nationalgrid

Boston Gas Company
d/b/a National Grid

Financial Statements

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

BOSTON GAS COMPANY

TABLE OF CONTENTS

Independent Auditor's Report 3

Statements of Operations
Years Ended March 31, 2025, 2024, and 2023..........5

Statements of Cash Flows
Years Ended March 31, 2025, 2024, and 2023..........6

Balance Sheets
March 31, 2025, and 2024..........7

Statements of Changes in Shareholders' Equity
Years Ended March 31, 2025, 2024, and 2023..........9

Notes to the Financial Statements:

1. Nature of Operations and Basis of Presentation..........10
2. Summary of Significant Accounting Policies..........10
3. Revenue..........15
4. Allowance for Doubtful Accounts..........16
5. Regulatory Assets and Liabilities..........17
6. Rate Matters..........19
7. Property, Plant, and Equipment..........21
8. Derivative Instruments..........21
9. Fair Value Measurements 23
10. Employee Benefits..........24
11. Capitalization..........32
12. Income Taxes..........34
13. Environmental Matters..........36
14. Commitments and Contingencies..........36
15. Leases..........37
16. Related Party Transactions..........38

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY
USA

Tel: +1 212 492 4000
Fax: +1 212 489 1687
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boston Gas Company

Opinion

We have audited the financial statements of Boston Gas 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

BOSTON GAS COMPANY
STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating revenues	**$ 2,214,159**	$ 1,980,586	$ 2,183,684
Operating expenses:			
Purchased gas	**621,930**	556,149	874,865
Operations and maintenance	**811,960**	727,071	672,061
Depreciation and amortization	**276,655**	251,904	229,353
Amortization of acquisition premium	**8,200**	8,200	8,200
Other taxes	**131,547**	97,964	105,068
Total operating expenses	**1,850,292**	1,641,288	1,889,547
Operating income	**363,867**	339,298	294,137
Other income and (deductions):			
Interest on long-term debt	**(111,876)**	(103,067)	(86,069)
Other interest, including affiliate interest, net	**13,413**	15,042	13,665
Other income, net	**34,046**	29,758	19,483
Total other deductions, net	**(64,417)**	(58,267)	(52,921)
Income before income taxes	**299,450**	281,031	241,216
Income tax expense	**73,724**	68,472	57,191
Net income	**$ 225,726**	$ 212,559	$ 184,025

BOSTON GAS COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2025	2024	2023
Operating activities:			
Net income	**$ 225,726**	$ 212,559	$ 184,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**276,655**	251,904	229,353
Accrued interest on tax reserves	**1,936**	3,835	898
Regulatory amortizations	**15,324**	15,324	8,200
Deferred income tax expense	**65,434**	81,217	144,519
Bad debt expense	**40,658**	28,755	40,073
Allowance for equity funds used during construction	**(4,215)**	(9,869)	(12,106)
Pension and postretirement (benefit) expenses	**(5,841)**	(9,677)	3,280
Other non-cash items	**1,277**	1,481	1,104
Pension and postretirement benefits contributions, net	**(3,341)**	(8,722)	(15,265)
Environmental remediation payments	**(5,718)**	(4,612)	(1,328)
Changes in operating assets and liabilities:			
Accounts receivable and unbilled revenues, net	**(164,498)**	(46,283)	(29,122)
Accounts receivable from/payable to affiliates, net	**23,180**	(7,959)	(18,207)
Inventory	**18,117**	10,075	(55,472)
Regulatory assets and liabilities - current, net	**39,807**	(17,402)	(87,011)
Regulatory assets and liabilities – noncurrent, net	**(21,978)**	(33,850)	(17,414)
Derivative instruments	**(37,377)**	(19,547)	98,568
Prepaid and accrued taxes, net	**30,214**	100,749	(97,705)
Accounts payable and other liabilities	**(10,892)**	(11,053)	53,193
Other non-cash items	**13,936**	11,913	11,954
Net cash provided by operating activities	**498,404**	548,838	441,537
Investing activities:			
Capital expenditures	**(823,970)**	(783,672)	(811,124)
Cost of removal	**(24,663)**	(34,672)	(30,428)
Intercompany money pool	**(272,042)**	32,128	140,992
Net cash used in investing activities	**(1,120,675)**	(786,216)	(700,560)
Financing activities:			
Payments on long-term debt	**(5,000)**	(216,000)	(35,000)
Issuance of long-term debt	**500,000**	400,000	200,000
Payment of debt issuance costs	**(2,269)**	(3,234)	(449)
Intercompany money pool	**(54,092)**	54,092	-
Equity infusion from Parent	**200,000**	-	90,000
Net cash provided by financing activities	**638,639**	234,858	254,551
Net (decrease) increase in cash and cash equivalents	**16,368**	(2,520)	(4,472)
Cash and cash equivalents, beginning of year	**7,767**	10,287	14,759
Cash and cash equivalents, end of year	**$ 24,135**	$ 7,767	$ 10,287
Supplemental disclosures:			
Interest paid, net of amounts capitalized	**$ (109,414)**	$ (93,891)	$ (85,163)
Income taxes refunded	**3,634**	111,578	30,960
Significant non-cash items:			
Capital-related accruals included in accounts payable	**9,398**	30,805	13,960
Parent tax loss allocation	**2,555**	-	-
ROU assets obtained in exchange for new operating lease liabilities	**2,851**	9,977	3,257

BOSTON GAS COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2025	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 24,135**	$ 7,767
Accounts receivable, net	**478,634**	358,421
Accounts receivable from affiliates	**16,024**	21,477
Intercompany money pool asset	**272,042**	-
Unbilled revenues, net	**131,897**	122,488
Inventory	**99,330**	117,447
Regulatory assets	**208,465**	233,105
Accrued tax benefit	**-**	15,851
Other, net	**21,384**	3,010
Total current assets	**1,251,911**	879,566
Property, plant and equipment, net	**8,077,781**	7,433,068
Non-current assets:		
Regulatory assets	**273,994**	272,842
Goodwill	**450,395**	450,395
Postretirement benefits asset	**133,965**	128,333
Other	**936**	880
Total non-current assets	**859,290**	852,450
Total assets	**$ 10,188,982**	$ 9,165,084

BOSTON GAS COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2025	March 31, 2024
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable and other	**$ 104,388**	$ 126,076
Accounts payable to affiliates	**123,737**	106,010
Intercompany money pool liability	**-**	54,092
Current portion of long-term debt	**55,000**	5,000
Interest accrued	**24,174**	17,877
Regulatory liabilities	**62,193**	47,026
Derivative instruments	**1,062**	25,520
Payroll and benefits accruals	**29,487**	26,370
Other	**40,175**	29,243
Total current liabilities	**440,216**	437,214
Non-current liabilities:		
Regulatory liabilities	**1,516,293**	1,448,516
Deferred income tax liabilities, net	**1,002,182**	922,718
Postretirement benefits	**43,429**	38,634
Environmental remediation costs	**71,785**	62,461
Operating lease liabilities	**72,824**	72,745
Other	**108,680**	121,531
Total other non-current liabilities	**2,815,193**	2,666,605
Commitments and contingencies (Note 14)		
Capitalization:		
Shareholders' equity	**3,949,589**	3,521,308
Long-term debt	**2,983,984**	2,539,957
Total capitalization	**6,933,573**	6,061,265
Total liabilities and capitalization	**$ 10,188,982**	$ 9,165,084

BOSTON GAS COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss): Pension and Other Postretirement Benefits	Retained Earnings	Total
Balance as of March 31, 2022	**$ 51,418**	**$ 2,323,906**	**$ (1,066)**	**$ 664,287**	**$ 3,038,545**
Net Income	-	-	-	184,025	184,025
Other comprehensive Income:					
Change in pension and other postretirement obligations, net of $189 tax expense	-	-	504	-	504
Total comprehensive income					184,529
Equity Infusion from Parent	-	90,000	-	-	90,000
Balance as of March 31, 2023	**$ 51,418**	**$ 2,413,906**	**$ (562)**	**$ 848,312**	**$ 3,313,074**
Net Income	-	-	-	212,559	212,559
Other comprehensive Income:					
Change in pension and other postretirement obligations, net of $213 tax expense	-	-	562	-	562
Total comprehensive Income					213,121
Implementation of ASC 326, net of $1,837 tax benefit [1]	-	-	-	(4,887)	(4,887)
Balance as of March 31, 2024	**$ 51,418**	**$ 2,413,906**	**$ -**	**$ 1,055,984**	**$ 3,521,308**
Net Income	-	-	-	225,726	225,726
Total comprehensive Income					225,726
Equity Infusion from Parent	-	200,000	-	-	200,000
Parent tax loss allocation	-	2,555	-	-	2,555
Balance as of March 31, 2025	**$ 51,418**	**$ 2,616,461**	**$ -**	**$ 1,281,710**	**$ 3,949,589**

The Company had 514,184 shares of common 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.

BOSTON GAS COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Boston Gas Company ("the Company") is a gas distribution company engaged in the transportation and sale of natural gas to approximately one million residential, commercial, and industrial customers in the City of Boston, Essex County, and other communities in eastern and central Massachusetts.

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

The 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 other 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 Massachusetts Department of Public Utilities ("DPU") regulates the rates the Company charges its customers. In certain cases, the rate actions of 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 gas distribution services provided on a monthly billing 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 gas. 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.

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

Gas in storage is stated at weighted average cost, and the related cost is recognized when delivered to customers. Existing rate orders allow the Company to directly pass through to customers the cost of gas purchased. Gas costs passed through to customers are subject to regulatory approvals and are reported periodically to the DPU.

The Company had materials and supplies of $31.6 million and $19.7 million and gas in storage of $67.7 million and $97.7 million as of March 31, 2025 and 2024, respectively.

Derivative Instruments

The Company uses derivative instruments to manage commodity price risk. All derivative instruments are recorded on the balance sheet at fair value. All commodity costs, including the impact of derivative instruments, are passed on to customers through the Company's gas cost adjustment mechanism. Regulatory assets or regulatory liabilities are recorded to defer the recognition of unrealized losses or gains on derivative instruments, respectively. The gains or losses on the settlement of these contracts are recognized as purchased gas on the statements of operations and then refunded to, or collected from, customers consistent with regulatory requirements.

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

Fair Value Measurements

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

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

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

Property, Plant, and Equipment

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

Depreciation is computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the DPU. The average composite rates for the years ended March 31, 2025, 2024, and 2023 were 3.1%, 3.1%, and 3.0%, respectively.

Depreciation expense includes a component for the estimated cost of removal ("COR"), which is recovered through rates charged to customers. Any difference in cumulative costs recovered and costs incurred is recognized as a regulatory liability 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 $4.2 million, $9.9 million, and $12.1 million, and AFUDC related to debt of $12.5 million, $8.4 million, and $6.1 million, for the years ended March 31, 2025, 2024, and 2023, respectively. The average AFUDC rates for the years ended March 31, 2025, 2024, and 2023 were 5.8%, 6.3%, and 6.2%, 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 postretirement benefit other than pension ("PBOP") plans for its employees, administered by NGUSA. The Company recognizes its portion of the pension and PBOP plans' funded status on the consolidated 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 the 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 and land. Right-of-use ("ROU") assets consist of the lease liability together with any payments made to the lessor prior to commencement of the lease (less any lease incentives) and any initial direct costs. ROU assets are amortized over the lease term. Lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. For any leases that do not provide an implicit rate, the Company uses an estimate of its collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. In measuring lease liabilities, the Company excludes variable lease payments, other than those that depend on an index or a rate, or are in substance fixed payments, and includes lease payments made at or before the commencement date. Variable lease payments were immaterial 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 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.

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:			
Gas distribution	**$ 2,221,439**	$ 1,936,975	$ 1,996,743
Off-system sales	**70,426**	88,733	187,977
Total revenue from contracts with customers	**2,291,865**	2,025,708	2,184,720
Revenues from alternative revenue programs	**(77,706)**	(45,122)	(1,036)
Total operating revenues	**$ 2,214,159**	$ 1,980,586	$ 2,183,684

Gas Distribution: The Company owns, maintains, and operates a natural gas distribution network serving areas in Massachusetts. Distribution revenues are primarily from the sale of gas and related services to retail customers. Distribution sales are regulated by the Massachusetts Department of Public Utilities, 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. Gas distribution revenues are derived from the regulated sale and distribution of natural gas to residential, commercial, and industrial customers within the Company's service territory under the tariff rates. The tariff rates approved by the regulator are designed to recover the costs incurred by the Company for the products and services provided, along with a return on investment.

The performance obligation related to distribution sales is to provide natural gas to the customers on demand. The natural gas 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 natural gas as the Company provides this service. The Company records revenues related to the distribution sales based upon the approved tariff rate and the volume delivered to the customers, which corresponds with the amount the Company has the right to invoice.

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

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

Off-system sales: Represent direct sales of gas to participants in the wholesale natural gas marketplace, which occur after customers' demands are satisfied. The performance obligation related to these off-system sales is to deliver a quantity of gas at the delivery point which represents a single performance obligation that is satisfied over time.

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 gas 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 and unbilled 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 revenue from ARPs with a corresponding offset to a regulatory asset or liability account when the regulatory-specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24 months from the end of the annual reporting period.

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 $44.9 million, $33.0 million, and $40.1 million for the years ended March 31, 2025, 2024, and 2023, respectively, within operations and maintenance expenses 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	**$ 94,041**	**$ 1,927**	**$ 95,968**	$ 96,003	$ 3,235	$ 99,238
Impact of adoption of ASC Topic 326 on April 1, 2023	**-**	**-**	**-**	6,147	2,586	8,733
Credit loss expense (benefit)	**37,344**	**877**	**38,221**	26,841	(3,188)	23,653
Write-offs	**(40,211)**	**(293)**	**(40,504)**	(39,351)	(844)	(40,195)
Recoveries	**6,459**	**129**	**6,588**	4,401	138	4,539
Ending balance	**$ 97,633**	**$ 2,640**	**$ 100,273**	$ 94,041	$ 1,927	$ 95,968

5. REGULATORY ASSETS AND LIABILITIES

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

	March 31,	
	2025	2024
	(in thousands of dollars)	
Regulatory assets		
Current:		
Derivative instruments	**$ -**	$ 26,678
Gas costs adjustment	**144,430**	95,201
Local distribution adjustment clause	**14,432**	23,366
Revenue decoupling mechanism	**49,603**	85,749
Other	**-**	2,111
Total	**208,465**	233,105
Non-current:		
Asset retirement obligation	**18,613**	17,133
Capital tracker	**25,189**	19,725
Environmental response costs	**85,923**	76,747
Exogenous events	**7,060**	12,004
Rate adjustment mechanisms	**14,513**	16,652
Recovery of acquisition premium	**118,216**	126,417
Other	**4,480**	4,164
Total	**273,994**	272,842
Regulatory liabilities		
Current:		
Derivative instruments	**10,699**	-
Profit sharing	**51,427**	46,552
Other	**67**	474
Total	**62,193**	47,026
Non-current:		
Cost of removal	**1,164,023**	1,081,140
Postretirement benefits	**75,425**	76,501
Regulatory tax liability, net	**276,845**	290,875
Total	**$ 1,516,293**	$ 1,448,516

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 $81.4 million and $51.3 million, respectively.

Asset retirement obligation: Represents accretion expense deferred as part of the Company's asset retirement obligation and is recovered through rates as part of depreciation expense over the lives of the plant assets. These regulatory assets do not earn a return.

Capital tracker: The Company has in place a Gas System Enhancement Plan ("GSEP"), which, once approved by the DPU on April 30th of each year, is designed to provide concurrent recovery, with interest, through the Local distribution adjustment clause mechanism (see below) of the revenue requirement associated with the Company's capital costs for the replacement of eligible leak-prone pipe and ancillary equipment pursuant to the 2014 Gas Leaks Act passed in Massachusetts.

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

Derivative instruments: The Company evaluates open derivative instruments for regulatory deferral by determining if they are probable of recovery from, or refund to, customers through future rates. As of March 31, 2025, and 2024, all derivative contracts were subject to regulatory deferral. Derivative instruments are recorded at fair value, with changes in fair value recorded as regulatory assets or regulatory liabilities in the period in which the change occurs. These regulatory assets do not earn a return and are excluded from the rate base.

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 former manufactured gas plant ("MGP") sites and related facilities. These regulatory assets do not earn a return and are excluded from the rate base.

Exogenous events: The Property Tax Exogenous Event Long Term qualifies for the exogenous cost recovery under the Company's Performance-based Ratemaking Plan ("PBR") plan. This mechanism defers the accumulated exogenous impact for property taxes, as approved per DPU 23-56, resulting from the Department of Revenue change in property tax valuation methodology and recovered over three years without interest.

Gas costs adjustment: The Company is subject to rate adjustment mechanisms for commodity costs, whereby an asset or liability is recognized resulting from differences between billed revenues and the underlying cost being recovered, as approved by the DPU. These amounts will be recovered from, or refunded to, customers over a twelve-month period, with interest. Only regulatory assets related to the unbilled and commodity bad debt do not earn a return.

Local distribution adjustment clause ("LDAC"): A mechanism by which the Company is required to adjust its rates annually to recover or refund sundry costs, including the capital tracker, energy efficiency expenditures, Gas Business Enablement refund, pension and PBOP costs, residential assistance costs, service quality penalties, and miscellaneous other amounts due to or from customers through rates, and recovered over a twelve-month period, with interest. Only regulatory assets related to unbilled and exogenous property taxes do not earn a return.

Profit sharing: Represents a portion of deferred margins from off-system sale transactions. Under current rate orders, the Company is required to return 90% of margins earned from such optimization transactions to firm customers. The amounts deferred on the balance sheet will be refunded to customers over the next twelve-month period.

Postretirement benefits: The Company applies deferral accounting for pension and PBOP expenses associated with its regulated gas operations. Any differences between actual pension costs and amounts used to establish rates are deferred and collected from, or refunded to, customers in subsequent periods.

Rate adjustment mechanisms: Active Hardship-Protected Accounts Receivable is a mechanism which, through base rates, allows the Company to recover account balances related to customers that are protected from service cutoff for non-payment with balances over 360 days past-due. The balance in this account represents the deferral of the Company's hardship balance. The approval balance is recovered over 5 years with no interest and the unapproved balance will be recovered in the next rate case.

Recovery of acquisition premium: Represents the unrecovered amount (plus related taxes) by which the purchase price paid exceeded net book value in the 1998 acquisition of Colonial Gas Company by Eastern Enterprises, Inc.

Eastern Enterprises, Inc. was owned by KeySpan Corporation ("KeySpan") at the time of NGUSA's acquisition of KeySpan in 2007. In exchange for certain rate concessions and the achievement of certain merger savings targets, the DPU has allowed Boston Gas (as the sole surviving entity from the legal consolidation of Boston Gas and Colonial Gas Company during the year-ended March 31, 2020) to recover the acquisition premium in rates, without interest, through August 2039.

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

Revenue decoupling mechanism ("RDM")*:* As approved by the DPU, the Company has a gas RDM, which allows for seasonal (peak/off-peak) adjustments to the Company's delivery rates as a result of the reconciliation between allowed and actual billed and unbilled revenues. Any difference is recorded as a regulatory asset or regulatory liability and recovered from, or refunded to, customers over the following twelve-month period, with interest. Only regulatory assets related to unbilled do not earn a return.

6. RATE MATTERS

General Rate Case

On September 30, 2021, the DPU issued an Order in the Company's rate case. The Order permits the Company to make a request for a one-time adjustment to its allowance in rates for the recovery of liquified natural gas ("LNG") investments, at a point in the 5-year performance-based ratemaking ("PBR") term chosen by the Company. On June 14, 2024, the Company made the one-time initial filing to recover the costs of its LNG investments from April 1, 2020, through March 31, 2024. The total investment for which recovery was sought is $132.1 million and the revenue requirement for these investments is $19.1 million. On September 30, 2024, the DPU approved the Company's LNG investment filing except for the request to waive the tariff language that limits cost recovery to a calendar year basis. The DPU directed the Company to remove the $8.2 million in LNG investment made in the three months ended March 31, 2024 and include these costs for recovery in the next rate case. The approved revenue requirement for these investments excluding the three months ended March 31, 2024 investments was $18.1 million.

PBR Plan Filing

The Company made its third annual PBR filing on June 14, 2024. The filing requested a PBR adjustment effective October 1, 2024, of approximately $41.4 million, based on a PBR percentage of 4.38 percent. On September 18, 2024, the DPU approved the Company's proposed base distribution rate adjustment and the Company's proposed tariff revision.

The Company made its fourth annual PBR filing on June 13, 2025. The filing requested a PBR adjustment effective October 1, 2025, of approximately $40.9 million, based on a PBR percentage of 4.15 percent. In this filing, the Company is also proposing to recover incremental operating costs incurred for an exogenous event associated with recently mandated safety regulations.

Gas System Enhancement Plan (GSEP)

On October 31, 2024, the DPU issued its Order on the Company's May 1, 2024 GSEP Reconciliation filing. The calendar year 2023 GSEP investments were approved, including approximately 130.1 miles of pipe and $292.0 million in costs. The DPU also approved the Company's proposed gas system enhancement reconciliation adjustment factors ("GSERAFs"). The DPU ruled that the Company may defer the under-recovered balance of $26.5 million to a future filing pursuant to its GSEP or to the Company's next base distribution rate case.

On October 31, 2024, the Company filed with the DPU its proposed GSEP for calendar year 2025, which included replacing or retiring 120 miles of leak-prone pipe ("LPP") and repairing an estimated 144 Grade 3 Significant Environmental Impact leaks.

On April 30, 2025, the DPU issued an Order approving Boston Gas Company's 2025 GSEP of $220 million and made several changes to GSEP, including a reduction of the annual recovery cap from 3.0 percent to 2.5 percent, to ensure affordability, safety prioritization, and compliance with the Commonwealth's climate objectives

On May 1, 2025, the Company filed its GSEP reconciliation filing, which reflects final 2024 capital expenditures that produced revenue requirements of approximately $180.5 million. The Company's filing is open for public comment until June 20, 2025. No procedural schedule is set at this time. The DPU is statutorily required to issue an Order on the filing no later than October 31, 2025.

Gas Business Enablement (GBE) Recovery Mechanism

On October 13, 2023, the DPU issued an order denying the Company's calendar year 2021 GBE costs and suspended the Company's cost recovery mechanism that recovers annual GBE Program implementation costs. In addition to suspending the cost recovery mechanism, the DPU ordered the Company to refund approximately $24.4 million in total GBE program costs with interest to be calculated at the prime rate as set forth in the Company's LDAC tariff to customers. The DPU did so due to the continued delays of implementation in Massachusetts for gas customers and not the prudency of the documentation submitted. The DPU further stated that the Company may seek recovery of GBE costs through traditional rate making, such as the next gas rate case.

On March 26, 2024, the Company submitted its compliance filing in accordance with the DPU directive to implement refunds of the GBE program costs of $24.4 million plus interest no later than April 1, 2024. The Department approved the compliance filing of the refund on March 28, 2024.

Geothermal District Energy Demonstration Program

On December 15, 2021, the DPU approved the Company's petition for a five-year, $15.6 million geothermal district energy demonstration program. The costs for the demonstration program are recovered through a factor in the Local Distribution Adjustment Factor ("LDAF"). Due to minimal costs incurred in calendar years 2022 and 2023, the Company proposed to delay cost recovery until the July 1, 2025 filing, which the DPU approved on October 21, 2024. The Company chose two sites for the program in Lowell and Franklin Fields, Boston, working with the Boston Housing Authority. The Company has decided not to proceed with the Lowell site.

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's requested budget for the next three years is $965 million.

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 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 million reduction and are awaiting a final order from the DPU.

7. PROPERTY, PLANT, AND EQUIPMENT

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

	March 31, 2025	March 31, 2024
	(in thousands of dollars)	
Plant and machinery	**$ 9,119,405**	$ 8,315,636
Land and buildings	**341,280**	324,416
Assets in construction	**327,621**	399,145
Software and other intangibles	**85,977**	85,977
Operating leases ROU assets	**87,241**	84,390
Total property, plant, and equipment	**9,961,524**	9,209,564
Accumulated depreciation and amortization	**(1,871,843)**	(1,767,038)
Accumulated amortization - Operating lease ROU assets	**(11,900)**	(9,458)
Property, plant, and equipment, net	**$ 8,077,781**	$ 7,433,068

8. DERIVATIVE INSTRUMENTS

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

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

The volume of outstanding gas derivative instruments at March 31, 2025, and 2024 was 51.2 million dekatherms and 34.5 million dekatherms, respectively.

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

	March 31, 2025 *(in thousands of dollars)*				
	Gross amount of recognized assets (liabilities)	**Gross amount offset in the balance sheet**	**Net amount of assets (liabilities) presented in the balance sheet**	**Gross amount not offset on the balance sheet**	**Net amount**
ASSETS:	***A***	***B***	***C=A+B***	***D***	***E=C-D***
Other current assets					
Gas contracts	**$ 19,082**	**$ -**	**$ 19,082**	**$ 153**	**$ 18,929**
Other non-current assets					
Gas contracts	**402**	**-**	**402**	**219**	**183**
Total	**$ 19,484**	**$ -**	**$ 19,484**	**$ 372**	**$ 19,112**
LIABILITIES:					
Current liabilities					
Gas contracts	**$ 1,062**	**$ -**	**$ 1,062**	**$ 153**	**$ 909**
Other non-current liabilities					
Gas contracts	**7,723**	**-**	**7,723**	**$ 219**	**$ 7,504**
Total	**$ 8,785**	**$ -**	**$ 8,785**	**372**	**8,413**
Net assets	**$ 10,699**	**$ -**	**$ 10,699**	**$ -**	**$ 10,699**

	March 31, 2024 (in thousands of dollars)				
	Gross amount of recognized assets (liabilities)	Gross amount offset in the balance sheet	Net amount of assets (liabilities) presented in the balance sheet	Gross amount not offset in the balance sheet	Net amount
ASSETS:	*A*	*B*	*C=A+B*	*D*	*E=C-D*
Other current assets					
Gas contracts	$ 1,459	$ -	$ 1,459	$ 1,170	$ 289
Other non-current assets					
Gas contracts	64	-	64	40	24
Total	$ 1,523	$ -	$ 1,523	$ 1,210	$ 313
LIABILITIES:					
Current liabilities					
Gas contracts	$ 25,520	$ -	$ 25,520	$ 1,170	$ 24,350
Other non-current liabilities					
Gas contracts	2,681	-	2,681	40	2,641
Total	$ 28,201	$ -	$ 28,201	$ 1,210	$ 26,991
Net liabilities	$ 26,678	$ -	$ 26,678	$ -	$ 26,678

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

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

Credit and Collateral

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

The Company's credit exposure for all commodity derivative instruments and applicable payables and receivables, net of collateral, and instruments that are subject to master netting agreements, was a net asset of $10.7 million and a net liability of $26.7 million as of March 31, 2025 and 2024, respectively.

The aggregate fair value of the Company's commodity derivative instruments with credit-risk-related contingent features that were in a liability position at March 31, 2025 and 2024, was $0.1 million and $11.2 million, respectively. The Company had no collateral posted for these instruments as of March 31, 2025 and 2024, respectively.

If the Company's credit rating was to be downgraded by three levels, it would be required to post $0.4 million and $11.7 million additional collateral to its counterparties at March 31, 2025 and 2024, respectively. If the Company's credit rating was to be downgraded two levels, it would be required to post $0.1 million and $4.0 million additional collateral at March 31, 2025 and 2024, and if the Company's credit rating was to be downgraded by one level, it would not be required to post any collateral at March 31, 2025 and 2024, respectively. The counterparties had $4.8 million and $3.7 million posted to the Company as of March 31, 2025 and 2024, respectively.

9. FAIR VALUE MEASUREMENTS

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

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
		(in thousands of dollars)		
Assets:				
Derivative instruments				
Gas contracts	**$ -**	**$ 19,484**	**$ -**	**$ 19,484**
Total	**-**	**19,484**	**-**	**19,484**
Liabilities:				
Derivative instruments				
Gas contracts	**-**	**921**	**7,864**	**8,785**
Total	**-**	**921**	**7,864**	**8,785**
Net assets (liabilities)	**$ -**	**$ 18,563**	**$ (7,864)**	**$ 10,699**

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
		(in thousands of dollars)		
Assets:				
Derivative instruments				
Gas contracts	$ -	$ 1,523	$ -	$ 1,523
Total	-	1,523	-	1,523
Liabilities:				
Derivative instruments				
Gas contracts	-	26,821	1,380	28,201
Total	-	26,821	1,380	28,201
Net liabilities	$ -	$ 25,298	$ 1,380	$ 26,678

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

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

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

10. 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.

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 the Company's proportionate share of the Plans' 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. The Company applies deferral accounting for pension and PBOP expenses associated with its regulated gas operations. Any differences between actual pension costs and amounts used to establish rates are deferred and collected from, or refunded to, customers in subsequent periods. Pension and PBOP service costs are included within operations and maintenance expense, and non-service costs are included within other income (deductions), net in the accompanying statements of operations. Non-service costs contain components for interest cost, expected return on assets, amortization of actuarial gain/loss and settlement charges. Portions of the net periodic benefit costs disclosed below have been capitalized as a component of property, plant, and equipment, net.

Pension Plans

The Qualified Pension Plans are defined benefit plans which provides 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 and 2024, the Company made zero contributions, and during the year ended March 31, 2023, the Company made $11.4 million contributions 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 $16.7 million, $56.0 million, and $36.8 million, respectively. Benefit payments for the years ended March 31, 2024 and 2023, 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 health coverage. During the years ended March 31, 2025, 2024, and 2023, the Company made contributions of $2.8 million, $9.5 million, and $4.1 million, respectively, to the PBOP Plans. The Company's 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 $10.4 million, $9.2 million, and $8.2 million, respectively.

Net Periodic Benefit Costs

The Company's net periodic pension costs (benefits) for the years ended March 31, 2025, 2024, and 2023 were ($2.5) million, $2.5 million, and $6.3 million, respectively. This included non-service pension costs (benefits) for the years ended March 31, 2025, and 2024 of ($11.0) million and ($7.5) million, respectively.

The Company's net periodic PBOP costs for the years ended March 31, 2025, 2024, and 2023 were $1.6 million, $2.3 million, and $3.3 million, respectively.

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

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

	Pension Plans		
	Years Ended March 31,		
	2025	2024	2023
	(in thousands of dollars)		
Net actuarial (gain) loss	**$ (2,165)**	$ (26,469)	$ 32,037
Amortization of net actuarial gain (loss)	**1,779**	(730)	(1,091)
Amortization of prior service cost, net	**(2,585)**	(3,163)	(2,647)
Total	**$ (2,971)**	$ (30,362)	$ 28,299
Change in regulatory assets or liabilities	**$ (2,973)**	$ (29,587)	$ 28,992
Change in AOCI	**2**	(775)	(693)
Total	**$ (2,971)**	$ (30,362)	$ 28,299

	PBOP Plans		
	Years Ended March 31,		
	2025	2024	2023
	(in thousands of dollars)		
Net actuarial loss (gain)	**$ 4,785**	$ (13,297)	$ (1,700)
Amortization of net actuarial gain	**1,355**	968	237
Amortization of prior service credit	**2**	2	1
Total	**$ 6,142**	$ (12,327)	$ (1,462)
Change in regulatory assets or liabilities	**$ 6,142**	$ (12,327)	$ (1,462)
Total	**$ 6,142**	$ (12,327)	$ (1,462)

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

The following tables summarize the Company's amounts recognized in AOCI and regulatory assets/liabilities 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 (gain) loss	**$ (21,946)**	$ (21,560)	$ 5,639
Prior service cost	**(7,859)**	(5,274)	(2,111)
Total	**$ (29,805)**	$ (26,834)	$ 3,528
Included in regulatory assets (liabilities)	**$ (29,805)**	$ (26,832)	$ 2,755
Included in AOCI	**-**	(2)	773
Total	**$ (29,805)**	$ (26,834)	$ 3,528

	PBOP Plans		
	March 31,		
	2025	2024	2023
	(in thousands of dollars)		
Net actuarial gain	**$ (23,338)**	$ (29,478)	$ (17,149)
Prior service credit	**(1)**	(3)	(5)
Total	**$ (23,339)**	$ (29,481)	$ (17,154)
Included in regulatory liabilities	**$ (23,339)**	$ (29,481)	$ (17,154)
Total	**$ (23,339)**	$ (29,481)	$ (17,154)

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	**$ (370,549)**	$ (378,942)	**$ (99,801)**	$ (97,513)
Allocated fair value of assets	**504,514**	507,275	**56,372**	58,879
Funded status	**$ 133,965**	$ 128,333	**$ (43,429)**	$ (38,634)
Non-current assets	**$ 133,965**	$ 128,333	**$ -**	$ -
Non-current liabilities	**-**	-	**(43,429)**	(38,634)
Total	**$ 133,965**	$ 128,333	**$ (43,429)**	$ (38,634)

For the year ended March 31, 2025, the net actuarial gain for Pension was primarily driven by an increase in the discount rate, partially offset by asset losses due to actual returns that were less than expected and demographic losses related to salaries higher than expected. The net actuarial loss for PBOP was driven by unfavorable demographic experience and asset losses due to actual returns that were less than expected, partially offset by an increase in the discount rate. For the year ended March 31, 2024, the net actuarial gain for Pension was primarily driven by an increase in discount rate and slight changes in the retirement assumption tables resulting from a recent experience study, partially offset by asset losses due to returns that were less than expected. The net actuarial gains for the PBOP Plans were driven by an increase in discount rate, savings recognized from a Pharmacy Benefit Manager market check completed the Company's contract, as well as the updated Medicare Advantage contract to reflect actual enrollment. For the year ended March 31, 2023, the net actuarial loss for Pension was largely driven by asset losses due to returns that were less than expected as well as the increase in the cash balance interest crediting rate, offset by the increase in discount rate and slight changes to the withdrawal assumption resulting from the recent experience study. The net actuarial gains for the PBOP Plans were driven by the increase in discount rate and savings resulting from a new Medicare Advantage contract for PBOP, offset by asset losses and the slight withdrawal assumption changes. The net actuarial gain was offset by asset losses due to returns that were less than expected.

Expected Benefit Payments

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

(in thousands of dollars) **Years Ended March 31,**	**Pension Plans**	**PBOP Plans**
2026	$ 18,274	$ 7,710
2027	19,049	8,068
2028	19,707	8,375
2029	20,336	8,643
2030	20,798	8,825
2031-2035	107,370	45,412
Total	$ 205,534	$ 87,033

Assumptions Used for Employee Benefits Accounting

	Pension Plans		
	Years Ended March 31,		
	2025	2024	2023
Benefit Obligations:			
Discount rate	**5.50%**	5.15%	4.85%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**5.20%**	5.20%	5.20%
Weighted average cash balance interest crediting rate	**5.10%**	4.28%	4.40%
Net Periodic Benefit Costs:			
Discount rate	**5.15%**	4.85%	3.65%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**5.20%**	5.20%	5.20%
Expected return on plan assets	**6.75%**	6.50%	5.00%
Weighted average cash balance interest crediting rate	**4.40%**	4.40%	3.75%

	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%
Expected return on plan assets	**6.00%-6.25%**	6.25%-6.75%	5.00%-5.50%

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. The Company uses high quality corporate bond yields and the expected future cash flows from the Company retirement plans to determine the weighted average discount rate assumption.

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

Assumed Health Cost Trend Rate

	Years Ended March 31,	
	2025	2024
Health care cost trend rate assumed for next year		
Pre-65	**6.00%**	6.20%
Post-65	**5.00%**	5.10%
Prescription	**9.00%**	8.00%
Rate to which the cost trend is assumed to decline (ultimate)	**4.50%**	4.50%
Year that rate reaches ultimate trend		
Pre-65	**2031**	2031
Post-65	**2031**	2031
Prescription	**2033**	2033

Plan Assets

The Pension Plan is a 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, achieve the expected long-term total return on the Plans' assets within a prudent level of risk, and maintain a level of volatility that is not expected to have a material impact on the Company's expected contributions and expenses or the Company's ability to meet plan obligations.

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS"), which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan, which is intended to meet the objectives of the Plans by diversifying their funds across asset classes, investment styles, and fund managers. An asset/liability study is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year-ended 2025 reflects the results of such a pension study conducted and 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 securities, other asset classes are utilized to further diversify the investments. These asset classes include private equity, real estate, and diversified alternatives. The objective of these other investments is enhancing long-term returns while improving portfolio diversification. For the PBOP Plans, since the earnings on a portion of the assets are taxable, those investments are managed to maximize after-tax returns consistent with the broad asset class parameters established by the asset/liability study. Investment risk and return are reviewed by the plan investment advisors, National Grid management, and the RPC on a regular basis. The assets of the Plans have no significant concentration of risk in one country (other than the United States), industry, or entity.

The target asset allocations for the benefit plans as of March 31, 2025, and 2024 are as follows:

	Pension Plans		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2025	2024	**2025**	2024	**2025**	2024
Equity	7%	13%	15%	15%	65%	65%
Diversified alternatives	2%	4%	5%	5%	0%	0%
Fixed income securities	70%	60%	80%	80%	35%	35%
Private equity	11%	12%	0%	0%	0%	0%
Real estate	4%	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 and 2024, certain PBOP union trusts related to multiple NGUSA plans were consolidated. The following tables provide the fair value measurement amounts for the pension and PBOP assets at the trust level (includes all trust applicable to Plans the Company participates in):

	March 31, 2025			
	Level 1	Level 2	Not categorized	Total
	(in thousands of dollars)			
Pension assets:				
Equity	$ 133	$ -	$ 223,974	$ 224,107
Diversified alternatives	-	-	49,508	49,508
Corporate bonds	-	1,368,979	302,761	1,671,740
Government securities	9,783	832,914	408,070	1,250,767
Infrastructure	-	-	231,229	231,229
Private equity	-	-	436,439	436,439
Real estate	-	-	146,424	146,424
Total assets	**$ 9,916**	**$ 2,201,893**	**$ 1,798,405**	**$ 4,010,214**
Pending transactions				(132,722)
Total net assets				**$ 3,877,492**
PBOP assets:				
Equity	$ -	$ -	$ 502,905	$ 502,905
Diversified alternatives	133,413	-	-	133,413
Corporate bonds	-	1,747,882	55,001	1,802,883
Government securities	50,251	418,815	-	469,066
Private equity	-	-	25	25
Insurance contracts	-	-	168,560	168,560
Total assets	**$ 183,664**	**$ 2,166,697**	**$ 726,491**	**$ 3,076,852**
Pending transactions				28,894
Total net assets				**$ 3,105,746**

	March 31, 2024			
	Level 1	Level 2	Not categorized	Total
	(in thousands of dollars)			
Pension assets:				
Equity	$ 93,283	$ -	$ 484,506	$ 577,789
Diversified alternatives	48,954	-	163,329	212,283
Corporate bonds	-	1,355,457	278,499	1,633,956
Government securities	2,213	359,537	379,594	741,344
Infrastructure	-	-	213,884	213,884
Private equity	-	-	431,469	431,469
Real estate	-	-	172,697	172,697
Total assets	**$ 144,450**	**$ 1,714,994**	**$ 2,123,978**	**$ 3,983,422**
Pending transactions				(99,945)
Total net assets				**$ 3,883,477**
PBOP assets:				
Equity	$ -	$ -	$ 282,235	$ 282,235
Diversified alternatives	46,313	-	4,591	50,904
Corporate bonds	-	709,777	52,088	761,865
Government securities	31,051	211,808	-	242,859
Private equity	-	-	121	121
Insurance contracts	-	-	160,400	160,400
Total assets	**$ 77,364**	**$ 921,585**	**$ 499,435**	**$ 1,498,384**
Pending transactions				13,054
Total net assets				**$ 1,511,438**

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

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

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

Corporate bonds: Corporate bonds consist of debt issued by various corporations and corporate money market funds. Corporate bonds also 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 U.S. agency and treasury securities, as well as state and local municipal bonds. The Plans hold a small amount of non-U.S. government debt, which is also captured here. U.S. government money market funds are also included. In addition, interest rate futures and swaps are included in this category as a tool to manage interest rate risk.

Private equity: Private equity consists of limited partnership 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 partnership 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: These 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 $3.7 million, $3.6 million, and $3.4 million, respectively, for matching contributions.

11. CAPITALIZATION

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

			March 31,	
			2025	2024
			(in thousands of dollars)	
Total shareholders' equity			**$ 3,949,589**	$ 3,521,308
Long-term debt:	Interest Rate	Maturity Date		
Unsecured notes:				
Senior Note	3.15%	August 1, 2027	**500,000**	500,000
Senior Note	3.13%	October 5, 2027	**150,000**	150,000
Senior Note	3.00%	August 1, 2029	**500,000**	500,000
Senior Note	3.76%	March 16, 2032	**400,000**	400,000
Senior Note	5.84%	January 10, 2035	**500,000**	-
Senior Note	4.49%	February 15, 2042	**500,000**	500,000
Senior Note	4.63%	March 15, 2042	**25,000**	25,000
Senior Note	6.12%	July 20, 2053	**400,000**	400,000
			2,975,000	2,475,000
Medium-Term Notes ("MTNs"):				
MTN Series 1995 C	6.95%	December 1, 2024	**-**	5,000
MTN Series 1995 C	7.25%	October 1, 2025	**20,000**	20,000
MTN Series 1995 C	7.25%	October 1, 2025	**5,000**	5,000
			25,000	30,000
First Mortgage Bonds ("FMBs"):				
FMB Series A-1	7.38%	October 14, 2025	**10,000**	10,000
FMB Series A-2	6.90%	December 15, 2025	**10,000**	10,000
FMB Series A-3	6.94%	February 5, 2026	**10,000**	10,000
FMB Series B-1	7.12%	April 7, 2028	**20,000**	20,000
			50,000	50,000
Total debt			**3,050,000**	2,555,000
Unamortized debt discount			**(124)**	(155)
Unamortized debt issuance costs			**(10,892)**	(9,888)
Total debt less unamortized costs			**3,038,984**	2,544,957
Current portion of long-term debt			**55,000**	5,000
Total long-term debt			**2,983,984**	2,539,957
Total Capitalization			**$ 6,933,573**	$ 6,061,265

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

(in thousands of dollars) **March 31,**	**Maturities of Long-Term Debt**
2026	$ 55,000
2027	-
2028	650,000
2029	20,000
2030	500,000
Thereafter	1,825,000
Total	$ 3,050,000

The Company's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, and financial covenants such as restrictions on the level of indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of the Company's debt and may restrict the Company's ability to draw upon its facilities or access the capital markets. As of March 2025, 2024, and 2023, the Company was in compliance with all such covenants.

At the time of the merger of the Company and Colonial Gas, an affiliated gas distribution company, Colonial Gas had issued and outstanding first mortgage bonds ("the FMBs") under a mortgage indenture dated June 15, 1992, as amended (the "Indenture"). As such, Colonial Gas's assets were pledged as collateral under the terms of the Indenture to secure the repayment of the FMBs. The pledged assets remain subject to a blanket lien created under the Indenture. After the merger, the Colonial Gas assets that were transferred and vested in Boston by operation of law remain subject to the blanket lien of the indenture until such time as all the FMBs are fully repaid. Prior to the merger, Colonial Gas successfully completed a consent solicitation with its FMBs holders that amended its Indenture to limit the assets covered by the blanket lien of the Indenture to the legacy assets of Colonial Gas only and any repairs, renewals, or replacements to such assets.

Debt Authorizations

In December 2022, the Company entered into a $200.0 million Term loan at a variable interest rate with a maturity date of December 1, 2023, with an extension option of up to an additional 13 months. On July 27, 2023, the Term Loan was fully repaid.

On July 20, 2023, the Company issued $400.0 million of unsecured senior long-term debt at a fixed rate of 6.12% with a maturity date of July 20, 2053.

The Company's existing order to issue debt provided the authority to issue long-term debt securities through November 2024 of up to $1.5 billion, of which the Company has issued $1.0 billion. On June 26, 2024, the DPU approved the one-year extension request and increased the maximum interest to 8 percent. The Company's current authority now extends to November 2025.

On January 10, 2025, the Company issued $500.0 million of unsecured long-term debt at 5.84% with a maturity date of January 10, 2035.

Equity Infusion

The Company received an equity infusion from Parent of $200.0 million during the year ended March 31, 2025.

12. INCOME TAXES

Components of Income Tax Expense (Benefit)

	Years Ended March 31,		
	2025	2024	2023
		(in thousands of dollars)	
Current tax expense (benefit):			
Federal	**$ 11,402**	$ (1,182)	$ (70,921)
State	**(3,112)**	(11,563)	(16,407)
Total current tax expense (benefit)	**8,290**	(12,745)	(87,328)
Deferred tax expense (benefit):			
Federal	**37,026**	45,851	107,693
State	**28,408**	35,366	36,826
Total deferred tax expense (benefit)	**65,434**	81,217	144,519
Total income tax expense (benefit)	**$ 73,724**	$ 68,472	$ 57,191

Statutory Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2025, 2024, and 2023 are 24.6%, 24.4%, and 23.7%, 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	**$ 62,884**	$ 59,016	$ 50,656
Change in computed taxes resulting from:			
State income tax, net of federal benefit	**19,983**	18,804	16,131
Amortization of regulatory tax liability, net	**(10,793)**	(12,019)	(12,518)
Penalties and fines	**1,695**	2,371	2,790
Other items, net	**(45)**	300	132
Total changes	**10,840**	9,456	6,535
Total income tax expense	**$ 73,724**	$ 68,472	$ 57,191

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% CAMT on the "adjusted financial statement income" of certain large corporations that qualify as an "applicable corporation" for tax years beginning after December 31, 2022. Once a corporation qualifies as an applicable corporation, it remains one for all future taxable years. National Grid meets the qualifications of an applicable corporation and is therefore subject to CAMT beginning with the fiscal year ending March 31, 2024. Any CAMT amount paid will generate a CAMT credit carryforward that has no expiration period and can be claimed against regular income tax in the future.

In April 2023, the IRS released Revenue Procedure 2023-15, which provides a safe harbor method of accounting that taxpayers may use to determine whether certain expenditures to maintain, repair, replace, or improve natural gas transmission and distribution property must be capitalized as improvements by the taxpayer or currently deducted for federal income tax purposes. The Company does not expect the impact to be material to its results of operations, financial position, or cash flows.

Deferred Tax Components

	March 31,	
	2025	2024
	(in thousands of dollars)	
Deferred tax assets:		
Allowance for doubtful accounts	**$ 27,395**	$ 26,218
Environmental remediation costs	**20,541**	18,823
Net operating losses	**47,095**	30,383
Regulatory liabilities	**113,785**	113,769
Reserves not currently deducted	**26,223**	26,584
Corporate alternative minimum tax credit	**21,617**	18,324
Other items	**21,562**	28,209
Total deferred tax assets	**278,218**	262,310
Deferred tax liabilities:		
Property-related differences	**1,108,256**	1,010,888
Regulatory assets	**131,808**	138,225
Other items	**40,336**	35,915
Total deferred tax liabilities	**1,280,400**	1,185,028
Deferred income tax liabilities, net	**$ 1,002,182**	$ 922,718

Net Operating Losses

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

Jurisdiction	Carryforward Amount	Expiration Period
	(in thousands of dollars)	
Federal	$ 243,066	Indefinite
Massachusetts	199,807	2044-2045

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

Status of Income Tax Examinations

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

Jurisdiction	Tax Year
Federal	March 31, 2022
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 $8.5 million and $6.6 million, respectively. During the years ended March 31, 2025, 2024, and 2023, the Company recorded interest expense of $1.9 million, $3.8 million, and $0.9 million, respectively. No tax penalties were recognized during the years ended March 31, 2025, 2024, and 2023.

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

13. ENVIRONMENTAL MATTERS

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

Within the Commonwealth of Massachusetts, the Company is aware of numerous former MGP sites and related facilities within the existing or former service territories of the Company.

The Company estimated the remaining costs of environmental remediation activities were $75.2 million and $68.9 million as of March 31, 2025 and 2024, respectively. These liabilities are expected to be settled over approximately 47 years, and these undiscounted amounts have been recorded as estimated liabilities on the balance sheet. However, remediation costs for each site may be materially higher than estimated, depending on changing technologies and regulatory standards, selected end use for each site, and actual environmental conditions encountered. The Company has recovered amounts from certain insurers and potentially responsible parties, and, where appropriate, the Company may seek additional recovery from other insurers and from other potentially responsible parties, but it is uncertain whether, and to what extent, such efforts will be successful.

By rate orders, the DPU has provided for the recovery of site investigation and remediation costs. Accordingly, as of March 31, 2025 and 2024, the Company has recorded environmental regulatory assets of $87.0 million (including $1.1 million related to LDAC) and $77.5 million (including $0.8 million related to LDAC), respectively.

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

14. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has entered into various contracts for gas delivery, storage, and supply services. Certain contracts require payment of annual demand charges, which are recoverable from customers. The Company is liable for these payments regardless of the level of service required from third parties. In addition, the Company has various capital commitments related to the construction of property, plant, and equipment.

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

(in thousands of dollars) **March 31,**	**Energy Purchases**	**Capital Expenditures**
2026	$ 469,798	$ 21,761
2027	451,203	7,444
2028	398,694	-
2029	387,727	-
2030	377,212	-
Thereafter	1,566,781	-
Total	$ 3,651,415	$ 29,205

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 will have a material adverse effect on its results of operations, financial position or cash flows.

Energy Efficiency Programs Investigations

National Grid is participating 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 will have a material adverse effect on its results of operations, financial position or cash flows.

15. LEASES

The Company has various operating leases, primarily related to buildings and land used to support its gas operations, with lease terms ranging between 5 and 70 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 finance leases.

The expense related to operating leases was $5.2 million, $4.9 million, and $4.3 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:

	Year ended March 31, 2025	2024	2023
	(in thousands of dollars)		
Cash paid for amounts included in lease liabilities			
Operating cash flows from operating leases	**$ 5,252**	$ 4,887	$ 4,403
ROU assets obtained in exchange for new operating lease liabilities	**2,851**	9,977	3,257
Weighted-average remaining lease term – operating leases	**17 years**	18 years	18 years
Weighted-average discount rate – operating leases	**3.8%**	3.9%	3.3%

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	**$ 4,869**
2027	**5,876**
2028	**6,044**
2029	**6,157**
2030	**6,095**
Thereafter	**74,329**
Total future minimum lease payments	**103,370**
Less: imputed interest	**28,567**
Total	**$ 74,803**
Reported as of March 31, 2025:	
Current lease liability	**$ 1,979**
Non-current lease liability	**72,824**
Total	**$ 74,803**

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

16. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

NGUSA and its affiliates provide various services to the Company, including executive and administrative, customer services, financial (including accounting, auditing, risk management, tax, and treasury/finance), human resources, information technology, legal, purchase gas, 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)			
NGUSA	**$ -**	$ 94	**$ 82,512**	$ 68,979
NGUSA Service Company	**13,842**	11,913	**41,028**	35,945
Massachusetts Electric Company	**2,093**	8,405	**153**	56
Other affiliates	**89**	1,065	**44**	1,030
Total	**$ 16,024**	$ 21,477	**$ 123,737**	$ 106,010

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 investments of $272.0 million and short-term borrowings of $54.1 million as of March 31, 2025 and 2024, respectively. The average interest rates for the intercompany money pool were 5.1%, 5.2%, and 2.9% for the years ended March 31, 2025, 2024, and 2023, respectively.

Additionally, NGUSA had committed revolving credit facilities of approximately $6.8 billion, all of which have expiry dates beyond May 2027, with an annual extension option potentially taking this to June 2028. As of March 31, 2025, these facilities have not been drawn against and can be used to fund the money pool.

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at cost, without a 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, which for the years ended March 31, 2025, 2024, and 2023 were $402.6 million, 371.2 million, and $325.6 million, respectively.