Nantucket Electric Company

Financial Statements

For the years ended March 31, 2025 and 2024

NANTUCKET ELECTRIC COMPANY

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nantucket Electric Company

Opinion

We have audited the financial statements of Nantucket Electric Company (the "Company"), which comprise the balance sheets as of March 31, 2025 and 2024, and the related statements of operations, cash flows and changes in shareholder's equity for the years then ended, 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 the years then ended 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

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

	Years Ended March 31,	
	2025	2024
Operating revenues	**$ 37,042**	$ 34,260
Operating expenses:		
Purchased electricity	**3,631**	3,115
Operations and maintenance	**18,950**	18,291
Depreciation and amortization	**3,541**	3,218
Other taxes	**930**	871
Total operating expenses	**27,052**	25,495
Operating income	**9,990**	8,765
Other income and (deductions):		
Interest on long-term debt	**(1,997)**	(2,183)
Other interest, including affiliate interest, net	**(785)**	(558)
Other income, net	**5,871**	5,589
Total other income, net	**3,089**	2,848
Income before income taxes	**13,079**	11,613
Income tax expense	**3,649**	3,648
Net income	**$ 9,430**	$ 7,965

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

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

	Years Ended March 31,	
	2025	2024
Operating activities:		
Net income	**$ 9,430**	$ 7,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**3,541**	3,218
Deferred income tax benefit	**(100)**	(405)
Bad debt benefit	**(302)**	(58)
Amortization of debt discount and issuance costs	**186**	174
Allowance for equity funds used during construction	**(236)**	(153)
Pension and postretirement (income) expenses, net	**(253)**	53
Pension and postretirement benefits contributions, net	**(56)**	(305)
Changes in operating assets and liabilities:		
Accounts receivables and unbilled revenues, net	**(2,385)**	(334)
Accounts receivable from/payable to affiliates, net	**(3,732)**	(398)
Regulatory assets and liabilities (current), net	**3,313**	2,793
Regulatory assets and liabilities (non-current), net	**1,394**	1,798
Prepaid and accrued taxes, net	**2,186**	166
Accounts payable and other liabilities	**53**	1,015
Other, net	**(397)**	(116)
Net cash provided by operating activities	**12,642**	15,413
Investing activities:		
Capital expenditures	**(10,863)**	(5,479)
Cost of removal	**(1,008)**	(337)
Intercompany money pool	**(426)**	(9,744)
Net cash used in investing activities	**(12,297)**	(15,560)
Financing activities:		
Net cash used in financing activities	**-**	-
Net increase (decrease) in cash and cash equivalents	**345**	(147)
Cash and cash equivalents, beginning of year	**23**	170
Cash and cash equivalents, end of year	**$ 368**	$ 23
Supplemental disclosures:		
Interest paid, net of amounts capitalized	**$ (1,873)**	$ (1,935)
Income taxes paid	**(1,517)**	(3,789)
Significant non-cash items:		
Capital-related accruals included in accounts payable	**1,366**	201
Parent tax loss allocation	**2,000**	-
ROU assets obtained in exchange for new operating lease liabilities	**139**	1,140

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

NANTUCKET ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2025	March 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 368**	$ 23
Accounts receivable, net	**4,886**	3,150
Accounts receivable from affiliates	**5,577**	1,330
Intercompany money pool	**104,113**	103,687
Unbilled revenues, net	**1,735**	1,421
Inventory	**789**	421
Regulatory assets	**92**	86
Other, net	**663**	28
Total current assets	**118,223**	110,146
Property, plant and equipment, net	**100,405**	91,522
Non-current assets:		
Regulatory assets	**2,112**	1,470
Goodwill	**15,706**	15,706
Postretirement benefits	**315**	245
Other	**980**	365
Total non-current assets	**19,113**	17,786
Total assets	**$ 237,741**	$ 219,454

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

NANTUCKET ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2025	2024
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable and other	**$ 5,538**	$ 5,158
Accounts payable to affiliates	**2,360**	1,845
Taxes accrued	**3,902**	3,716
Customer deposits	**80**	85
Regulatory liabilities	**33,226**	29,907
Other	**1,910**	1,132
Total current liabilities	**47,016**	41,843
Non-current liabilities:		
Regulatory liabilities	**22,913**	21,173
Deferred income tax liabilities, net	**-**	88
Postretirement benefits	**1,121**	1,054
Operating lease liability	**1,534**	1,697
Other	**492**	398
Total non-current liabilities	**26,060**	24,410
Commitments and contingencies (Note 11)		
Capitalization:		
Shareholder’s equity	**113,888**	102,458
Long-term debt	**50,777**	50,743
Total capitalization	**164,665**	153,201
Total liabilities and capitalization	**$ 237,741**	$ 219,454

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

NANTUCKET ELECTRIC COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(in thousands of dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss) Unrealized Gain (Loss) On Securities	Retained Earnings	Total
Balance as of March 31, 2023	$ -	$ 32,005	$ 30	$ 62,450	$ 94,485
Net income	-	-	-	7,965	7,965
Total comprehensive income					7,965
Implementation of ASC 326 net of $3 tax benefit[1]	-	-	-	8	8
Balance as of March 31, 2024	**$ -**	**$ 32,005**	**$ 30**	**70,423**	**$ 102,458**
Net income	-	-	-	9,430	9,430
Total comprehensive income					9,430
Parent tax loss allocation	-	2,000	-	-	2,000
Balance as of March 31, 2025	**$ -**	**$ 34,005**	**$ 30**	**$ 79,853**	**$ 113,888**

The Company had 1,201 shares of common stock authorized, with 1 share issued and outstanding at a par value of $1 per share as of March 31, 2025 and 2024.

(1) See Note 4, "Allowance for Doubtful Accounts" for additional information.

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

NANTUCKET ELECTRIC COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nantucket Electric Company ("the Company") is an electric retail distribution company providing electric service to approximately 15 thousand customers on the Island of Nantucket.

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

Pursuant to a settlement agreement associated with NGUSA's purchase of the Company in 1996, approved by the Massachusetts Department of Public Utilities ("DPU"), the Company is considered, along with its affiliate Massachusetts Electric Company ("Massachusetts Electric") as one regulated entity for the purpose of recovering its costs and establishing its rates assessed to its customers, with the exception of the recovery of the Company's investment in two undersea electric cables. The undersea electric cables are recovered from customers through a separate cable facilities surcharge. In the recovery of certain regulatory assets, funding of the recovery is from the customers of both companies. However, the mechanism by which recovery is ultimately achieved is through a single regulatory asset recorded on the balance sheet of Massachusetts Electric. The Company's share of these costs and recoveries are reflected through a return on equity mechanism between the Company and Massachusetts Electric, as discussed in Note 13, "Related Party Transactions".

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

The Company has evaluated subsequent events and transactions through June 20, 2025, the date of issuance of these financial statements, and concluded that there were no events or transactions that require adjustment to, or disclosure in, the financial statements as of and for the year ended March 31, 2025, with the exception of items otherwise disclosed in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Regulatory Accounting

The Federal Energy Regulatory Commission ("FERC") and the DPU regulate the rates the Company charges its customers. In certain cases, the rate actions of the FERC and the DPU can result in accounting that differs from non-regulated companies. In these cases, the Company defers costs (as regulatory assets) or recognizes obligations (as regulatory liabilities) if it is probable that such amounts will be recovered from, or refunded to, customers through future rates. In accordance with Accounting Standards Codification ("ASC") 980, "*Regulated Operations*," regulatory assets and liabilities are reflected on the balance sheet consistent with the treatment of the related costs in the ratemaking process.

Revenue Recognition

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

Income Taxes

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

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

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

Other Taxes

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

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

The allowance for doubtful accounts is determined based on a variety of factors, including, for each type of receivable, applying an estimated reserve percentage to each aging category, which takes into account historical collections, write-off experience, and management's assessment of collectability from customers, as appropriate. Management continuously assesses the collectability of receivables and adjusts estimates accordingly if circumstances change and such adjustments are reasonable and supportable based on actual experience, current conditions, and forward-looking information as well as future expectations. Receivable balances are written off against the allowance for doubtful accounts when the accounts are disconnected and/or terminated, and when such balances are deemed to be uncollectible.

Inventory

Inventory is composed of materials and supplies and 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 and 2024.

Power Purchase Agreements

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

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

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

Fair Value Measurements

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access as of the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data;
- Level 3: unobservable inputs, such as internally-developed forward curves and pricing models for the asset or liability due to little or no market activity for the asset or liability with low correlation to observable market inputs; and
- Not categorized: investments in funds, that meet certain conditions of ASC 820, are not required to be categorized

within the fair value hierarchy. These investments are typically in commingled funds or limited partnerships that are not publicly traded and have ongoing subscription and redemption activity. As a practical expedient, the fair value of these investments is the Net Asset Value ("NAV") per fund share.

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

Property, Plant and Equipment

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

Depreciation is computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the FERC and the DPU. The average composite rates for the years ended March 31, 2025 and 2024 were 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 assets. 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 $236 thousand and $153 thousand, and AFUDC related to debt of $56 thousand and $22 thousand, for the years ended March 31, 2025 and 2024, respectively. The average AFUDC rates for the years ended March 31, 2025 and 2024 were 6.6% for both years.

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. 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 and 2024, 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 and 2024.

Employee Benefits

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

Leases

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

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

New and Recent Accounting Guidance

Accounting Guidance Not Yet Adopted

Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" which improves the income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The Company will adopt this standard for annual periods effective April 1, 2025.

Reclassifications

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

3. REVENUE

The following table presents, for the years ended March 31, 2025 and 2024, 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
	(in thousands of dollars)	
Revenue from contracts with customers:		
Electric services	**$ 30,226**	$ 25,855
Total revenue from contracts with customers	**30,226**	25,855
Revenue from alternative revenue programs	**(757)**	(953)
Other revenue	**7,573**	9,358
Total operating revenues	**$ 37,042**	$ 34,260

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

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

This revenue also includes estimated unbilled amounts, which represent the estimated amounts due from retail customers for electricity provided to customers by the Company but not yet billed. Unbilled revenues are determined by taking estimated unbilled sales volumes for the respective customer classes and then applying the applicable tariff rate to those volumes. Actual amounts billed to customers when the meter readings occur may be different from the estimated amounts. Certain customers have the option to obtain electricity from other suppliers. In those circumstances, revenue is only recognized for providing delivery of the commodity to the customer.

Additionally, the Company owns an electric transmission system in Nantucket. Transmission systems generally include overhead lines, underground cables and substations, connecting generation and interconnectors to the distribution system. The Company's transmission services are regulated by both the DPU and by the FERC in respect to interstate transmission.

Revenue from alternative revenue programs: The Company records revenues in accordance with accounting principles for rate-regulated operations for arrangements between the Company and the regulator, which are not accounted for as contracts with customers. These primarily include programs that qualify as Alternative Revenue Programs ("ARPs"). ARPs enable the Company to adjust rates in the future, in response to past activities or completed events. The Company's electric distribution rates have a revenue decoupling mechanism ("RDM") which allows for annual adjustments to the Company's delivery rates as a result of the reconciliation between allowed revenue and billed revenue.

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

Other revenue: Other revenue consists of capital related operations and maintenance billings and pole rentals. This revenue primarily includes Massachusetts Electric reimbursement as discussed in Note 13, "Related Party Transactions".

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are recorded at amortized cost, net of 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 benefit of $0.3 million and $0.1 million for the years ended March 31, 2025 and 2024, respectively, within operations and maintenance expense in the accompanying statements of operations.

The activity in the accumulated provision for uncollectible accounts for the years ended March 31, 2025 and 2024 was as follows:

	Year Ended March 31, 2025 *(in thousands of dollars)*			**Year Ended March 31, 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	**$ 342**	**$ 112**	**$ 454**	$ 306	$ 124	$ 430
Impact of adoption of ASC Topic 326 on April 1, 2023	**-**	**-**	**-**	3	(13)	(10)
Credit loss expense (benefit)	**140**	**(78)**	**62**	175	3	178
Write-offs	**(192)**	**(2)**	**(194)**	(182)	(37)	(219)
Recoveries	**45**	**2**	**47**	40	35	75
Ending balance	**$ 335**	**$ 34**	**$ 369**	$ 342	$ 112	$ 454

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	March 31, 2024
	(in thousands of dollars)	
Regulatory assets		
Current:		
Rate adjustment mechanisms	**$ 92**	$ 86
Total	**92**	86
Non-current:		
Postretirement benefits	**2,103**	1,461
Other	**9**	9
Total	**2,112**	1,470
Regulatory liabilities		
Current:		
Rate adjustment mechanisms	**5,634**	4,383
Revenue decoupling mechanism	**2,298**	2,220
Transmission service	**25,294**	23,304
Total	**33,226**	29,907
Non-current:		
Cost of removal	**2,297**	2,506
Energy efficiency	**12,685**	10,875
Regulatory tax liability, net	**6,774**	6,663
Second cable deferral	**570**	1,024
Other	**587**	105
Total	**$ 22,913**	$ 21,173

Regulatory assets associated with future financial obligations and 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 shareholder's investment. This equity return component will be recovered through future rates but is not recognized for financial reporting purposes. There were no amounts for the equity return component not recognized in the financial statements as of March 31, 2025 and 2024, respectively.

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

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

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

Rate adjustment mechanisms: In addition to commodity costs, the Company is subject to a number of additional rate adjustment mechanisms, whereby an asset or liability is recognized, resulting from differences between billed revenues and the underlying cost being recovered or differences between billed revenues and targeted amounts, as approved by the DPU. The rate related regulatory assets such as long-term contracting for renewable energy recovery ("LTCRER") and unbilled revenue do not earn a return.

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

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

Second cable deferral: Represents the over-recoveries of costs associated with the second undersea cable to the island of Nantucket, which was placed in service on April 18, 2006. The recovery mechanism was intended to mitigate the immediate customer rate impact by accruing costs in the first several years and remitting such accruals in later years.

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

6. RATE MATTERS

General Rate Case

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

PBR Plan Filing

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

On June 13, 2025, the Company and Massachusetts Electric filed their first annual PBR filing approved in the 2023 rate case. The filing requested a PBR adjustment effective October 1, 2025, of approximately $26.4 million, based on a PBR percentage of 4.70%.

Grid Modernization Plan

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

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

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

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

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

Storm Threshold Deferral Requests

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

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

Storm Cost Recovery

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

Electric Sector Modernization Plan

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

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

Capital Investment Projects

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

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

Solar Phase II and III

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

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

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

Electric Vehicle Program

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

2025-2027 Three-Year Energy Efficiency Plan

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

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

Infrastructure, Safety, Reliability, and Electrification

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

Department of Energy Resources ("DOER")

On March 4, 2025, the Company received a request from the DOER to credit a sum of Alternative Compliance Payments collected by the DOER to the Company's residential customers. As of March 31, 2025, the Company has recorded this as a receivable within other current assets, net and a liability within other current liabilities. The Company has received $0.6 million from the DOER on April 2, 2025, which will be applied as a one-time $50 credit to the bills of its residential customers.

7. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2025	2024
	(in thousands of dollars)	
Plant and machinery	**$ 154,311**	$ 142,401
Land and buildings	**4,811**	4,752
Assets in construction	**3,930**	4,923
Operating leases ROU assets	**2,822**	2,782
Total property, plant and equipment	**165,874**	154,858
Accumulated depreciation and amortization	**(64,470)**	(62,541)
Accumulated amortization - Operating lease ROU assets	**(999)**	(795)
Property, plant and equipment, net	**$ 100,405**	$ 91,522

8. EMPLOYEE BENEFITS

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

Plan assets are maintained for all of NGUSA and its subsidiaries in commingled trusts. In respect of cost determination, plan assets are allocated to the Company based on its proportionate share of the projected benefit obligations. The Plans’ costs are first directly charged to the Company based on the Company’s employees that participate in the Plans. Costs associated with affiliated service companies’ employees are then allocated as part of the labor burden for work performed on the Company’s behalf. As a result of guidance received in the Company’s most recent base distribution rate case in D.P.U. 23-150, it was determined that any differences between actual costs and amounts used to establish rates related to pension and PBOP expenses starting October 1, 2024 are no longer deferred and collected from, or refunded to, customers in subsequent periods but will now be included as a component of base rate recovery. Prior to the DPU order the Company’s unamortized non-cash accrual of net actuarial gains and losses, offset by the excess amounts received in rates over actual costs of the Company’s pension and PBOP plans, were recovered from or passed back to customers in future periods. The order allowed the deferral balance as of September 30, 2024 to be deferred and collected from, or refunded to, customers in subsequent periods. Pension and PBOP service costs are included within operations and maintenance expense, and non-service costs are included within other income (deductions), net in the accompanying statements of operations. Non-service costs contain components for interest cost, expected return on assets, amortization of actuarial gain/loss and settlement charges. Portions of the net periodic benefit costs disclosed below have been capitalized as a component of property, plant, and equipment, net.

Pension Plans

The Qualified Pension Plans are defined benefit plans which provide most union employees, as well as non-union employees hired before January 1, 2011, with a retirement benefit. Supplemental non-qualified, non-contributory executive retirement programs provide additional defined pension benefits for certain executives and for eligible participants covers compensation levels in excess of the Internal Revenue Service (“IRS”) limits. The Company did not make contributions to the Qualified Pension Plans during the years ended March 31, 2025 and 2024. 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 and 2024 were approximately $0.4 million and $0.6 million, respectively.

PBOP Plans

The PBOP plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must contribute to the cost of their coverage. During the years ended March 31, 2025 and 2024, the Company made zero and $0.2 million contributions, respectively, to the PBOP Plans. 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 and 2024 were approximately $0.1 million in both years.

Net Periodic Benefit Costs

The Company's net periodic benefit pension cost (benefit) for the years ended March 31, 2025 and 2024 was ($0.1) million for both years.

The Company's net periodic benefit PBOP cost for the years ended March 31, 2025 and 2024 was $0.1 million for both years.

Amounts Recognized in Regulatory Assets/Liabilities

The following tables summarize the Company's changes in actuarial gains/losses and prior service costs recognized in regulatory assets/liabilities for the years ended March 31, 2025 and 2024:

	Pension Plans	
	March 31,	
	2025	2024
	(in thousands of dollars)	
Net actuarial (gain) loss	**$ 2**	$ (77)
Total	**$ 2**	$ (77)
Change in regulatory assets or liabilities	**$ 2**	$ (77)
Total	**$ 2**	$ (77)

	PBOP Plans	
	March 31,	
	2025	2024
	(in thousands of dollars)	
Net actuarial loss (gain)	**$ 23**	$ (51)
Amortization of net actuarial gain	**48**	51
Total	**$ 71**	$ -
Change in regulatory assets or liabilities	**$ 71**	$ -
Total	**$ 71**	$ -

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

The following tables summarize the Company's amounts recognized in 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 and 2024:

	Pension Plans	
	March 31,	
	2025	2024
	(in thousands of dollars)	
Net actuarial loss	**$ 1,277**	$ 1,275
Total	**$ 1,277**	$ 1,275
Included in regulatory assets	**$ 1,277**	$ 1,275
Total	**$ 1,277**	$ 1,275

	PBOP Plans	
	March 31,	
	2025	2024
	(in thousands of dollars)	
Net actuarial gain	**$ (446)**	$ (517)
Total	**$ (446)**	$ (517)
Included in regulatory liabilities	**$ (446)**	$ (517)
Total	**$ (446)**	$ (517)

Reconciliation of Funded Status to Amounts Recognized on the Balance Sheet

The following table summarizes the portion of the funded status above that is recognized on the Company's balance sheet as of March 31, 2025 and 2024:

	Pension Plans		PBOP Plans	
	March 31,		March 31,	
	2025	2024	**2025**	2024
	(in thousands of dollars)			
Projected benefit obligation	**$ (7,487)**	$ (7,948)	**$ (1,787)**	$ (1,704)
Allocated fair value of assets	**7,802**	8,193	**576**	577
Funded status	**$ 315**	$ 245	**$ (1,211)**	$ (1,127)
Non-current assets	**$ 315**	$ 245	**$ -**	$ -
Other current liabilities	**-**	-	**(90)**	(73)
Non-current liabilities	**-**	-	**(1,121)**	(1,054)
Total	**$ 315**	$ 245	**$ (1,211)**	$ (1,127)

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

Expected Benefit Payments

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

(in thousands of dollars) Years Ending March 31,	Pension Plans	PBOP Plans
2026	$ 502	$ 93
2027	526	112
2028	547	124
2029	564	138
2030	579	153
2031-2035	2,992	627
Total	$ 5,710	$ 1,247

Assumptions Used for Employee Benefits Accounting

	Pension Plans	
	Years Ended March 31,	
	2025	2024
Benefit Obligations:		
Discount rate	**5.50%**	5.15%
Rate of compensation increase (nonunion)	**4.30%**	4.30%
Rate of compensation increase (union)	**4.25%**	4.25%
Weighted average cash balance interest crediting rate	**5.10%**	4.47%
Net Periodic Benefit Costs:		
Discount rate	**5.15%**	4.85%
Rate of compensation increase (nonunion)	**4.30%**	4.30%
Rate of compensation increase (union)	**4.25%**	4.25%
Expected return on plan assets	**6.75%**	6.50%
Weighted average cash balance interest crediting rate	**4.40%**	4.40%

	PBOP Plans	
	Years Ended March 31,	
	2025	2024
Benefit obligations:		
Discount rate	**5.50%**	5.15%
Net periodic benefit costs:		
Discount rate	**5.15%**	4.85%
Expected return on plan assets	**6.25%-6.50%**	6.25%-6.75%

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 with and the expected future cash flows from the Company retirement plans to determine the weighted average discount rate assumption.

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

Assumed Health Cost Trend Rate

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

Plan Assets

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

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

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS"), which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan which is intended to meet the objectives of the Plans by diversifying its funds across asset classes, investment styles, and fund managers. An asset liability analysis typically is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year end 2025 reflects the results of such work implemented in fiscal year 2025. As a result of that asset liability analysis, the asset mix for the Pension Plans were changed to further reduce investment risk given the increased funded status of the Plans and to better hedge the respective plan liabilities. The Non-Union PBOP Plan asset liability study was conducted in fiscal year 2024. As a result of that study, the RPC approved changes to the Non-Union PBOP asset allocation effective in fiscal year 2024. The last Union PBOP study was conducted in fiscal year 2023.

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

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

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

	Pension Plans		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2025	2024	**2025**	2024	**2025**	2024
Equity	**5%**	13%	**15%**	15%	**70%**	70%
Diversified alternatives	**2%**	4%	**5%**	5%	**0%**	0%
Fixed income securities	**70%**	60%	**80%**	80%	**30%**	30%
Private equity	**12%**	12%	**0%**	0%	**0%**	0%
Real estate	**5%**	5%	**0%**	0%	**0%**	0%
Infrastructure	**6%**	6%	**0%**	0%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

During the year ended March 31, 2025, certain PBOP trusts were consolidated. The following tables provide the fair value measurement amounts for the pension and PBOP assets at the trust level (includes all trusts applicable to Plans the Company participates in):

	March 31, 2025			
	Level 1	**Level 2**	**Not categorized**	**Total**
	(in thousands of dollars)			
Pension assets:				
Equity	$ 55	$ -	$ 82,070	$ 82,125
Diversified alternatives	-	-	26,404	26,404
Corporate bonds	-	621,383	151,356	772,739
Government securities	6,963	353,902	191,993	552,858
Private equity	-	-	226,816	226,816
Real estate	-	-	77,612	77,612
Infrastructure	-	-	118,098	118,098
Total assets	**$ 7,018**	**$ 975,285**	**$ 874,349**	**$ 1,856,652**
Pending transactions				(62,199)
Total net assets				**$ 1,794,453**
PBOP assets:				
Equity	$ 40,464	$ -	$ 454,531	$ 494,995
Diversified alternatives	133,413	-	-	133,413
Corporate bonds	-	1,747,400	-	1,747,400
Government securities	44,302	379,442	573	424,317
Private equity	-	-	15	15
Insurance contracts	-	-	42,043	42,043
Total assets	**$ 218,179**	**$ 2,126,842**	**$ 497,162**	**$ 2,842,183**
Pending transactions				28,878
Total net assets				**$ 2,871,061**

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

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

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

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

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

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

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

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

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

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

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

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

Defined Contribution Plans

NGUSA has defined contribution retirement plans that cover substantially all employees. For the years ended March 31, 2025 and 2024, the Company recognized an expense in the accompanying statements of operations of $0.1 million in both years, for matching contributions.

9. CAPITALIZATION

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

			March 31,	
			2025	2024
			(in thousands of dollars)	
Total shareholder's equity			**$ 113,888**	$ 102,458
Long-term debt:	Interest Rate	Maturity Date		
Unsecured tax-exempt notes:				
2004 Massachusetts Development Finance Agency ("MDFA")	Variable	March 1, 2039	**10,000**	10,000
2005 MDFA	Variable	December 1, 2040	**28,000**	28,000
2007 MDFA	Variable	August 1, 2042	**13,300**	13,300
Total debt			**51,300**	51,300
Unamortized debt issuance costs			**(523)**	(557)
Total long-term debt			**50,777**	50,743
Total capitalization			**$ 164,665**	$ 153,201

As of March 31, 2025, the Company has no long-term debt maturing within the next five years, and the total amount maturing thereafter is $51.3 million.

The Company's debt agreements and banking facilities contain general covenants, including those relating to the periodic and timely provision of financial information by the issuing entity, and financial covenants, such as restrictions on the level of indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of the Company's debt, and may restrict the Company's ability to draw upon its facilities or access the capital markets. As of March 31, 2025 and 2024, the Company was in compliance with all such covenants.

Debt Authorizations

The Company has regulatory approval from the FERC to issue up to $15 million of short-term debt. The authorization was renewed with an effective date of October 15, 2024 and expires on October 14, 2026. The Company had no external short-term debt as of March 31, 2025 and 2024. Refer to Note 13, “Related Party Transactions” under “Intercompany Money Pool” for short-term debt outstanding with associated companies.

Electric Revenue Bonds

As of March 31, 2025, the Company had $51.3 million outstanding of Electric Revenue Bonds in the form of tax-exempt commercial paper with maturity dates ranging from 2039 through 2042. The debt is remarketed at periods of 1-270 days and had variable interest rates ranging from 2.65% and 4.20% and from 2.50% and 4.70% for the years ended March 31, 2025 and 2024, respectively. The bonds were issued by the Massachusetts Development Finance Agency in connection with the Company’s financing of its first and second underground and submarine cable projects.

The Company has a Standby Bond Purchase Agreement (“SBPA”) of $51.3 million, which expires on May 31, 2028. The SBPA is available to provide liquidity support for $51.3 million of the Company’s Electric Revenue Bonds in the form of tax-exempt commercial paper. The Company has classified this debt as long-term due to its intent and ability to refinance the debt on a long-term basis if it is not able to remarket it. As of March 31, 2025 and 2024, there were no bond purchases made by the banks participating in this agreement.

Massachusetts Electric unconditionally guarantees the full and prompt payment of the principal, premium, if any, and interest on the tax-exempt bonds issued by the Massachusetts Development Finance Agency in connection with the Company’s financing of its first and second underground and submarine cable projects. The Company does not compensate Massachusetts Electric for the guarantee. Massachusetts Electric would be required to make any principal, premium, or interest payments if the Company did not fulfill its obligations under the financing agreement.

Dividend Restrictions

Pursuant to provisions in connection with the prior mergers, payment of dividends on common stock are not permitted if, after giving effect to such payment of dividends, common equity becomes less than 30% of total capitalization. As of March 31, 2025 and 2024, common equity was 69% and 67% of total capitalization, respectively. Under these provisions, none of the Company’s retained earnings as of March 31, 2025 and 2024 were restricted as to common dividends**.**

10. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,	
	2025	2024
	(in thousands of dollars)	
Current tax expense (benefit):		
Federal	$ 2,680	$ 2,811
State	1,069	1,242
Total current tax expense (benefit)	3,749	4,053
Deferred tax expense (benefit):		
Federal	(104)	(106)
State	4	(299)
Total deferred tax expense (benefit)	(100)	(405)
Total income tax expense	$ 3,649	$ 3,648

Statutory Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2025 and 2024 were 27.9% and 31.4%, respectively. The following table presents a reconciliation of income tax expense at the federal statutory tax rate of 21% to the actual tax expense:

	Years Ended March 31,	
	2025	2024
	(in thousands of dollars)	
Computed tax	**$ 2,746**	$ 2,439
Change in computed taxes resulting from:		
State income tax, net of federal benefit	**848**	745
Other	**55**	464
Total changes	**903**	1,209
Total income tax expense	**$ 3,649**	$ 3,648

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

Deferred Tax Components

	March 31,	
	2025	2024
	(in thousands of dollars)	
Deferred tax assets:		
Regulatory liabilities	**$ 14,710**	$ 13,270
Other	**1,066**	1,095
Total deferred tax assets	**15,776**	14,365
Deferred tax liabilities:		
Property-related differences	**14,953**	13,950
Other	**700**	503
Total deferred tax liabilities	**15,653**	14,453
Deferred income tax assets (liabilities), net	**$ 123**	$ (88)

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 Position

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statement of operations. As of March 31, 2025 and 2024, the Company has accrued for interest related to unrecognized tax benefits of $20 thousand and $5 thousand, respectively. During the years ended March 31, 2025 and 2024, the Company recorded interest expense of $14.9 thousand and $0.2 thousand, respectively. No tax penalties were recognized during the years ended March 31, 2025 and 2024.

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

11. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company has various capital commitments related to the construction of property, plant, and equipment. The Company's commitments for the years subsequent to March 31, 2025 are summarized in the table below:

(in thousands of dollars) **Years Ending March 31,**		**Capital Expenditures**
2026	$	1,308
2027		603
2028		803
2029		-
2030		-
Thereafter		-
Total	$	2,714

Legal Matters

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

Federal and Regulatory Investigations into Allegations of Fraud and Bribery

On June 17, 2021, five former employees of National Grid USA Service Company, Inc. in the downstate New York facilities department were arrested on federal charges alleging fraud and bribery. The five former employees subsequently pleaded guilty to the charges, pursuant to plea agreements. NGUSA was deemed a victim of the crimes. On June 23, 2021, based on the US Attorney's announcement, the New York Public Service Commission ("NY PSC") issued an order commencing a proceeding to examine the potential impacts of the employee misconduct on the capital and O&M expenditures of National Grid's downstate New York gas companies. National Grid fully cooperated with the NY PSC's investigation, which was resolved through a settlement that was approved in December 2024. The DPU has indicated that it will open an investigation into this matter after the conclusion of the NY PSC's investigation. However, the Company does not expect this matter to have a material adverse effect on its results of operations, financial position or cash flows.

Energy Efficiency Programs Investigations

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

12. LEASES

The Company has various operating leases, primarily related to buildings, land and fleet vehicles used to support electric operations, with lease terms ranging between 1 and 11 years.

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

The expense related to operating leases was $380 thousand and $339 thousand for the years ended March 31, 2025 and 2024, respectively.

As of March 31, 2025 and 2024, the Company did not have material rights or obligations under operating leases that have not yet commenced.

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

	Year Ended March 31,	
	2025	2024
	(in thousands of dollars)	
Cash paid for amounts included in lease liabilities		
Operating cash flows from operating leases	**$ 380**	$ 339
ROU assets obtained in exchange for new operating lease liabilities	**$ 139**	$ 1,140
Weighted-average remaining lease term – operating leases	**6 years**	7 years
Weighted-average discount rate – operating leases	**4.3%**	4.4%

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

	Operating Leases
Year Ending March 31,	*(in thousands of dollars)*
2026	$ 359
2027	349
2028	336
2029	324
2030	309
Thereafter	384
Total future minimum lease payments	2,061
Less: imputed interest	(237)
Total	$ 1,824
Reported as of March 31, 2025:	
Current lease liability	$ 290
Non-current lease liability	1,534
Total	$ 1,824

There are certain leases in which the Company is the lessor. Revenue under such leases was $597 thousand for the year ended March 31, 2025, and immaterial for the year ended March 31, 2024.

13. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

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

The Company records short-term receivables 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)			
Massachusetts Electric Company	**$ 1,580**	$ 1,178	**$ 484**	$ 360
New England Power Company	**3,800**	7	**604**	424
NGUSA	**-**	22	**44**	96
NGUSA Service Company	**193**	122	**1,227**	872
Other	**4**	1	**1**	93
Total	**$ 5,577**	$ 1,330	**$ 2,360**	$ 1,845

Intercompany Money Pool

The settlement of the Company's various transactions with NGUSA and certain affiliates generally occurs via the intercompany money pool in which it participates. The Company is a participant in the regulated money pool and can both borrow and invest funds. Investments in the regulated money pool bear interest in accordance with the terms of the regulated money pool agreement. As the Company fully participates in the regulated money pool rather than settling intercompany charges with cash, all changes in the intercompany money pool balance are reflected as investing or financing activities in the accompanying 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 $104.1 million and $103.7 million as of March 31, 2025 and 2024, respectively. The average interest rates for the intercompany money pool were 5.1% and 5.2% for the years ended March 31, 2025 and 2024, respectively.

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

Related Party Reimbursement

In accordance with the Credit and Operating Support Agreement dated March 26, 1996, Massachusetts Electric will reimburse the Company an amount equal to the difference between the Company's actual net income for the year and the net income necessary for the Company to earn its DPU approved ROE for the fiscal year, currently 9.35%. This reimbursement shall constitute additional revenue to the Company and expense to Massachusetts Electric. The Company is entitled to retain any return in excess of 9.35%. For the years ended March 31, 2025 and 2024, Massachusetts Electric reimbursed the Company $6.9 million and $8.7 million, respectively.

Service Company Charges

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

Charges from the service companies of NGUSA to the Company are mostly related to traditional administrative support functions. For the years ended March 31, 2025 and 2024 cost allocated to the Company were $7.2 million and $5.6 million, respectively.