liabilities. The Company has received $60.1 million from the DOER on April 2, 2025, which will be applied as a one-time $50 credit to the bills of its residential customers.

7. PROPERTY, PLANT, AND EQUIPMENT

The following table summarizes property, plant, and equipment at cost and operating leases ROU assets, along with accumulated depreciation and amortization:

	March 31,	
	2025	2024
	(in thousands of dollars)	
Plant and machinery	**$ 6,441,987**	$ 6,009,386
Land and buildings	**300,436**	284,408
Assets in construction	**475,613**	381,064
Operating leases ROU assets	**135,290**	119,438
Total property, plant, and equipment	**7,353,326**	6,794,296
Accumulated depreciation and amortization	**(1,936,974)**	(1,863,002)
Accumulated amortization – Operating lease ROU assets	**(65,100)**	(56,594)
Property, plant, and equipment, net	**$ 5,351,252**	$ 4,874,700

8. EMPLOYEE BENEFITS

The Company participates with other NGUSA subsidiaries in qualified and non-qualified non-contributory defined benefit pension plans (the "Pension Plans") and PBOP plans (the "PBOP Plans," together with the Pension Plans, the "Plans"), covering substantially all employees. As of April 1, 2021, NGUSA became the sponsoring company of the non-qualified pension arrangements the Company participated in and all assets and liabilities associated with those nonqualified arrangements were transferred to NGUSA.

Plan assets are maintained for all of NGUSA and its subsidiaries in commingled trusts. In respect of cost determination, plan assets are allocated to the Company based on its proportionate share of the projected benefit obligations. The Plans' costs are first directly charged to the Company based on the Company's employees that participate in the Plans. Costs associated with affiliated service companies' employees are then allocated as part of the labor burden for work performed on the Company's behalf. As a result of guidance received in the Company's most recent base distribution rate case in D.P.U. 23-150, it was determined that any differences between actual costs and amounts used to establish rates related to pension and PBOP expenses starting October 1, 2024 are no longer deferred and collected from, or refunded to, customers in subsequent periods but will now be included as a component of base rate recovery. Prior to the DPU order the Company's unamortized non-cash accrual of net actuarial gains and losses, offset by the excess amounts received in rates over actual costs of the Company's pension and PBOP plans, were recovered from or passed back to customers in future periods. The order allowed the deferral balance as of September 30, 2024 to be 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, net.

Pension Plans

The Qualified Pension Plans are defined benefit plans which provide most union employees, as well as non-union employees hired before January 1, 2011, with a retirement benefit. Supplemental non-qualified, non-contributory executive retirement programs provide additional defined pension benefits for certain executives. During the years ended March 31, 2025, 2024, and 2023, the Company made contributions of approximately zero, zero, and $18.6 million, respectively, to the Qualified Pension Plans. The Company does not expect to contribute to the Qualified 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 approximately $31.3 million, $61.4 million, and $35.8 million, respectively. Benefit payments for the year ended March 31, 2024 included payments for an annuity contract purchase.

PBOP Plans

The PBOP Plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements, and, in most cases, retirees must contribute to the cost of their coverage. During the years ended March 31, 2025, 2024, and 2023, the Company made contributions of $15.1 million, zero and $0.2 million to the PBOP Plans. The Company contributions for the year ended March 31, 2025 included a non-recurring 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 approximately $15.2 million, $14.1 million, and $18.8 million, respectively.

Net Periodic Benefit Costs

The Company's total net periodic pension costs (benefits) for the years ended March 31, 2025, 2024, and 2023 were ($5.9) million, ($4.3) million, and $3.7 million, respectively. This included non-service pension costs (benefits) for the years ended March 31, 2025 and 2024 of ($15.4) million and ($14.6) million, respectively.

The Company's total net periodic PBOP costs (benefits) for the years ended March 31, 2025, 2024, and 2023 were ($6.0) million, ($5.0) million, and ($1.9) million, respectively. This included non-service PBOP costs (benefits) for the years ended March 31, 2025 and 2024 of ($8.6) million and ($8.0) million, respectively.

Amounts Recognized in Regulatory Assets/Liabilities and Accumulated Other Comprehensive Income

The following tables summarize the Company's changes in actuarial gains/losses and prior service costs recognized in regulatory assets/liabilities and accumulated other comprehensive income ("AOCI") as of March 31, 2025, 2024, and 2023:

	Pension Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial loss (gain)	**$ 4,782**	$ (15,294)	$ 15,622
Amortization of net actuarial loss	**(33)**	(40)	(3,326)
Amortization of prior service cost, net	**-**	(3)	(4)
Total	**$ 4,749**	$ (15,337)	$ 12,292
Change in regulatory assets or liabilities	**$ 4,492**	$ (15,006)	$ 12,553
Change in AOCI	**257**	(331)	(261)
Total	**$ 4,749**	$ (15,337)	$ 12,292

	PBOP Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial (gain) loss	**$ (8,614)**	$ (17,584)	$ 2,003
Amortization of net actuarial gain	**3,822**	3,092	1,876
Total	**$ (4,792)**	$ (14,492)	$ 3,879
Change in regulatory assets or liabilities	**$ (4,792)**	$ (14,492)	$ 3,879
Total	**$ (4,792)**	$ (14,492)	$ 3,879

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

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

	Pension Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial loss	**$ 105,842**	$ 101,093	$ 116,427
Prior service cost	**-**	-	3
Total	**$ 105,842**	$ 101,093	$ 116,430
Included in regulatory assets	**$ 105,434**	$ 100,942	$ 115,948
Recognized in AOCI	**408**	151	482
Total	**$ 105,842**	$ 101,093	$ 116,430

	PBOP Plans		
	March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Net actuarial gain	**$ (78,221)**	$ (73,429)	$ (58,937)
Total	**$ (78,221)**	$ (73,429)	$ (58,937)
Included in regulatory liabilities	**$ (78,221)**	$ (73,429)	$ (58,937)
Total	**$ (78,221)**	$ (73,429)	$ (58,937)

Reconciliation of Funded Status to 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	**$ (618,452)**	$ (629,539)	**$ (223,697)**	$ (238,596)
Allocated fair value of assets	**662,838**	672,734	**271,331**	260,242
Funded status	**$ 44,386**	$ 43,195	**$ 47,634**	$ 21,646
Non-current assets	**$ 44,908**	$ 43,465	**$ 47,634**	$ 21,724
Other current liabilities	**-**	-	**-**	(78)
Non-current liabilities	**(522)**	(270)	**-**	-
Total	**$ 44,386**	$ 43,195	**$ 47,634**	$ 21,646

For the year ended March 31, 2025, the net actuarial loss for Pension was primarily driven by asset losses due to returns that were less than expected and demographic losses related to salaries higher than expected, partially offset by an increase in the discount rate. The net actuarial gain for PBOP was driven by an increase in the discount rate and favorable claims experience, partially offset by asset losses due to actual returns that were less than expected. For the year ended March 31, 2024, the net actuarial gains for Pension was primarily driven by an increase in discount rate and slight changes in the retirement assumption tables resulting from a recent experience study, partially offset by asset losses due to returns that were less than expected. The net actuarial gains for the PBOP Plans were driven by an increase in discount rate, savings recognized from a Pharmacy Benefit Manager market check completed for the Company's contract, as well as the updated

Medicare Advantage contract to reflect actual enrollment. For the year ended March 31, 2023, the net actuarial losses for the Pension and PBOP plans were primarily driven by asset losses due to returns that were less than expected. These losses were partially offset by the increase in the discount rate, slight changes to the withdrawal assumption resulting from the recent experience study, and savings resulting from a new Medicare Advantage contract for PBOP.

Expected Benefit Payments

Based on current assumptions, the Company expects to make the following benefit payments subsequent to March 31, 2025 (amounts for PBOP Plans are shown net of employer group waiver plan subsidies expected):

(in thousands of dollars) Years Ending March 31,	Pension Plans	PBOP Plans
2026	$ 38,761	$ 13,650
2027	40,584	14,268
2028	42,273	15,031
2029	43,529	15,509
2030	44,735	15,866
2031-2035	231,034	80,150
Total	$ 440,916	$ 154,474

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 (non-union)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**4.25%**	4.25%	4.25%
Weighted average cash balance interest crediting rate	**5.10%**	4.47%	4.40%
Net periodic benefit costs:			
Discount rate	**5.15%**	4.85%	3.65%-4.30%
Rate of compensation increase (non-union)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**4.25%**	4.25%	4.25%
Expected return on plan assets	**6.75%**	6.50%	5.25%-5.75%
Weighted average cash balance interest crediting rate	**4.40%**	4.40%	2.75%

	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%-4.30%
Expected return on plan assets	**6.25%-6.50%**	6.25%-6.75%	5.00%-6.00%

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 on both analysis of historical rates of return and forward-looking analysis of risk premiums and yields. Current market conditions, such as inflation and interest rates, are evaluated in connection with the setting of the long-term assumptions. A premium is added for active management of both equity and fixed income securities. The long-term rates of return for each asset class are then weighted in accordance with the actual asset allocation, resulting in an 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 trusteed non-contributory defined benefit plan covering all eligible represented employees of the Company and eligible non-represented employees of the participating National Grid companies. The PBOP Plans are both a contributory and non-contributory, trusteed, employee life insurance and medical benefit plan sponsored by NGUSA. Life insurance and medical benefits are provided for eligible retirees, dependents, and surviving spouses of NGUSA.

NGUSA, as the Plans' sponsor, manages the benefit plan investments for the exclusive purpose of providing retirement benefits to participants and beneficiaries and paying plan expenses. The benefit plans' named fiduciary is the Retirement Plans Committee ("RPC"). The RPC seeks to minimize the long-term cost of operating the Plans, with a reasonable level of risk. The investment objectives of the Plans are to maintain a level and form of assets adequate to meet benefit obligations to participants, 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 contributions and expenses or the Company's ability to meet plan obligations.

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS"), which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan which is intended to meet the objectives of the Plans by diversifying its funds across asset classes, investment styles, and fund managers. An asset liability analysis typically 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 work implemented in fiscal year 2025. As a result of that asset liability analysis, the asset mix for the Pension Plans were changed to further reduce investment risk given the increased funded status of the Plans and to better hedge the respective plan liabilities. The Non-Union PBOP Plan asset liability study was conducted in fiscal year 2024. As a result of that study, the RPC approved changes to the 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, infrastructure, 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 Plan		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2025	2024	**2025**	2024	**2025**	2024
Equity	**5%**	13%	**15%**	15%	**70%**	70%
Diversified alternatives	**2%**	4%	**5%**	5%	**0%**	0%
Fixed income securities	**70%**	60%	**80%**	80%	**30%**	30%
Private equity	**12%**	12%	**0%**	0%	**0%**	0%
Real estate	**5%**	5%	**0%**	0%	**0%**	0%
Infrastructure	**6%**	6%	**0%**	0%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

During the year ended March 31, 2025, certain PBOP trusts were consolidated. The following tables provide the fair value measurement 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	$ 55	$ -	$ 82,069	$ 82,124
Diversified alternatives	-	-	26,404	26,404
Corporate bonds	-	621,384	151,356	772,740
Government securities	6,963	353,902	191,993	552,858
Private equity	-	-	226,816	226,816
Real estate	-	-	77,612	77,612
Infrastructure	-	-	118,098	118,098
Total assets	**$ 7,018**	**$ 975,286**	**$ 874,348**	**$ 1,856,652**
Pending transactions				(62,199)
Total net assets				**$ 1,794,453**
PBOP assets:				
Equity	$ 40,464	$ -	$ 454,531	$ 494,995
Diversified alternatives	133,413	-	-	133,413
Corporate bonds	-	1,747,400	-	1,747,400
Government securities	44,302	379,442	573	424,317
Private equity	-	-	15	15
Insurance contracts	-	-	42,043	42,043
Total assets	**$ 218,179**	**$ 2,126,842**	**$ 497,162**	**$ 2,842,183**
Pending transactions				28,878
Total net assets				**$ 2,871,061**

	March 31, 2024			
	Level 1	Level 2	Not Categorized	Total
	(in thousands of dollars)			
Pension assets:				
Equity	$ 33,748	$ -	$ 211,424	$ 245,172
Diversified alternatives	18,614	-	64,033	82,647
Corporate bonds	-	615,887	138,114	754,001
Government securities	2,056	166,919	179,406	348,381
Private equity	-	-	222,159	222,159
Real estate	-	-	91,543	91,543
Infrastructure	-	-	110,291	110,291
Total assets	**$ 54,418**	**$ 782,806**	**$ 1,016,970**	**$ 1,854,194**
Pending transactions				(44,661)
Total net assets				**$ 1,809,533**
PBOP assets:				
Equity	$ 45,180	$ -	$ 128,400	$ 173,580
Diversified alternatives	17,870	-	1,628	19,498
Corporate bonds	-	229,188	-	229,188
Government securities	10,416	92,491	631	103,538
Insurance contracts	-	-	41,699	41,699
Total assets	**$ 73,466**	**$ 321,679**	**$ 172,358**	**$ 567,503**
Pending transactions				5,152
Total net assets				**$ 572,655**

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 individual U.S. agency, treasury securities, state and local municipal bonds, as well as a U.S. Treasury exchange-traded fund. The Plans also include a small amount of non-U.S. government debt which is also captured here. U.S. government money market funds are also included. In addition, interest rate futures and swaps are held as a tool to manage interest rate risk.

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

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

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

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

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

Pending transactions: 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 Plans

NGUSA has defined contribution retirement plans that cover 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 $5.0 million, $4.9 million, and $4.5 million, respectively, for matching contributions.

9. CAPITALIZATION

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

	Interest Rate	Maturity Date	March 31, 2025	March 31, 2024
			(in thousands of dollars)	
Total shareholders' equity			**$ 3,719,006**	$ 3,543,929
Long-term debt:	Interest Rate	Maturity Date		
Senior note	1.73%	November 24, 2030	**500,000**	500,000
Senior note	5.90%	November 15, 2039	**800,000**	800,000
Senior note	4.00%	August 15, 2046	**500,000**	500,000
Senior note	5.87%	February 26, 2054	**400,000**	400,000
Total debt			**2,200,000**	2,200,000
Unamortized debt discount			**(1,862)**	(1,940)
Unamortized debt issuance costs			**(10,146)**	(10,706)
Total long-term debt			**2,187,992**	2,187,354
Total capitalization			**$ 5,906,998**	$ 5,731,283

As of March 31, 2025, the Company has no long-term debt maturing within the next five years, and the total amount maturing thereafter is $2.2 billion.

The Company's debt agreements and banking facilities contain general 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 has regulatory approval from the FERC to issue up to $750.0 million of short-term debt internally or externally that expires on October 14, 2026. The Company had no external short-term debt as of March 31, 2025 and 2024. Refer to the Intercompany Money Pool section in Note 14, "Related Party Transactions", for short-term debt outstanding with affiliated companies.

On July 17, 2023, the Company received approval from the DPU to issue up to $1.1 billion of long-term debt in one or more transactions through August 31, 2024. Under this most recent authorization, the Company has issued $900.0 million of long-term debt as of March 31, 2025 and 2024, respectively. The authorization and remaining capacity has since expired. The Company will be able to implement temporary funding measures if needed until a new authority is approved by the DPU.

Equity Infusion

In March 2024, the Company received an equity infusion of $250.0 million from NGUSA.

Dividend Restrictions

Pursuant to the Company's preferred stock arrangement, as long as any preferred stock is outstanding, certain restrictions on the payment of common stock dividends would come into effect if the common stock equity was, or by reason of the payment of such dividends became, less than 25% of total capitalization. The Company was in compliance with this covenant, and, accordingly, the Company was not restricted as to the payment of common stock dividends under the foregoing provisions as of March 31, 2025 or 2024**.**

Cumulative Preferred Stock

The Company has certain issues of non-participating cumulative preferred stock outstanding, which 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 - 4.44% Series	**22,585**	22,585	$ **2,259**	$ 2,259	$ 104.068

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 $0.1 million as of March 31, 2025, 2024, or 2023.

10. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,		
	2025	2024	2023
	(in thousands of dollars)		
Current tax expense (benefit):			
Federal	**$ 31,599**	$ (24,094)	$ (56,354)
State	**2,203**	(5,239)	(15,280)
Total current tax expense (benefit)	**33,802**	(29,333)	(71,634)
Deferred tax expense:			
Federal	**2,834**	56,283	71,455
State	**16,550**	22,724	25,282
Total deferred tax expense	**19,384**	79,007	96,737
Amortized investment tax credits [1]	**(2,596)**	(2,596)	(2,247)
Total deferred tax expense	**16,788**	76,411	94,490
Total income tax expense	**$ 50,590**	$ 47,078	$ 22,856

[1] Investment tax credits ("ITC") are accounted for using the deferral and gross-up method of accounting and are 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 22.4%, 24.1%, and 18.0%, respectively. The following table presents a reconciliation of income tax expense at the federal statutory tax rate of 21.0% to the actual tax expense:

	Years Ended March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Computed tax	**$ 47,450**	$ 40,960	$ 26,639
Change in computed taxes resulting from:			
State income tax, net of federal benefit	**14,815**	13,813	7,902
Amortization of regulatory tax liability, net	**(8,925)**	(6,872)	(9,531)
Investment tax credits	**(2,596)**	(2,596)	(2,247)
Other	**(154)**	1,773	93
Total changes	**3,140**	6,118	(3,783)
Total income tax expense	**$ 50,590**	$ 47,078	$ 22,856

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

Inflation Reduction Act

The Inflation Reduction Act ("IRA"), enacted in August of 2022, imposes a 15.0% 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 ended 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	March 31, 2024
	(in thousands of dollars)	
Deferred tax assets:		
Allowance for doubtful accounts	**$ 55,676**	$ 60,211
Environmental remediation costs	**20,650**	19,342
Regulatory liabilities	**160,597**	134,729
Renewable energy certificate obligations	**36,974**	45,550
Reserves not currently deducted	**21,587**	19,907
Corporate alternative minimum tax credit	**16,530**	12,727
Other items	**23,546**	18,301
Total deferred tax assets	**335,560**	310,767
Deferred tax liabilities:		
Property related differences	**620,380**	593,822
Regulatory assets	**376,081**	353,867
Other items	**23,799**	15,968
Total deferred tax liabilities	**1,020,260**	963,657
Net deferred income tax liabilities	**684,700**	652,890
Deferred investment tax credits	**27,800**	30,396
Deferred income tax liabilities, net	**$ 712,500**	$ 683,286

Net Operating Losses

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

	Carryforward Amount	Expiration Period
	(in thousands of dollars)	
Federal	$ 72,658	Indefinite
Massachusetts	33,142	2044

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
Massachusetts	March 31, 2013

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statements of operations. As of March 31, 2025 and 2024, the Company has accrued for interest related to unrecognized tax benefits of $0.3 million and $0.1 million, respectively. During the years ended March 31, 2025, 2024, and 2023, the Company recorded interest expense of $0.2 million, interest income of $0.1 million, and interest expense of $0.1 million, respectively. No tax penalties were recognized during the years ended March 31, 2025 and 2024.

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.

11. 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 Massachusetts Department of Environmental Protection (“DEP”), 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, which were 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 DEP.

The Company estimated the remaining costs of environmental remediation activities were $75.0 million and $70.2 million as of March 31, 2025 and 2024, respectively. These liabilities are expected to be settled approximately 31 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.

The DPU has approved a settlement agreement that provides for rate recovery of remediation costs of former MGP sites and certain other hazardous waste sites located in Massachusetts. Under that agreement, qualified costs related to these sites are paid out of a special fund established as a regulatory liability on the balance sheet. Rate-recoverable contributions of approximately $5.2 million and $5.1 million were made to the fund during the years ended March 31, 2025 and 2024, respectively, along with interest, lease payments, and any recoveries from insurance carriers and other third parties. Accordingly, as of March 31, 2025 and 2024, the Company has recorded environmental regulatory assets of $73.0 million and $68.4 million, respectively, and environmental regulatory liabilities of $19.5 million and $15.7 million, respectively. See Note 5, “Regulatory Assets and Liabilities”, for additional details.

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 environmental laws will not have a material impact on its results of operations or financial position.

12. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has several contracts for the purchase of electric power. Substantially all of these contracts require power to be delivered before the Company is obligated to make payments. In addition, the Company has various capital commitments related to the construction of property, plant, and equipment.

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

(in thousands of dollars) **Years Ending March 31,**	**Energy Purchases**	**Capital Expenditures**
2026	$ 305,986	$ 48,044
2027	425,101	8,120
2028	443,728	5,526
2029	453,537	-
2030	463,680	-
Thereafter	8,402,936	-
Total	$ 10,494,968	$ 61,690

Power Purchase Agreements for Renewable Energy Projects

Section 83A

On February 26, 2014, the DPU approved three long-term (20-year) contracts for the purchase of the electricity and renewable energy credits from three separate wind-powered generating facilities. The approval by the DPU allows the Company, along with Nantucket Electric (collectively "the Massachusetts Electric Companies"), to recover the costs incurred under the agreements, including 2.75% remuneration on the annual payments made under the contracts.

Three-State Procurement: Section 83A

On June 15, 2018, the DPU approved ten long-term (20-year) contracts for the purchase of the electricity and renewable energy credits from ten separate generating facilities. The Massachusetts Electric Companies would purchase the actual output generated by the individual facilities, which in aggregate represents approximately 91 MWs of nameplate capacity. The approval by the DPU allows the Massachusetts Electric Companies to recover the costs incurred under the agreements, including 2.75% remuneration on the annual payments made under the contracts.

Clean Energy Procurement: Section 83D

On June 13, 2018, the Massachusetts Electric Companies entered into two separate agreements for the transportation and purchase of electricity and the related environmental attributes from hydroelectric facilities located in the Canadian province of Québec. The two agreements were entered into pursuant to Section 83D of the Green Communities Act. The DPU approved the Section 83D contracts on June 25, 2019, and the Massachusetts Electric Companies will be able to recover the costs incurred under the agreements, including 2.75% remuneration on the annual payments made.

The first agreement is a 20-year PPA with H.Q. Energy Services Inc. ("H.Q. Energy") for the purchase of approximately 498 megawatt-hours of electricity and the related environmental attributes from a portfolio of hydroelectric facilities owned and operated by affiliates of H.Q. Energy. The second agreement is a 20-year transmission service agreement ("TSA") with NECEC Transmission LLC ("NECEC"). The TSA provides for the transmission of the electricity supplied by H.Q. Energy on a proposed new transmission line that will run from the United States border to Lewiston, Maine, where it will interconnect with the ISO-NE system.

Offshore Wind Energy Procurement: Section 83C Round 1

On July 31, 2018, the Massachusetts Electric Companies entered into two separate 20-year PPAs with Vineyard Wind LLC ("Vineyard Wind") for the purchase of 46.16% of the electricity and renewable energy credits generated by two offshore wind farms proposed by Vineyard Wind, with each individual wind farm having a capacity of up to 400 MWs. The contracts with Vineyard Wind were entered into pursuant to Section 83C of the Green Communities Act. On April 12, 2019, the DPU approved the contracts, and the Massachusetts Electric Companies will be able to recover the costs incurred under the agreements, including 2.75% remuneration on the annual payments made. On March 25, 2024, Vineyard Wind notified the

Massachusetts Electric Distribution Companies ("MA EDCs") of their intent to utilize critical milestone extensions in the Facility 1 and Facility 2 PPAs. As such, the new guaranteed commercial operations dates are January 15, 2026 for the first wind farm and May 31, 2026 for the second wind farm.

Offshore Wind Energy Procurement and Termination: Section 83C Round 2 and Round 3

In 2020 and 2022, the MA EDCs entered into several 20-year PPAs with two developers for the purchase of a portion of the electricity and renewable energy credits generated by two offshore wind farms proposed. The contracts were entered into pursuant to Section 83C of the Green Communities Act and were approved by the DPU. In 2022 both developers indicated that they were unable to build their projects under their awarded contract prices. After negotiations with the MA EDCs, both counterparties elected to request amendments to their contracts allowing for Termination and Release. In July and August 2023, the MA EDCs filed amendment to these PPAs allowing for termination and requiring a payment to be returned to each EDC's customers. The DPU approved these amendments and the contracts were terminated in late 2023. The Company received termination payments totaling approximately $49.0 million, which were returned to customers via bills between March 1, 2024, and February 28, 2025.

Legal Matters

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.

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 New York Public Service Commission ("NY PSC") 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. National Grid fully cooperated with the NY PSC's investigation, which was resolved through a settlement that was approved in December 2024. The DPU has indicated that it will open an investigation into this matter after the conclusion of the NY PSC's investigation. However, the Company does not expect this matter to have a material adverse effect on its results of operations, financial position or cash flows.

Energy Efficiency Programs Investigations

National Grid participated in regulatory proceedings regarding certain conduct associated with the energy efficiency programs operated by its affiliates. On March 5, 2025, the Rhode Island Public Utilities Commission approved a settlement agreement between the former affiliate and state regulators, concluding the investigation regarding employee conduct within the Rhode Island energy efficiency programs for the Company's former affiliate. National Grid was not a party to the settlement. At this time, it is not possible to predict the outcomes or the amount, if any, of any liabilities that may be incurred in connection with it by National Grid and its current affiliates outside of Rhode Island. However, the Company does not expect this matter to have a material adverse effect on its results of operations, financial position or cash flows.

Financial Guarantees

The Company unconditionally guarantees the full and prompt payment of the principal, premium, if any, and interest on certain tax-exempt bonds issued by the Massachusetts Development Finance Agency in connection with Nantucket Electric's financing of its first and second underground and submarine cable projects. The Company would be required to make any principal, interest, and premium payments if Nantucket Electric failed to pay. The carrying value of the debt guaranteed is approximately $51.3 million as of March 31, 2025, and the debt has maturities extending through 2042. This guarantee is absolute and unconditional. As of the date of this report, the Company has not had a claim made against it for this guarantee and has no reason to believe that Nantucket Electric will default on its obligations.

13. LEASES

The Company has various operating leases, primarily related to buildings, land, and fleet vehicles used to support its electric operations, with real estate lease terms ranging between 1 and 31 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, the Company does not have any financing leases.

The expense related to operating leases was $16.1 million, $15.6 million, and $15.0 million for the years ended March 31, 2025, 2024, and 2023, respectively. As of March 31, 2025, the Company does 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:

	Years Ended March 31,		
	2025	2024	2023
	(in thousands of dollars)		
Cash paid for amounts included in lease liabilities			
Operating cash flows from operating leases	**$ 16,097**	$ 15,650	$ 15,041
ROU assets obtained in exchange for new operating lease liabilities	**21,181**	21,559	12,453
Weighted average remaining lease term – operating leases	**7 years**	8 years	8 years
Weighted average discount rate – operating leases	**4.3%**	3.9%	2.9%

The following table 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
Year Ending March 31,	*(in thousands of dollars)*
2026	$ 15,653
2027	14,254
2028	13,017
2029	10,630
2030	8,388
Thereafter	19,868
Total future minimum lease payments	81,810
Less: imputed interest	11,619
Total	$ 70,191
Reported as of March 31, 2025:	
Current lease liability	$ 12,951
Non-current lease liability	57,240
Total	$ 70,191

There are certain leases in which the Company is the lessor. Revenue under such leases was $21.2 million for the year ended March 31, 2025 and immaterial for the years ended March 31, 2024 and 2023, respectively.

14. 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 for any deposits held by affiliates that are due to the Company, and payables for any deposits held by the Company that are due to 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)			
Boston Gas Company	**$ 18**	$ -	**$ 2,157**	$ 8,587
Nantucket Electric Company	**475**	350	**1,580**	1,178
New England Power Company	**4,600**	7,072	**99,758**	86,816
NGUSA	**2,119**	-	**3,233**	7,689
NGUSA Service Company	**18,134**	16,063	**119,900**	116,236
Other Affiliates	**97**	19	**766**	102
Total	**$ 25,443**	$ 23,504	**$ 227,394**	$ 220,608

As discussed in Note 6, "Rate Matters", NEP operates the pooled transmission facilities of the Company and NEP as a single integrated system ("NEPOOL") under NEP's Tariff No. 1. These transmission services are regulated by both the ISO-NE and the FERC. NEP charges the ISO-NE for these transmission services. As NEP is the sole operator of the NEPOOL assets, ISO-NE revenues are remitted from NEP to the Company, representing the substantial portion of the accounts receivable due from NEP.

In turn, the ISO-NE charges the Company for Region Network Service ("RNS"), with some of those charges being associated with the Company-owned transmission assets in the NEPOOL. $69.2 million and $44.1 million of the unpaid charges from the ISO-NE to the Company have been presented as a payable to NEP related to these Company-owned transmission assets as of March 31, 2025 and 2024, respectively. Additionally, NEP charges the Company for Local Network Service ("LNS"). The amounts paid to NEP for RNS and LNS for the years ended March 31, 2025, 2024, and 2023 were $591.5 million, $476.8 million, and $415.4 million, respectively. These amounts are presented within operations and maintenance expense in the accompanying statements of operations.

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. Borrowings from the regulated money pool bear interest in accordance with the terms of the regulated money pool Agreement. As the Company fully participates in the regulated money pool rather than settling intercompany charges with cash, all changes in the intercompany money pool balance are reflected as investing or financing activities in the accompanying statements of cash flows. For the purpose of presentation in the statements of cash flows, it is assumed all amounts settled through the intercompany money pool are constructive cash receipts and payments, and therefore are presented as such.

The regulated money pool is funded by operating funds from participants. NGUSA has the ability to borrow up to $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 investment of $19.9 million and $252.9 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.

Related Party Reimbursement

In accordance with the Credit and Operating Support Agreement dated March 26, 1996, the Company will reimburse Nantucket Electric an amount equal to the difference between Nantucket Electric’s actual net income for the year and the net income necessary for Nantucket Electric to earn its DPU-approved ROE for the year, which is currently 9.35%. This reimbursement represents additional revenue to Nantucket Electric and expense to the Company. If Nantucket Electric’s actual ROE for the year exceeds its allowed ROE, there is no reimbursement. For the years ended March 31, 2025, 2024, and 2023, the Company reimbursed Nantucket Electric $6.9 million, $8.7 million, and $7.4 million, respectively.

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at cost, without a mark-up. 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 $593.6 million, $527.3 million, and $457.7 million, respectively.