nationalgrid

National Grid USA and Subsidiaries

Consolidated Financial Statements

For the years ended March 31, 2025 and 2024

NATIONAL GRID USA AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Grid USA

Opinion

We have audited the consolidated financial statements of National Grid USA and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive income, cash flows and changes in equity for the years then ended, and the related notes to the consolidated 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 24, 2025

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in millions of dollars)

	Years Ended March 31,	
	2025	2024
Operating revenues	**$ 14,441**	$ 13,081
Operating expenses:		
Purchased electricity	**1,903**	1,676
Purchased gas	**1,863**	1,579
Operations and maintenance	**5,298**	4,882
Depreciation and amortization	**1,801**	1,624
Other taxes	**1,515**	1,253
Total operating expenses	**12,380**	11,014
Operating income	**2,061**	2,067
Other income (deductions):		
Interest on long-term debt, net	**(814)**	(704)
Other interest, including affiliate interest, net	**(167)**	(86)
Other income, net	**634**	460
Total other income (deductions)	**(347)**	(330)
Income before income taxes	**1,714**	1,737
Income tax expense	**324**	315
Net income	**1,390**	1,422
Net income attributed to non-controlling interests	**(2)**	(2)
Dividends on preferred stock	**(593)**	(593)
Net income attributed to common shareholders	**$ 795**	$ 827
Other comprehensive income, net of taxes:		
Unrealized gains (losses) on securities, net of tax expense (benefit) of $0 and $1 in 2025 and 2024 respectively	**(1)**	3
Change in pension and other postretirement obligations, net of tax expense of $4 and $5 in 2025 and 2024, respectively	**8**	15
Total other comprehensive income	**7**	18
Comprehensive income	**$ 1,397**	$ 1,440
Less: Comprehensive income attributed to non-controlling interest	**(2)**	(2)
Comprehensive income attributed to common shareholders	**$ 1,395**	$ 1,438

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of dollars)

	Years Ended March 31,	
	2025	2024
Operating activities:		
Net income	**$ 1,390**	$ 1,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**1,801**	1,624
Regulatory amortizations	**37**	(63)
Deferred income tax expense and amortization of Investment tax credits	**276**	291
Bad debt expense	**308**	242
Allowance for equity funds used during construction	**(99)**	(82)
Pension and postretirement expense (benefit), net	**9**	(40)
Other, net	**47**	29
Pension and postretirement benefits contributions, net	**(215)**	(26)
Environmental remediation payments	**(157)**	(118)
Changes in operating assets and liabilities:		
Accounts receivable, other receivables, and unbilled revenues, net	**(921)**	(303)
Accounts receivable from/payable to affiliates, net	**(44)**	(219)
Inventory	**88**	67
Regulatory assets and liabilities (current), net	**(53)**	(52)
Regulatory assets and liabilities (non-current), net	**(65)**	(1,253)
Derivative instruments, net	**(179)**	(32)
Environmental remediation costs	**18**	898
Accounts payable and other liabilities	**180**	(283)
Transmission congestion contracts	**(34)**	(150)
Other assets and liabilities, net	**133**	(64)
Net cash provided by operating activities	**2,520**	1,888
Investing activities:		
Capital expenditures	**(5,901)**	(4,955)
Cost of removal	**(222)**	(218)
Proceeds from sale of assets	**19**	73
Intercompany money pool	**(850)**	(373)
Repayment of advance to affiliate	**78**	-
Purchases of financial investments	**(90)**	(62)
Proceeds from sales of financial investments	**104**	78
Other, net	**16**	(2)
Net cash used in investing activities	**(6,846)**	(5,459)

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

Financing activities:		
Preferred stock dividends	**(593)**	(593)
Payments on long-term debt	**(523)**	(304)
Issuance of long-term debt	**1,105**	2,400
Payment of debt issuance costs	**(6)**	(16)
Intercompany money pool	**95**	(35)
Changes in advances from affiliates, net	**3,215**	2,320
Net cash provided by financing activities	**3,293**	3,772
Net (decrease) increase in cash, cash equivalents, restricted cash and special deposits	**(1,033)**	201
Cash, cash equivalents, restricted cash and special deposits, beginning of year	**1,628**	1,427
Cash, cash equivalents, restricted cash and special deposits, end of year	**$ 595**	$ 1,628
Supplemental disclosures:		
Interest paid, net of amounts capitalized	**$ (887)**	$ (677)
Income taxes paid	**(30)**	(28)
Significant non-cash items:		
Capital-related accruals included in accounts payable	**315**	376
Parent tax loss allocation	**49**	-
Distribution of interests in affiliated entities to National Grid North America	**-**	(183)
ROU assets obtained in exchange for operating lease liabilities	**201**	194

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions of dollars)

	March 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 471**	$ 1,495
Restricted cash and special deposits	**124**	133
Accounts receivable, net	**2,835**	2,248
Accounts receivable from affiliates	**698**	504
Intercompany money pool	**3,128**	2,278
Unbilled revenues, net	**705**	669
Inventory	**598**	686
Regulatory assets	**704**	747
Prepaid taxes	**185**	225
Other, net	**363**	360
Total current assets	**9,811**	9,345
Property, plant and equipment, net	**51,280**	46,848
Non-current assets:		
Regulatory assets	**6,288**	6,602
Goodwill	**6,295**	6,295
Postretirement benefits	**1,780**	1,438
Financial investments	**524**	529
Other, net	**457**	278
Total non-current assets	**15,344**	15,142
Total assets	**$ 76,435**	$ 71,335

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions of dollars)

	March 31,	
	2025	2024
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and other	**$ 2,093**	$ 2,053
Accounts payable to affiliates	**413**	263
Intercompany money pool	**868**	773
Advances from affiliates	**12,244**	9,029
Current portion of long-term debt	**648**	523
Taxes accrued	**156**	137
Interest accrued	**186**	181
Regulatory liabilities	**924**	1,020
Derivative instruments	**14**	114
Renewable energy certificate obligations	**193**	220
Payroll and benefits accruals	**500**	444
Environmental remediation obligations	**216**	255
Other	**798**	838
Total current liabilities	**19,253**	15,850
Non-current liabilities:		
Regulatory liabilities	**6,837**	6,931
Asset retirement obligations	**167**	161
Deferred income tax liabilities, net	**6,035**	5,582
Postretirement benefits	**524**	586
Environmental remediation obligations	**2,902**	3,002
Operating lease liabilities	**789**	719
Other	**922**	830
Total non-current liabilities	**18,176**	17,811
Commitments and contingencies (Note 14)		
Long-term debt	**17,918**	17,463
Equity:		
Common stock and additional paid-in capital	**14,071**	14,002
Retained earnings	**6,865**	6,070
Accumulated other comprehensive income	**82**	75
Common shareholders' equity	**21,018**	20,147
Non-controlling interests	**70**	64
Total equity	**21,088**	20,211
Total liabilities and equity	**$ 76,435**	$ 71,335

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions of dollars)

				Accumulated Other Comprehensive Income (Loss)					
	Common Stock [1]	Cumulative Preferred Stock[2]	Additional Paid-in Capital	Unrealize Gain (Loss) on Securities	Pension and Other Post-retirement Benefits	Total Accumulated Other comprehensive Income (Loss)	Retained Earnings	Non Controlling Interest [3]	Total
Balance as of March 31, 2023	**$ -**	**$ -**	**$ 14,165**	**$ (7)**	**$ 64**	**$ 57**	**$ 5,275**	**$ 62**	**$ 19,559**
Net income	-	-	-	-	-	-	1,420	2	1,422
Other comprehensive income (loss):									
Unrealized gains (losses) on securities, net of $1 tax expense (benefit)	-	-	-	3	-	3	-	-	3
Change in pension and other postretirement obligations, net of $5 tax expense (benefit)	-	-	-	-	15	15	-	-	15
Total comprehensive income									1,440
Implementation of ASC 326, net of $12 tax benefit[4]	-	-	-	-	-	-	(32)	-	(32)
Stock-based compensation	-	-	20	-	-	-	-	-	20
Transfer of interest in NG LNG[5]	-	-	(183)	-	-	-	-	-	(183)
Preferred stock dividends	-	-	-	-	-	-	(593)	-	(593)
Balance as of March 31, 2024	**$ -**	**$**	**$ 14,002**	**$ (4)**	**$ 79**	**$ 75**	**$ 6,070**	**$ 64**	**$ 20,211**
Net income	-	-	-	-	-	-	1,388	2	1,390
Other comprehensive income (loss):									
Unrealized gains (losses) on securities, net of $0 tax expense (benefit)	-	-	-	(1)	-	(1)	-	-	(1)
Change in pension and other postretirement obligations, net of $4 tax expense	-	-	-	-	8	8	-	-	8
Total comprehensive income									1,397
Parent loss tax allocation	-	-	49	-	-	-	-	-	49
Stock-based compensation	-	-	20	-	-	-	-	-	20
Preferred stock dividends	-	-	-	-	-	-	(593)	-	(593)
Other equity transactions with non-controlling interest	-	-	-	-	-	-	-	4	4
Balance as of March 31, 2025	**$ -**	**$ -**	**$ 14,071**	**$ (5)**	**$ 87**	**$ 82**	**$ 6,865**	**$ 70**	**$ 21,088**

(1) National Grid USA ("NGUSA") had 641 shares of common stock authorized, issued and outstanding, with a par value of $0.10 per share.
(2) NGUSA had 915 shares of cumulative preferred stock authorized, issued and outstanding, with a par value of $0.10 per share. See Note 17, "*Preferred Stock*".
(3) NGUSA subsidiaries had 323,552 shares of cumulative preferred stock authorized, issued and outstanding, with par values of either $100 or $1 per share at March 31, 2025 and 2024, respectively. See Note 17, "*Preferred Stock*".
(4) See Note 4, "*Allowance for Doubtful Accounts*" for additional information.
(5) See Note 18, "*Transfer of Subsidiaries*" for additional information.

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

NATIONAL GRID USA AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

National Grid USA ("NGUSA" or "the Company") is 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 (the "Parent"), a public limited company incorporated under the laws of England and Wales.

NGUSA has two major lines of business, "Gas Distribution" and "Electric Services," and operates various energy services and investment companies. The Company's Gas Distribution business consists of four gas distribution subsidiaries which provide gas distribution services to customers in the areas of central, northern, and eastern New York, the New York City boroughs of Brooklyn, Queens, and Staten Island, and the Long Island Counties of Nassau and Suffolk, as well as the state of Massachusetts. The Company's Electric Services business primarily consists of four electric distribution subsidiaries which provide electric services to customers in the areas of eastern, central, northern, and western New York, as well as the state of Massachusetts. The Company also operates electric transmission facilities in Massachusetts, New Hampshire, Maine, and Vermont, and provides energy services, supplies capacity, and produces energy for the use of customers of the Long Island Power Authority ("LIPA") on Long Island, New York. The services provided to LIPA through a power supply agreement provide LIPA with electric generating capacity, energy conversion, and ancillary services from the Company's Long Island generating units.

The Company's wholly-owned New England subsidiaries include: New England Power Company ("NEP"), Massachusetts Electric Company ("Massachusetts Electric"), Nantucket Electric Company ("Nantucket"), and Boston Gas Company ("Boston Gas"). The Company's wholly-owned New York subsidiaries include: Niagara Mohawk Power Corporation ("Niagara Mohawk"), National Grid Generation, LLC ("Genco"), The Brooklyn Union Gas Company ("Brooklyn Union"), and KeySpan Gas East Corporation ("KeySpan Gas East"). Certain of the Company's subsidiaries are subject to regulation by state and federal regulatory authorities (see Note 2, "Summary of Significant Accounting Policies" for additional details).

The Company also has a 53.7% interest in two hydro-transmission electric companies which are consolidated. The investments in the hydro-transmission electric companies are not material to the Company's consolidated financial statements.

The Company's unregulated energy investments business consists of development investments such as natural gas pipelines, as well as certain other domestic energy-related investments.

On December 31, 2023, the Company transferred its ownership interest in its wholly-owned subsidiary, National Grid LNG LLC, along with the ownership interest in National Grid LNG GP LLC and National Grid LNG LP LLC (collectively "NG LNG"), to NGV US LLC ("NGV"), an affiliated subsidiary of NGNA. NG LNG is engaged in the business of receiving, storing, and redelivering liquefied natural gas ("LNG") in liquid and gaseous states, through facilities located in Providence, Rhode Island. See Note 18, "Transfer of subsidiaries" for additional details.

On March 17, 2021, NGUSA announced the sale of its Rhode Island business (Narragansett) to PPL Energy Holdings, LLC. ("PPL") for $3.9 billion (excluding long-term debt). The sale closed on May 25, 2022, with all regulatory approvals obtained. As of January 1, 2023, PPL operates the electric transmission facilities in Rhode Island on behalf of Narragansett. Following the completion of the sale, National Grid continued to provide certain services to PPL under Transition Service Agreements, which ended September 30, 2024.

The accompanying consolidated 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 as applicable. The consolidated financial statements reflect the ratemaking practices of the applicable regulatory authorities.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Non-controlling interests of the Company's majority-owned subsidiaries are calculated based upon the respective non-controlling interest ownership percentages. All intercompany transactions with consolidated subsidiaries have been eliminated in consolidation.

Under its holding company structure, the Company does not have significant independent operations or sources of income of its own and conducts most of its operations through its subsidiaries. As a result, the Company depends on the earnings and cash flow of, and dividends or distributions from, its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. Furthermore, a substantial portion of the Company's consolidated assets, earnings, and cash flow is derived from the operations of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to the Company is subject to regulation by state regulatory authorities.

The Company has evaluated subsequent events and transactions through June 24, 2025, the date of issuance of these consolidated financial statements, and concluded that there were no events or transactions that require adjustment to, or disclosure in, the consolidated financial statements as of and for the year ended March 31, 2025, except as otherwise disclosed in Note 6, "*Rate Matters*" and Note 11, "*Debt and Credit Facilities*".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing consolidated 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 consolidated 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"), the New York Public Service Commission ("NYPSC") and the Massachusetts Department of Public Utilities ("DPU") regulate the rates the Company's regulated subsidiaries charge their customers in the applicable states. In certain cases, the rate actions of the FERC, NYPSC and DPU can result in accounting that differs from non-regulated companies. In these cases, the subsidiaries defer costs (as regulatory assets) or recognize 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 consolidated balance sheets consistent with the treatment of the related costs in the ratemaking process.

Revenue Recognition

Revenues are recognized by regulated subsidiaries for energy 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 accounting period (see Note 3, "*Revenue*" for additional details).

The Company recognizes lease income from the sale of capacity and energy to LIPA under terms of the amended and restated Power Supply Agreement ("A&R PSA"), with rates approved by the FERC. The A&R PSA is accounted for as an operating lease (see Note 15, "*Leases*" 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 consolidated 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, including NGUSA, determines its tax provision based on the separate return method, modified by a benefits-for-loss allocation pursuant to a tax sharing agreement between NGNA and its subsidiaries. The benefit of consolidated tax losses and credits are allocated to the NGNA subsidiaries giving rise to such benefits in determining each subsidiary's tax expense in the year that the loss or credit arises. In a year that a consolidated loss or credit carryforward is utilized, the tax benefit utilized in consolidation is paid proportionately to the subsidiaries that gave rise to the benefit regardless of whether that subsidiary would have utilized the benefit. The tax sharing agreement also requires NGNA to allocate its parent tax losses, excluding deductions from acquisition indebtedness, to each subsidiary in the consolidated federal tax return with taxable income. The allocation of NGNA's parent tax losses to its subsidiaries is accounted for as a capital contribution and is performed in conjunction with the annual intercompany cash settlement process following the filing of the federal tax return. The Corporate Alternative Minimum Tax ("CAMT") is allocated based on the ratio of separate company CAMT to total consolidated NGNA CAMT.

Other Taxes

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

Cash and Cash Equivalents

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

Restricted Cash and Special Deposits

Restricted cash consists of margin calls to the New York Mercantile Exchange ("NYMEX"), collateral paid to the Company's counterparties for outstanding commodity and financial derivative instruments. There is also restricted cash held by an environmental remediation trust. This cash can only be used by the trust to pay for environmental remediation expenses. Special deposits primarily consist of health care deposits, collateral paid to the Independent System Operator – New England ("ISO-NE") in connection with the ISO-NE's market participant financial assurance requirement. The Company had restricted cash of $52 million and $68 million, and special deposits of $72 million and $65 million as of March 31, 2025 and 2024, respectively.

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, other current assets, and other non-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, gas in storage, purchased Renewable energy certificates ("RECs"), and emission credits.

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 or 2024.

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

RECs are stated at cost and used to measure compliance with renewable energy standards. RECs support new renewable generation resources and are held primarily to be utilized in fulfillment of the Company's compliance obligations. Emission credits are comprised of nitrogen oxide ("NOx") and carbon dioxide credits. Emission credits are valued at the lower of weighted average cost or net realizable value and are held primarily for consumption or may be sold to third-party purchasers.

The following table summarizes inventory recorded on the consolidated balance sheets:

	March 31,	
	2025	2024
	(in millions of dollars)	
Materials and supplies	**$ 340**	$ 341
Gas in storage	**121**	237
Purchased RECs	**80**	93
Emission credits	**57**	15
Total inventory	**$ 598**	$ 686

Renewable Energy Standard Obligation

RECs and Zero-Emissions Credits (“ZECs”) are stated at cost and used to measure compliance with renewable energy standards. RECs support new renewable generation resources whereas ZECs support generation by in-state nuclear power plants and are purchased from third parties. RECs and ZECs are held primarily to be utilized in fulfillment of the Company’s compliance obligations.

Transmission Congestion Contracts

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

Derivative Instruments

The Company uses derivative instruments to manage commodity price risk (see Note 8, “*Derivative Instruments*”). All derivative instruments, except commodity contracts that qualify for the normal purchase normal sale exception, are recorded at fair value on the consolidated balance sheets (see Note 9, “*Fair Value Measurements*”).

All commodity costs, including the impact of derivative instruments, are passed on to customers through the Company’s commodity rate adjustment mechanisms. Regulatory assets or regulatory liabilities are recorded to defer the recognition of unrealized losses or gains on derivative instruments, respectively.

The Company has certain non-trading instruments for the physical purchase of electricity that qualify for the normal purchase normal sale exception and are accounted for upon settlement. If the Company was to determine that a contract no longer qualifies for the normal purchase normal sale exception, the Company would recognize the fair value of the contract and, if applicable, account for the gains and losses using the regulatory accounting described above. This has not occurred during the years ended March 31, 2025 or 2024.

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

Power Purchase Agreements

Certain of the Company’s subsidiaries enter into power purchase agreements (“PPAs”) to procure electricity to serve their 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 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 derivative instruments, securities, pension and postretirement benefits other than pension plan ("PBOP") assets, and financial investments for which it has elected the fair value option, 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 an entity has the ability to access as of the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data;
- Level 3: unobservable inputs, such as internally-developed forward curves and pricing models for the asset or liability due to little or no market activity for the asset or liability with low correlation to observable market inputs; and
- Not categorized: Investments in certain funds, that meet certain conditions of ASC 820, "*Fair Value Measurement*", are not required to be categorized within the fair value hierarchy. These investments are typically in commingled funds or limited partnerships that are not publicly traded and have ongoing subscription and redemption activity. As a practical expedient, the fair value of these investments is the Net Asset Value ("NAV") per fund share.

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

Property, Plant and Equipment

Property, plant and equipment is stated at 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 state authorities. The average composite rates for the years ended March 31, 2025 and 2024 are as follows:

	Composite Rates	
	Years Ended March 31,	
	2025	2024
Electric	**2.9%**	2.8%
Gas	**2.4%**	2.4%
Common	**14.3%**	12.8%

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

Allowance for Funds Used During Construction

The Company records AFUDC, which represents the debt and equity costs of financing the construction of new property, plant and equipment. The equity component of AFUDC is reported in other income, net within the accompanying consolidated statements of operations and comprehensive income. The debt component of AFUDC is reported as an 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 $99 million and $82 million, and AFUDC related to debt of $80 million and $62 million for the years ended March 31, 2025 and 2024, respectively. The average AFUDC rates for the years ended March 31, 2025 and 2024 were 6.8% and 7.0%, 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. For its regulated subsidiaries, 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 a reporting unit is below its carrying amount. During the year ended March 31, 2025, the Company tested goodwill residing at NGUSA based upon two identified reporting units, New York and New England.

As of March 31, 2025 and 2024, the carrying value of goodwill primarily includes amounts assigned to the New England and New York reporting units and amounted to approximately $2,309 million and $3,981 million, respectively. There are no historical accumulated impairment losses included in the carrying values of goodwill.

The goodwill impairment test requires a recoverability test based on the comparison of the Company's estimated fair value for each reporting unit with the reporting unit's 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 allocated carrying amount of goodwill.

For goodwill at the New York and New England reporting units, the Company applies two valuation methodologies to estimate the fair value of its reporting units, 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 balanced 50/50 weighting for each valuation methodology, as it believes that each approach provides equally valuable and reliable information regarding the New York and New England reporting units' estimated fair value.

The Company performed its latest annual goodwill impairment test as of October 1, 2024, at which time the estimated fair value for each reporting unit exceeded the reporting unit's carrying value. The Company did not recognize any goodwill impairment during the years ended March 31, 2025 or 2024.

Financial Investments

The Company holds a range of financial investments, including life insurance policies and available-for-sale debt securities.

Corporate owned life insurance policies ("COLI") and Trust owned life insurance policies ("TOLI") are measured at cash surrender value with increases and decreases in the value of these assets recorded in earnings.

Available-for-sale debt securities are measured at fair value with changes in fair value recorded in other comprehensive income. Investments in available-for-sale debt securities are monitored for other than temporary impairment by comparing fair value against amortized cost.

The Company has mutual funds and money market funds representing funds designated for Supplemental Executive Retirement Plans ("SERPs"). These investments are measured at fair value with changes in fair value recorded in earnings.

The following table presents the financial investments recorded on the consolidated balance sheets:

	March 31,	
	2025	2024
	(in millions of dollars)	
COLI/TOLI	**$ 308**	$ 296
Debt securities[1]	**188**	203
SERPs	**28**	30
Total financial investments	**$ 524**	$ 529

[1] See Note 9, "*Fair Value Measurements*" for additional details.

Asset Retirement Obligations

Asset retirement obligations are recognized for legal obligations associated with the retirement of property, plant and equipment, primarily associated with the Company's gas distribution and electric generation facilities. Asset retirement obligations are recorded at fair value in the period in which the obligation is incurred if the fair value can be reasonably estimated. In the period in which new asset retirement obligations, or changes to the timing or amount of existing retirement obligations are recorded, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. In each subsequent period the asset retirement obligation is accreted to its present value at the credit adjusted risk free rate.

Accretion and depreciation expenses for the Company's regulated subsidiaries are deferred as part of the Company's asset retirement obligation regulatory asset. As the subsidiaries are rate-regulated, both the depreciation and accretion costs associated with the regulated companies' asset retirement obligation are recorded as increases to regulatory assets on the balance sheets.

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

Employee Benefits

The Company has defined benefit pension plans and postretirement benefit other than pension plans for its employees. The Company recognizes all pension and PBOP plans' funded status on the consolidated balance sheets as a net liability or asset with an offsetting adjustment to accumulated other comprehensive income ("AOCI") in shareholders' equity. If the cost of providing these plans is recovered in rates through the Company's regulated subsidiaries, the net funded status is partially offset by a regulatory asset or liability. The Company measures and records its pension and PBOP funded status at each year-end. Pension and PBOP plan assets are measured at fair value.

Leases

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

The Company's regulated subsidiaries recognize lease expense based on a pattern that conforms to the regulatory ratemaking treatment.

New and Recent Accounting Guidance

Accounting Guidance Recently Adopted

Leases (Topic 842): Common Control Arrangements

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

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

Accounting Guidance Not Yet Adopted

Income Taxes (Topic 740): Income Tax Disclosures

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

The Company will adopt this standard for annual periods effective April 1, 2025.

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 millions of dollars)	
Revenue from contracts with customers:		
Electric services	**$ 6,754**	$ 6,361
Gas distribution	**6,824**	5,903
Off system sales	**179**	200
Total revenue from contracts with customers	**13,757**	12,464
Revenue from alternative revenue programs	**(65)**	(196)
Other revenue	**749**	813
Total operating revenues	**$ 14,441**	$ 13,081

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

The Company's subsidiaries own and maintain electric and natural gas distribution networks. Distribution revenues are primarily from the sale of electricity, gas, and related services to retail customers. Distribution sales are regulated by the applicable state agencies, which are 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 and electric distribution revenues are derived from the regulated sale and distribution of electricity and natural gas to residential, commercial, and industrial customers within the Company's service territory under the tariff rates. The tariff rates approved by the regulator are designed to recover the costs incurred by the Company for products and services provided along with a return on investment.

The performance obligation related to these sales is to provide electricity or natural gas to the customers on demand. The electricity or 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 electricity or natural gas as the Company provides these services. The Company records revenues related to 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.

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

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

The Company owns, maintains, and operates an electric transmission system spanning New York, Massachusetts, New Hampshire and Vermont. The Company's transmission services are regulated by the FERC, ISO NE, NYISO and the DPU. Electric transmission revenues arise under TCC auctions, Transmission Service Agreements and Local/Regional Network Services under tariff/rate agreements. Transmission services are provided as demanded by customers and represent a single performance obligation. The performance obligation is satisfied over time as the transmission services are provided by the Company. The Company records revenue based on the volumes delivered and the approved tariff rates.

Off system sales: Represents 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's regulated subsidiaries record revenues in accordance with accounting principles for rate-regulated operations for arrangements between the regulated subsidiaries and their respective regulators, which are not accounted for as contracts with customers. These primarily include programs that qualify as Alternative Revenue Programs ("ARPs"). ARPs enable the regulated subsidiaries to adjust rates in the future, in response to past activities or completed events. The regulated subsidiaries' electric and 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. Regulated subsidiaries' revenues reflect adjustments for the difference between allowed transmission recoveries and actual transmission revenue. In addition, the regulated subsidiaries have positive revenue adjustment mechanisms, such as earnings adjustment mechanisms related to the achievement of clean energy objectives and demand side management initiatives, as well as gas safety and reliability incentives. The Company recognizes revenue from ARPs with a corresponding offset to a regulatory asset or liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24-months from the end of the annual reporting period.

Other Revenue: Lease income that primarily includes electric generation revenue, which is derived from billings to LIPA for electric generation capacity and, to the extent requested, energy from the Company's existing oil and gas-fired generating plants. The arrangement is treated as an operating lease within the scope of the leasing standard, where Genco acts as lessor with rental income being recorded as other income, which forms part of total revenue. Lease payments (capacity payments) are recognized on a straight-line basis and variable lease payments are recognized as the energy is generated. Other transactions included consist of income from pole rentals, capital related operations and maintenance billings that are not considered contracts with customers.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are recorded at amortized cost, net of a credit loss allowance for doubtful accounts. The allowance primarily relates to trade receivables from utility customers (both billed and unbilled), as well as amounts receivable from various other counterparties such as governmental agencies, municipalities, and other utilities. The Company recorded bad debt expense of $321 million and $257 million for the years ended March 31, 2025 and 2024, respectively, within operations and maintenance expense in the accompanying consolidated statements of operations and comprehensive income. The activity in the allowance for doubtful accounts for the years ended March 31, 2025 and 2024 is as follows:

	Year Ended March 31, 2025 (in millions of dollars)		
	Utility Accounts Receivables	**Non-Utility Accounts Receivables**	**Total Allowance**
Beginning Balance	**$ 614**	**$ 67**	**$ 681**
Credit loss expense	**288**	**4**	**292**
Write-offs	**(318)**	**(8)**	**(326)**
Recoveries	**69**	**5**	**74**
Ending Balance	**$ 653**	**$ 68**	**$ 721**

	Year Ended March 31, 2024 (in millions of dollars)		
	Utility Accounts Receivable	**Non-Utility Accounts Receivable**	**Total Allowance**
Beginning Balance	$ 582	$ 49	$ 631
Impact of adoption of ASC Topic 326 on April 1, 2023	24	23	47
Credit loss expense (benefit)	239	(2)	237
Write-offs	(291)	(9)	(300)
Recoveries	60	6	66
Ending Balance	$ 614	$ 67	$ 681

5. REGULATORY ASSETS AND LIABILITIES

The Company records regulatory assets and liabilities that result from the ratemaking process. Regulatory deferrals are recorded by each legal entity as right of offset does not exist across the Company's regulated subsidiaries. The following table presents the regulatory assets and regulatory liabilities recorded on the consolidated balance sheets:

	March 31,	
	2025	2024
	(in millions of dollars)	
Regulatory assets		
Current:		
Gas costs adjustment	**$ 224**	$ 107
Rate adjustment mechanisms	**105**	164
Revenue decoupling mechanisms	**79**	149
Transmission service	**66**	5
Renewable energy certificates	**55**	74
Smart path connect	**43**	27
Clean energy standard	**35**	14
Derivative instruments	**-**	106
Other	**97**	101
Total	**704**	747
Non-current:		
Environmental response costs	**3,305**	3,423
Storm costs	**919**	895
Net metering deferral	**322**	340
Postretirement benefits	**316**	504
Arrears reduction	**139**	193
Cost of removal	**16**	76
Other	**1,271**	1,171
Total	**6,288**	6,602
Regulatory liabilities		
Current:		
Energy efficiency	**386**	336
Rate adjustment mechanisms	**257**	437
Revenue decoupling mechanisms	**88**	67
Derivative instruments	**73**	-
Profit sharing	**51**	47
Gas costs adjustment	**17**	96
Other	**52**	37
Total	**924**	1,020
Non-current:		
Cost of removal	**1,971**	1,897
Regulatory deferred tax liability	**1,820**	1,996
Postretirement benefits	**1,457**	1,410
Energy efficiency	**321**	213
Other	**1,268**	1,415
Total	**$ 6,837**	$ 6,931

Regulatory assets associated with future financial obligations that were deferred in accordance with orders issued by the NYPSC and 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 $304 million and $242 million, respectively.

Arrears reduction: The arrears reduction program was implemented in compliance with the proceeding to address Energy Affordability for Low Income Utility Customers and the proceeding regarding the Effects of Covid-19 on Utility Service. The program addresses arrears held by low-income customers and is funded by a combination of state funds, shareholder contributions, existing energy affordability program liabilities as well as surcharge to other customers.

Clean energy standard: Under the Clean Energy Standard ("CES") order issued by the NYPSC, the Company is required to purchase RECs and ZECs to support the New York's goal to reduce statewide greenhouse gas emissions. The Company defers the difference between the cost of the RECs and ZECs and the actual collections through the Clean Energy Standard Supply charge billed to retail commodity customers. In the prior fiscal year, the Clean Energy regulatory liability is reflected in the current rate adjustment mechanism, representing the actual CES collections in excess of costs.

Cost of removal: The regulatory asset represents cumulative removal amounts spent, but not yet collected, to dispose of property, plant and equipment, while the regulatory liability represents cumulative removal amounts collected but not yet spent. The asset is reduced as the allowance for cost of removal is recovered in rates. The liability is discharged as removal costs are incurred.

Derivative instruments: As of March 31, 2025 and 2024, only derivative contracts at the regulated subsidiaries were subject to regulatory deferral. Derivative instruments are recorded at fair value, with changes in fair value recorded as regulatory assets or regulatory liabilities in the period in which the change occurs.

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

Environmental response costs: The regulatory asset represents deferred costs associated with the Company's share of the estimated costs to investigate and perform certain remediation activities at former manufactured gas plant ("MGP") sites and related facilities. The regulatory liability represents the excess of amounts received in rates over the Company's actual site investigation and remediation ("SIR") costs. Related insurance costs subject to recovery do not earn a return and are excluded from rate base. The recovery period is to be determined in future rate plans or other orders issued by the NYPSC.

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

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

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

Profit sharing: Represents a portion of deferred margins from off-system sale transactions. Under current rate orders, the Company is required to share in return margins earned from such optimization transactions to firm customers dependent on jurisdictions rate order. The amounts deferred on the balance sheet will be refunded to customers over the next year.

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

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

Renewable energy certificates: Represents deferred costs associated with the Company's compliance obligations with Renewable Portfolio Standards ("RPS") in Massachusetts. The RPS is legislation established to foster the development of new renewable energy sources. The regulatory asset will be recovered over the next year.

Revenue decoupling mechanisms ("RDM"): As approved by the applicable state regulatory bodies, the Company has electric and gas RDMs which allow 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.

Smart path connect ("SPC"): As approved by FERC, the Company was granted an incentive in the form of recovery of prudently incurred costs for CWIP (Capital Work in Progress) in rate base effective April 1, 2023 for the SPC transmission project.

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

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

6. RATE MATTERS

Niagara Mohawk

Electric and Gas Filing

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

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

On April 25, 2025, the Department of Public Service Staff (“DPS”), Niagara Mohawk and other parties to the settlement filed a Joint Proposal (“JP”) for a three-year rate plan beginning May 1, 2025 and ending March 31, 2028, which includes an 11 month period in Rate Year One instead of the 12 months. To reduce rate volatility to customers over the term of the rate plan, the planned rate increases would be implemented on a levelized percentage basis, which results in increases in revenues for Niagara Mohawk of approximately $167 million and $57 million in Rate Year 1, $297 million and $65 million in Rate Year 2, and $243 million and $72 million in Rate Year 3 for electric and gas delivery service, respectively. Niagara Mohawk’s revenue requirement for electric operations includes the amortization of a net electric regulatory asset balance as of December 31, 2023, totaling $187 million over a ten-year period. The settlement is based upon a 9.5% return on equity (“ROE”) and a ratemaking capital structure that reflects a common equity component of 48% for Niagara Mohawk. The rate plans include an earnings sharing mechanism, where Niagara Mohawk will share a portion of any earnings in excess of 10.0% with customers.

General Rate Case

On September 27, 2021, Niagara Mohawk, DPS Staff and other settlement parties filed a Joint Proposal (“NIMO-JP2”) for a three-year rate plan for Niagara Mohawk’s electric and gas businesses beginning July 1, 2021 and ending June 30, 2024. The proposed revenue increases were 1.4% for electric operations and 1.8% for gas operations in Rate Year 1 and 1.9% for both electric and gas operations in Rate Year 2 and Rate Year 3. To mitigate the potential bill impacts on customers, the settlement applies existing deferral credits of $146 million and $54 million for electric and gas customers, respectively, over the term of the rate plan and Stayout Period. The settlement is based upon a 9% return on equity and a ratemaking capital structure reflecting a common equity component of 48%. The NIMO-JP2 includes an earnings sharing mechanism by which customers will share in earnings in excess of a 9.5% calculated return on equity for each rate year under the rate plan. In addition, the NIMO-JP2 also includes mechanisms that would allow Niagara Mohawk to extend the rate plan by nine months ("Stayout Period").

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

Advanced Metering Infrastructure ("AMI")

On November 20, 2020, the NYPSC issued an order ("2020 AMI Order") which approved Niagara Mohawk's proposal for the deployment of AMI, also referred to as smart meters. In the approved rate case, Niagara Mohawk is authorized to recover $119 million of AMI-related operations and maintenance ("O&M") expense incurred during the six-year AMI deployment period beginning fiscal year 2022 subject to a downward-only reconciliation at the end of the six-year AMI deployment period. Likewise, the 2020 AMI Order established a capital expenditure cap for the program of approximately $475 million over the six-year AMI deployment period.

Arrears Reduction Program

On June 16, 2022, the NYPSC approved an order authorizing the implementation of the Phase 1 Arrears Reduction Program, whereby, Niagara Mohawk's total Energy Affordability Program ("EAP") arrears reduction one-time bill credits were to be funded by approximately $40 million from the New York State budget allocation, a shareholder contribution of $2 million under Niagara Mohawk's approved petition for alternative recovery mechanism of COVID-19 unbilled fees, utilization of $25 million from existing deferred EAP liabilities, with the remaining balance to be recovered from customers through a surcharge over a three year recovery period effective on August 1, 2022. Niagara Mohawk issued a total of approximately $106 million of Phase 1 EAP one-time bill credits to its electric and gas customers for the program.

On January 19, 2023, the NYPSC issued an order authorizing the Phase 2 Arrears Reduction Program ("Phase 2 Order"). The Phase 2 program provided approximately $73 million of one-time bill credits, to eligible customers who did not receive relief under the Phase 1 program. On February 21, 2023, in accordance with the Phase 2 Order, National Grid submitted a compliance filing and also requested a proposed uncollectible expense reconciliation mechanism in exchange for a future adjustment of the Phase 2 program customer surcharge, which Niagara Mohawk does not expect will have a material impact to the financial statements. A decision on this proposal is pending an order from NYPSC.

New York Transmission Projects

CLCPA Phase 2

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

Smart Path Connect

On August 12, 2022, the NYPSC approved National Grid and NYPA filing seeking permission to construct and operate the Smart Path Connect (“SPC”) project. SPC is a bulk transmission project jointly developed with NYPA in Northern New York. Niagara Mohawk's expected capital portion of the project, as specified in the FERC order approving Niagara Mohawk’s filing, is approximately $535 million and will upgrade approximately 55 miles of an existing double circuit North-South transmission corridor from the Canadian border to central New York.

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

At March 31, 2025, Niagara Mohawk had SPC related investment of $466 million on its balance sheet. At March 31, 2024, Niagara Mohawk had SPC related investment of $303 million on its balance sheet.

The New York Gas Companies

General Rate Case

On April 9, 2024, DPS, the Brooklyn Union Gas Company and KeySpan Gas East Corporation (the “New York Gas Companies”) and other parties to the settlement filed a JP for a three-year rate plan beginning April 1, 2024 and ending March 31, 2027. On August 15, 2024, the NYPSC approved and adopted the JP and supporting schedules with limited additional requirements. To reduce rate volatility to customers over the term of the rate plan, the planned rate increases have been implemented on a levelized percentage basis, at an annual total bill increase of 10.5% for the Brooklyn Union Gas Company and 9.4% for KeySpan Gas East Corporation for each of the three rate years.

After taking into account the impact of levelization, the JP results in increases in gas delivery revenues for the Brooklyn Union Gas Company and KeySpan Gas East Corporation of approximately $257 million and $147 million in Rate Year 1, $288 million and $163 million in Rate Year 2, and $320 million and $180 million in Rate Year 3, respectively. The Brooklyn Union Company’s revenue requirement includes the amortization of a net regulatory asset balance totaling $196 million over a ten-year period while KeySpan Gas East Corporation includes the amortization of a net regulatory liability balance as of December 31, 2022 totaling $41 million over a five-year period. The rate plans include an earnings sharing mechanism, where New York Gas Companies will share a portion of any earnings in excess of 9.9% with customers each. The settlement is based upon a 9.4% ROE and a ratemaking capital structure that reflects a common equity component of 48% for the New York Gas Companies.

Pursuant to the JP, New York Gas Companies recorded the Make Whole provision (“MWP”) during the second quarter of fiscal year 2025. The MWP is intended to keep The New York Gas Companies in the same financial position it would have been in had rates been effective April 1, 2024.

Arrears Reduction Program

Refer to “Phase 2 Arrears Reduction Program” section under Niagara Mohawk.

Different from Niagara Mohawk, on June 16, 2022, the NYPSC approved an order authorizing the implementation of the Phase 1 Arrears Reduction Program, whereby, Brooklyn Union Gas Company and KeySpan Gas East Corporation’s total EAP arrears reduction one-time bill credits were to be funded by approximately $10 million and $1 million from the New York State budget allocation respectively, a shareholder contribution of $1.2 million and $0.4 million under the Brooklyn Union Gas Company and KeySpan Gas East Corporation’s approved petition for alternative recovery mechanism of COVID-19 unbilled fees respectively, with the remaining balance to be recovered from customers through a surcharge over a three and a half year recovery period effective on August 1, 2022. Brooklyn Union Gas Company and KeySpan Gas East Corporation issued a total of approximately $50 million and $5 million of Phase 1 EAP one-time bill credits to its gas customers for the program, respectively.

On January 19, 2023, the NYPSC issued an order authorizing for the Phase 2 Arears Reduction Program (“Phase 2 Order”). The Phase 2 program provided approximately $82 million and $17 million of one-time bill credits respectively, to eligible customers who did not receive relief under the Phase 1 program. On February 21, 2023, in accordance with the Phase 2 Order, National Grid submitted a compliance filing and requested a proposed uncollectible expense reconciliation mechanism in exchange for a future adjustment of the Phase 2 program customer surcharge. The uncollectible expense reconciliation mechanism was included in the JP and approved by the NYPSC.

The Massachusetts Electric Companies

General Rate Case

On September 30, 2024, Massachusetts Electric Company and its affiliate, Nantucket Electric, received an order from the DPU on its proposed base distribution rate filing. The DPU approved a base distribution revenue increase of $90 million based upon a 9.4% 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, Massachusetts Electric Company and its affiliate, Nantucket Electric filed their fifth annual PBR filing, proposing to recover $82 million related to two exogenous storm events. On September 30, 2024 the DPU approved the Massachusetts Electric Company and its affiliate, Nantucket Electric’s request for recovery, subject to review and reconciliation, and directed Massachusetts Electric Company and its affiliate, Nantucket Electric to file the final cost accounting for the storms by June 30, 2025.

On June 13, 2025, Massachusetts Electric Company and Nantucket Electric filed their first annual PBR filing approved in their 2023 rate case. The filing requested a PBR adjustment effective October 1, 2025, of approximately $26 million, based on a PBR percentage of 4.7%. Additionally, the filing proposed to recover $20 million of prior period exogenous event expense associated with net borderline purchases. If approved, this will be recovered over twelve months from October 2025 through September 2026.

Grid Modernization Plan

On August 19, 2015, Massachusetts Electric Company, together with Nantucket Electric, filed their first proposed grid modernization plan (“GMP”). On May 10, 2018, the DPU issued an order approving $82 million in grid-facing investments for calendar year 2018-2020 (subsequently, the DPU extended the GMP to a fourth year).

Massachusetts Electric Company, together with Nantucket Electric filed their 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 $301 million budget.

On November 30, 2022, the DPU issued its Track 2 order, preauthorizing $35 million in new grid-facing investments for the years 2022-2025 GMP, $391 million in spending for AMI core investments for calendar years 2023-2027, and $96 million for AMI support investments.

On March 15, 2024, Massachusetts Electric Company, together with Nantucket Electric made their first annual AMI cost recovery filing for calendar year 2023 seeking recovery of $4 million. On April 24, 2024, the DPU issued an order preliminarily approving Massachusetts Electric Company and its affiliate, Nantucket Electric's proposed cost recovery, subject to further investigation and reconciliation. On March 14, 2025, Massachusetts Electric Company, together with Nantucket Electric filed AMI cost recovery filing for calendar year 2024 seeking to recover $26 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, Massachusetts Electric Company and Nantucket Electric made their GMP cost recovery filing for calendar year 2023, seeking recovery of $20 million. On April 29, 2024, the DPU issued an order preliminarily approving Massachusetts Electric Company and Nantucket Electric's proposed cost recovery, subject to further investigation and reconciliation. On March 14, 2025, Massachusetts Electric Company and Nantucket Electric made their GMP cost recovery filing for calendar year 2024, seeking to recover $32 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, Massachusetts Electric Company and Nantucket Electric requested approval to defer $11 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 Massachusetts Electric Company and Nantucket Electric's Storm Fund Replenishment Factor ("SFRF"), subject to a prudency review in a future proceeding

The DPU approved Massachusetts Electric Company and Nantucket Electric's request to defer $25 million of storm deductibles related to calendar years 2020 through 2022 for future recovery which was later updated to $19 million. On September 30, 2024, the DPU approved the recovery of $14 million through Massachusetts Electric Company and its affiliate, Nantucket Electric's SFRF in the D.P.U. 23-150 order.

Storm Cost Recovery

On May 31, 2024, Massachusetts Electric Company and Nantucket Electric submitted a cost recovery filing to the DPU for eight qualifying weather events which occurred between January 17, 2022 through December 22, 2022 totaling $45 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 Massachusetts Electric Company and Nantucket Electric, and the other Massachusetts electric distribution companies ("EDCs") as strategic plans (with minor modifications) for the five-year period July 1, 2025 through June 30, 2030. Per the order, the EDCs, informed by stakeholder engagement, proposed a long-term system planning process and cost allocation mechanism to proactively upgrade the distribution system to connect solar and energy storage projects in place of the provisional system planning program for Capital Investment Project ("CIP") proposals.

On June 13, 2025, Massachusetts Electric and Nantucket Electric received an order from the DPU approving a total expenditure budget of $698 million for eligible investments. Additionally, the DPU adopted the Massachusetts Electric and Nantucket Electric'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 Massachusetts Electric Company and Nantucket Electric proposed under the Provisional System Planning Program ("PSPP") that the DPU established to facilitate interconnecting certain solar and energy storage system (DG) facilities to the distribution system.

On April 14, 2025, Massachusetts Electric Company and Nantucket Electric submitted a new CIP proposal under the extension of the program established in the ESMP order, allocating approximately $39 million in costs which will be recovered from interconnecting and distribution customers.

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. Massachusetts Electric Company and Nantucket Electric's requested budget for the next three years is $1.5 billion.

On February 28, 2025, 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.

Infrastructure, Safety, Reliability, and Electrification

Massachusetts Electric Company, together with Nantucket Electric, filed their first annual ISRE filing on June 13, 2025. The filing proposed to recover $22 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, Massachusetts Electric Company, together with Nantucket Electric, received a request from the DOER to credit a sum of Alternative Compliance Payments collected by the DOER to Massachusetts Electric Company, together with Nantucket Electric's residential customers. As of March 31, 2025, Massachusetts Electric Company, together with Nantucket Electric have recorded this as a receivable within other current assets, net and a liability within other current liabilities. While Massachusetts Electric Company has received $60 million from the DOER on April 2, 2025, Nantucket Electric has received $0.6 million from the DOER on April 2, 2025. The amounts will be applied as a one-time $50 credit to the bills of its residential customers.

The Boston Gas Company

General Rate Case

On September 30, 2021, the DPU issued an Order in the Boston Gas Company's rate case. The Order permits Boston Gas 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 PBR-O term chosen by Boston Gas Company. On June 14, 2024, Boston Gas 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 million and the revenue requirement for these investments is $19 million. On September 30, 2024, the DPU approved Boston Gas 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 Boston Gas Company to remove the $8 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 million.

PBR Plan Filing

Boston Gas Company made its third annual PBR filing on June 14, 2024. The filing requested a PBR adjustment effective October 1, 2024, of approximately $41 million, based on a PBR percentage of 4.4 percent. On September 18, 2024, the DPU approved Boston Gas Company's proposed base distribution rate adjustment and Boston Gas Company's proposed tariff revision.

Boston Gas Company made its fourth annual PBR filing on June 13, 2025. The filing requested a PBR adjustment effective October 1, 2025, of approximately $41 million, based on a PBR percentage of 4.2 percent. In this filing, Boston Gas 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 Boston Gas Company's May 1, 2024 GSEP Reconciliation filing. The calendar year 2023 GSEP investments were approved, including approximately 130 miles of pipe and $292 million in costs. The DPU also approved Boston Gas Company's proposed gas system enhancement reconciliation adjustment factors ("GSERAFs"). The DPU ruled that Boston Gas Company may defer the under-recovered balance of $27 million to a future filing pursuant to its GSEP or to Boston Gas Company's next base distribution rate case.

On October 31, 2024, Boston Gas 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 Boston Gas Company filed its GSEP reconciliation filing, which reflects final 2024 capital expenditures that produced revenue requirements of approximately $181 million. Boston Gas 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 Boston Gas Company's calendar year 2021 GBE costs and suspended Boston Gas Company's cost recovery mechanism that recovers annual GBE Program implementation costs. In addition to suspending the cost recovery mechanism, the DPU ordered Boston Gas Company to refund approximately $24 million in total GBE program costs with interest to be calculated at the prime rate as set forth in Boston Gas 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 Boston Gas Company may seek recovery of GBE costs through traditional rate making, such as the next gas rate case.

On March 26, 2024, Boston Gas Company submitted its compliance filing in accordance with the DPU directive to implement refunds of the GBE program costs of $24 million plus interest no later than April 1, 2024. The Department approved the compliance filing of the refund on March 28, 2024.

2025-2027 Three-Year Energy Efficiency Plan

Refer to "2025-2027 Three-Year Energy Efficiency Plan" section under The Massachusetts Electric Companies.

Different from the Massachusetts Electric Companies, the Boston Gas Company-specific requested budget for the next three years is $965 million.

On February 28, 2025, the DPU approved the 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.

NEP

Stranded Cost Recovery

Under the settlement agreements approved by state commissions and the FERC, NEP is permitted to recover stranded costs, which are costs associated with its former generating investments (nuclear and non-nuclear) and related contractual commitments that were not recovered through the sale of those investments. NEP earns an ROE related to stranded cost recovery consisting of nuclear-related investments. In Massachusetts, Rhode Island, and New Hampshire, the current ROEs are 9.2%, 10.5%, and 7.7%, respectively. NEP will recover its remaining non-nuclear stranded costs when decommissioning costs are complete.

7. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2025	2024
	(in millions of dollars)	
Plant and machinery	**$ 53,663**	$ 49,760
Assets in construction	**4,891**	3,965
Land and buildings	**2,652**	2,505
Software and other intangibles	**3,351**	2,992
Operating lease ROU assets	**1,419**	1,267
Total property, plant and equipment	**65,976**	60,489
Accumulated depreciation – Tangible assets	**(12,234)**	(11,538)
Accumulated amortization – Software and other intangibles	**(1,936)**	(1,642)
Accumulated amortization – Operating lease ROU assets	**(526)**	(461)
Property, plant and equipment, net	**$ 51,280**	$ 46,848

The Company capitalizes costs incurred during the application development stage of internal use software projects to property, plant and equipment. The Company amortizes capitalized software costs ratably over the expected lives of the software, primarily ranging from 3 to 10 years and commencing upon operational use. Amortization expense for capitalized software was $297 million and $247 million for the years ended March 31, 2025 and 2024, respectively. As of March 31, 2025, amortization expense is estimated to be $305 million, $278 million, $249 million, $216 million, and $177 million for 2026 through 2030, respectively.

8. DERIVATIVE INSTRUMENTS

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

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

Notional Amounts

The notional contract amount represents the gross nominal value of the outstanding derivative contracts.

Volumes of outstanding commodity derivative instruments measured in dekatherms ("dths") and megawatts hour ("mwhs") are as follows:

	March 31,	
	2025	2024
	(in millions)	
Gas contracts (dths)	**193**	160
Electric contracts (mwhs)	**14**	14

Summary of Derivative Instruments on Consolidated Balance Sheets

The following table reflects the gross and net amounts of the Company's derivative assets and liabilities as of March 31, 2025.

	March 31, 2025 *(in millions of dollars)*				
	Gross amount of recognized assets (liabilities)	**Gross amount offset in the consolidated balance sheet**	**Net amount of assets (liabilities) presented in the consolidated balance sheet**	**Gross amount not offset on the consolidated balance sheet**	**Net amount**
	A	***B***	***C=A+B***	***D***	***E = C-D***
ASSETS:					
Other current assets, net					
Gas contracts	**$ 34**	**$ -**	**$ 34**	**$ -**	**$ 34**
Electric contracts	**83**	**-**	**83**	**12**	**71**
Other non-current assets, net					
Electric contracts	**16**	**-**	**16**	**14**	**2**
Total	**133**	**-**	**133**	**26**	**107**
LIABILITIES:					
Current liabilities					
Gas contracts	**1**	**-**	**1**	**-**	**1**
Electric contracts	**13**	**-**	**13**	**12**	**1**
Other non-current liabilities					
Gas contracts	**7**		**7**	**-**	**7**
Electric contracts	**39**		**39**	**14**	**25**
Total	**60**	**-**	**60**	**26**	**34**
Net assets (liabilities)	**$ 73**	**$ -**	**$ 73**	**$ -**	**$ 73**

The following table reflects the gross and net amounts of the Company's derivative assets and liabilities as of March 31, 2024, with no amounts reported for "gross amount offset in the consolidated balance sheet" for the period.

	March 31, 2024		
	(in millions of dollars)		
	Gross amount	**Gross amount not offset on the consolidated balance sheet**	**Net amount**
	A	***B***	***C = A-B***
ASSETS:			
Other current assets, net			
Gas contracts	$ 4	$ 2	$ 2
Electric contracts	33	27	6
Other non-current assets, net			
Electric contracts	9	6	3
Total	46	35	11
LIABILITIES:			
Current liabilities			
Gas contracts	45	2	43
Electric contracts	69	27	42
Other non-current liabilities			
Gas contracts	2	-	2
Electric contracts	36	6	30
Total	152	35	117
Net assets (liabilities)	$ (106)	$ -	$ (106)

Effect of Derivative Instruments on Statements of Operations

Changes in fair value of the Company's rate recoverable contracts are offset by changes in regulatory assets and liabilities. As a result, changes in the fair value of those contracts do not affect earnings. Realized gains or losses on the settlement of the Company's commodity derivative contracts are refunded to, or collected from, customers consistent with regulatory requirements.

The following table summarizes amounts recognized in earnings for commodity derivative instruments not designated as hedging instruments for the years ended March 31, 2025 and 2024:

	Location	**Year Ended March 31,**	
		2025	2024
		(in millions of dollars)	
Electric contracts	Purchased electricity	**$ 6**	$ (143)
Gas contracts	Purchased gas	**(31)**	(130)
Total gains (losses) recognized in earnings		**$ (25)**	$ (273)

The following table summarizes the accumulated changes in the fair value of commodity derivative instruments not designated as hedging instruments that have been deferred as regulatory assets and liabilities for the years ended March 31, 2025 and 2024:

	Location	Year Ended March 31, 2025	Year Ended March 31, 2024
		(in millions of dollars)	
Electric contracts	Regulatory asset/(liability)	**$ (47)**	$ 63
Gas contracts	Regulatory asset/(liability)	**(26)**	43
Total changes in regulatory assets (liabilities)		**$ (73)**	$ 106

Credit and Collateral

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

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

Commodity Transactions

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

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

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

The aggregate fair value of the Company's commodity derivative instruments with credit-risk-related contingent features that were in a liability position as of March 31, 2025 and 2024 was $4 million and $88 million, respectively. The Company had $0 million and $25 million collateral posted for these instruments as of March 31, 2025 and 2024, respectively. At March 31, 2025, if the Company's credit rating were to be downgraded by one, two, or three levels, it would be required to post additional collateral to its counterparties of $0 million, $7 million, or $9 million, respectively. At March 31, 2024, if the Company's credit rating had been downgraded by one, two, or three levels, it would have been required to post additional collateral to its counterparties of $6 million, $39 million, or $71 million, respectively. The counterparties had $16 million of collateral posted to the Company as of March 31, 2025 and 2024, respectively.

Financing Transactions

The credit policy for financing transactions is managed by a central treasury department under policies approved by the Finance Committee. In accordance with these treasury policies, counterparty credit exposure utilizations are monitored daily against the counterparty credit limits. Counterparty credit ratings and market conditions are reviewed continually with limits being revised and utilization adjusted, if appropriate. Management does not expect any significant losses from non-performance by these counterparties.

9. FAIR VALUE MEASUREMENTS

The following tables present assets and liabilities measured and recorded at fair value on the consolidated balance sheets 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 millions of dollars)		
Assets:				
Derivative instruments				
Gas contracts	**$ -**	**$ 35**	**$ -**	**$ 35**
Electric contracts	**-**	**97**	**1**	**98**
Financial instruments				
Securities	**12**	**204**	**-**	**216**
Total	**12**	**336**	**1**	**349**
Liabilities:				
Derivative instruments				
Gas contracts	**-**	**1**	**8**	**9**
Electric contracts	**-**	**50**	**1**	**51**
Total	**-**	**51**	**9**	**60**
Net assets (liabilities)	**$ 12**	**$ 285**	**$ (8)**	**$ 289**

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
		(in millions of dollars)		
Assets:				
Derivative instruments				
Gas contracts	$ -	$ 4	$ -	$ 4
Electric contracts	-	42	-	42
Financial instruments				
Securities	30	203	-	233
Total	30	249	-	279
Liabilities:				
Derivative instruments				
Gas contracts	-	28	19	47
Electric contracts	-	104	1	105
Total	-	132	20	152
Net assets (liabilities)	$ 30	$ 117	$ (20)	$ 127

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, OTC power swap options, and physical gas purchase contracts with pricing inputs obtained from the New York Mercantile Exchange 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 formula that is built into the model to price all financial options. All model inputs (underlying forward prices, discount rates and volatilities) use market observable information. The Company may utilize discounting based on quoted interest rate curves, including consideration of non-performance risk, and may include a liquidity reserve calculated based on bid/ask spreads for the Company's Level 2 derivative instruments. Substantially all of these price curves are observable in the marketplace throughout at least 95% of the remaining contractual quantity, or they could be constructed from market-observable curves with correlation coefficients of 95% or higher.

The Company's Level 3 fair value derivative instruments primarily 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 Company's Level 3 fair value derivative instruments primarily consist of structured physical gas purchase contracts which are valued based on internally-developed models. A derivative is designated Level 3 when it is valued based on a forward curve that is internally developed, extrapolated, or derived from market observable curves with correlation coefficients less than 95%, where optionality is present, or if non-economic assumptions are made.

The Company did not have any Level 1 derivative instruments at March 31, 2025 and 2024.

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.

Financial Investments - Securities

Securities are included in financial investments on the consolidated balance sheets and primarily include debt investments based on quoted market prices (Level 1) and municipal and corporate bonds based on quoted prices of similar traded assets in open markets (Level 2).

Debt Securities

The following table sets forth the amortized cost and fair value of the Company's available-for-sale debt securities.

		Amortized Cost		**Fair Value**	
	Longest	March 31,			
	maturity date	**2025**	2024	**2025**	2024
		(in millions of dollars)			
Rabbi Trust municipal bonds	2064	**$ 195**	$ 209	**$ 188**	$ 203
Niagara Mohawk municipal bonds	2059	**$ 16**	$ -	**$ 16**	$ -
		$ 211	$ 209	**$ 204**	$ 203

The gains and losses recorded in earnings or other comprehensive income in relation to available-for-sale debt securities were immaterial for the years ended March 31, 2025 and 2024. No other than temporary impairments were recorded in earnings or other comprehensive income during the years ended March 31, 2025 and 2024.

10. EMPLOYEE BENEFITS

The Company sponsors several qualified and non-qualified non-contributory defined benefit plans (the "Pension Plans") and post-retirement benefits other than pension (PBOP) plans (together with the Pension Plan (the "Plans")), covering substantially all employees.

The Company's regulated subsidiaries have regulatory recovery of virtually all of these costs and therefore have recorded related regulatory assets (liabilities) on the consolidated balance sheets. The Company records amounts for its unregulated subsidiaries to AOCI on the consolidated balance sheets.

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.

Pension Plans

The Pension Plans are defined benefit plans which provide union employees, as well as non-union employees with a retirement benefit. For non-union employees, the plans were closed to new entrants as of December 31, 2010. Non-union employees hired on or after January 1, 2011 are provided with a defined contribution plan. For union employees, the plans were closed, with one exception, to new entrants at varying dates from December 31, 2010 through June 2, 2019. Union employees hired on or after the closing of the pension plans to new entrants are provided with a defined contribution plan. 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 contributions of approximately $10 million and $8 million, respectively, to the qualified pension plans. The Company does not expect to contribute to the qualified pension plans during the year ending March 31, 2026.

Benefit payments to pension plan participants for the years ended March 31, 2025 and 2024 were approximately $358 million and $561 million, respectively. Benefit payments for the year ended March 31, 2024 included payments for annuity contract purchases that did not result in a settlement.

In addition, during the year ended March 31, 2024, the Company agreed to purchase a group annuity contract that transferred approximately $647 million of pension obligations and related plan assets to an insurance company. This transaction resulted in a settlement gain of $7 million, in the year ended March 31, 2024. Settlement gains in the year ended March 31, 2024 were recorded to other income as the transaction was related to non-regulated entities.

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 contributions of $171 million and $14 million, respectively, to the PBOP plans. The Company contributions for the year ended March 31, 2025 included a nonrecurring contribution. The Company does not expect to contribute to the PBOP plans during the year ending March 31, 2026.

Gross benefit payments to PBOP plan participants for the years ended March 31, 2025 and 2024 were approximately $215 million and $197 million, respectively.

Net Periodic Benefit Costs

The Company's net periodic benefit pension cost for the years ended March 31, 2025 and 2024 was $2 million and $15 million, respectively. This included non-service pension costs (benefits) for the years ended March 31, 2025 and 2024 of ($88) million and ($81) million, respectively.

The Company's net periodic PBOP benefit was ($132) million and ($116) million for the years ended March 31, 2025 and 2024, respectively. This included non-service PBOP costs (benefits) for the years ended March 31, 2025 and 2024 of ($167) million and ($152) million, respectively.

Amounts Recognized in AOCI and Regulatory Assets/Liabilities

The following tables summarize other pre-tax changes in plan assets and benefit obligations recognized primarily in regulatory assets/liabilities and AOCI for the years ended March 31, 2025 and 2024:

	Pension Plans		PBOP Plans	
	Years Ended March 31,		Years Ended March 31,	
	2025	2024	**2025**	2024
		(in millions of dollars)		
Net actuarial (gain)	**$ (8)**	$ (51)	**$ (122)**	$ (137)
Reversal of net actuarial gain from settlements	**-**	7	**-**	-
Prior service cost	**-**	1	**-**	-
Amortization of net actuarial (loss) gain	**(46)**	(58)	**116**	98
Amortization of prior service cost, net	**(5)**	(6)	**-**	-
Total	**$ (59)**	$ (107)	**$ (6)**	$ (39)
Change in regulatory assets or liabilities	**$ (37)**	$ (78)	**$ (16)**	$ (48)
Change in AOCI	**(22)**	(29)	**10**	9
Total	**$ (59)**	$ (107)	**$ (6)**	$ (39)

The Company's regulated subsidiaries have regulatory recovery of these obligations and therefore amounts are included in regulatory assets/liabilities on the consolidated balance sheets. Costs of non-regulated subsidiaries are recorded as part of AOCI on the consolidated balance sheets.

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

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

	Pension Plans		PBOP Plans	
	Years Ended March 31,		Years Ended March 31,	
	2025	2024	**2025**	2024
	(in millions of dollars)			
Net actuarial loss (gain)	**$ 270**	$ 324	**$ (1,012)**	$ (1,006)
Prior service cost	**24**	29	**-**	-
Total	**$ 294**	$ 353	**$ (1,012)**	$ (1,006)
Included in regulatory assets (liabilities)	**$ 291**	$ 328	**$ (906)**	$ (890)
Included in AOCI	**3**	25	**(106)**	(116)
Total	**$ 294**	$ 353	**$ (1,012)**	$ (1,006)

Amounts Recognized on the Consolidated Balance Sheets

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

	Pension Plans		PBOP Plans	
	Years Ended March 31,		Years Ended Marc h 31,	
	2025	2024	**2025**	2024
	(in millions of dollars)			
Projected benefit obligation	**$ (6,023)**	$ (6,129)	**$ (2,870)**	$ (3,072)
Fair value of plan assets	**6,690**	6,704	**3,433**	3,316
Total	**$ 667**	$ 575	**$ 563**	$ 244
Non-current assets	**$ 920**	$ 841	**$ 860**	$ 597
Current liabilities	**(24)**	(25)	**(2)**	(8)
Non-current liabilities	**(229)**	(241)	**(295)**	(345)
Total	**$ 667**	$ 575	**$ 563**	$ 244

The benefit obligation shown above is the projected benefit obligation ("PBO") for the Pension Plans and the accumulated postretirement benefit obligation ("APBO") for the PBOP Plans. The Company is required to reflect the funded status of its Pension Plans above in terms of the PBO, which is higher than the accumulated benefit obligation ("ABO"), because the PBO includes the impact of expected future compensation increases on the pension obligation. The Pension Plans had ABO balances that did not exceed the fair value of plans assets as of March 31, 2025. The aggregate ABO balances for the Pension Plans were $5.8 billion and $5.9 billion as of March 31, 2025 and 2024, respectively.

For the year ended March 31, 2025, the net actuarial gain for Pension was primarily driven by an increase in the discount rate, partially offset by actual asset returns that were less than expected. The net actuarial gains for the PBOP Plans were driven by an increase in the discount rate and favorable claims experience, partially offset by asset losses due to actual returns that were less than expected and an increase in the prescription drug trend assumption.

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 and savings recognized from a Pharmacy Benefit Manager market check completed for the Company's contract.

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 millions of dollars) **Years Ended March 31,**	**Pension Plans**	**PBOP Plans**
2026	$ 392	$ 169
2027	406	176
2028	420	182
2029	431	187
2030	440	191
2031-2035	2,252	985
Total	$ 4,341	$ 1,890

Assumptions Used for Employee Benefits Accounting

	Pension Plans		**PBOP Plans**	
	Years Ended March 31,		**Years Ended March 31,**	
	2025	2024	**2025**	2024
Benefit Obligations:				
Discount rate	**5.50%**	5.15%	**5.50%**	5.15%
Rate of compensation increase (non-union)	**4.30%**	4.30%	**N/A**	N/A
Rate of compensation increase (union)	**4.70%**	4.70%	**N/A**	N/A
Weighted-average interest crediting rate for cash balanced plans	**5.65%**	4.80%	**N/A**	N/A
Net Periodic Benefit Costs:				
Discount rate	**5.15%**	4.85% - 5.70%	**5.15%**	4.85%
Rate of compensation increase (non-union)	**4.30%**	4.30%	**N/A**	N/A
Rate of compensation increase (union)	**4.70%**	4.70%	**N/A**	N/A
Expected return on plan assets	**5.75% - 6.75%**	6.25% - 6.50%	**6.00% - 6.50%**	6.25% - 6.75%
Weighted-average interest crediting rate for cash balanced plans	**4.80%**	5.00%	**N/A**	N/A

For the year ended March 31, 2024, the discount rate used for remeasuring the purchase of the group annuity contract was 5.70%.

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

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

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS") which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan, which is intended to meet the objectives of the Plans by diversifying their funds across asset classes, investment styles, and fund managers. An asset liability study is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year-end 2025 reflects the results of such a pension study conducted and implemented in fiscal year 2025. 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 KeySpan and Niagara Mohawk Non-Union PBOP asset allocation effective in fiscal year 2024.

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

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

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

	National Grid Pension Plans		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2025	2024	**2025**	2024	**2025**	2024
Equity	**6%**	12%	**15%**	15%	**67%**	67%
Diversified Alternatives	**2%**	4%	**5%**	5%	**0%**	0%
Fixed Income Securities	**70%**	61%	**80%**	80%	**33%**	33%
Private Equity	**12%**	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

The following tables provide the fair value measurement amounts for the pension and PBOP assets:

	March 31, 2025									
	Level 1		Level 2		Level 3		Not Categorized		Total	
					(in millions of dollars)					
Pension assets:										
Investments										
Equity	$	2	$	-	$	-	$	355	$	357
Diversified alternatives		-		-		-		99		99
Corporate bonds		-		2,539		-		504		3,043
Government securities		19		1,554		-		603		2,176
Private equity		-		-		-		791		791
Real estate		-		-		-		253		253
Infrastructure		-		-		-		397		397
Total assets	$	21	$	4,093	$	-	$	3,002	$	7,116
Pending Transactions										(426)
Total net assets									$	6,690
PBOP assets:										
Investments										
Equity	$	41	$	-	$	-	$	674	$	715
Diversified alternatives		133		-		-		-		133
Corporate bonds		-		1,748		-		55		1,803
Government securities		55		484		-		1		540
Insurance contracts		-		-		-		211		211
Total assets	$	229	$	2,232	$	-	$	941	$	3,402
Pending Transactions										31
Total net assets									$	3,433

	March 31, 2024									
	Level 1		Level 2		Level 3		Not Categorized		Total	
					(in millions of dollars)					
Pension assets:										
Investments										
Equity	$	132	$	-	$	-	$	755	$	887
Diversified Alternatives		67		-		-		262		329
Corporate Bonds		-		2,543		-		469		3,012
Government Securities		5		631		-		560		1,196
Private Equity		-		-		-		781		781
Real Estate		-		-		-		298		298
Infrastructure		-		-		-		371		371
Total assets	$	204	$	3,174	$	-	$	3,496	$	6,874
Pending Transactions										(170)
Total net assets									$	6,704
PBOP assets:										
Investments										
Equity	$	45	$	-	$	-	$	661	$	706
Diversified Alternatives		117		-		-		11		128
Corporate Bonds		-		1,709		-		52		1,761
Government Securities		61		425		-		1		487
Insurance Contracts		-		-		-		202		202
Total assets	$	223	$	2,134	$	-	$	927	$	3,284
Pending Transactions										32
Total net assets									$	3,316

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 includes small investments in preferred securities as these are used in the fixed income portfolios as yield producing investments. In addition, certain fixed income derivatives are included in this category such as credit default swaps, to assist in managing credit risk.

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

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

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

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

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

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

Defined Contribution Plans

The Company has two defined contribution pension plans that cover substantially all employees. For the years ended March 31, 2025 and 2024, the Company recognized an expense in the accompanying consolidated statements of operations and comprehensive income of $133 million and $120 million, respectively.

11. DEBT AND CREDIT FACILITIES

Total long-term debt for the Company at March 31, 2025 and 2024 is as follows:

			March 31,	
			2025	2024
			(in millions of dollars)	
Long-term debt:	Interest Rate	Maturity Date		
Brooklyn Union Unsecured Notes:				
Senior Note	3.41%	March 10, 2026	**500**	500
Senior Note	4.63%	August 5, 2027	**400**	400
Senior Note	3.87%	March 4, 2029	**550**	550
Senior Note	4.87%	August 5, 2032	**400**	400
Senior Note	6.39%	September 15, 2033	**400**	400
Senior Note	6.39%	September 15, 2033	**150**	-
Senior Note	4.50%	March 10, 2046	**500**	500
Senior Note	4.27%	March 15, 2048	**650**	650
Senior Note	4.49%	March 4, 2049	**450**	450
Senior Note	6.42%	July 18, 2054	**450**	-
Brooklyn Union Notes			**4,450**	3,850
KeySpan Gas East Unsecured Notes:				
Senior Note	2.74%	August 15, 2026	**700**	700
Senior Note	5.99%	March 6, 2033	**500**	500
Senior Note	5.82%	April 1, 2041	**500**	500
Senior Note	3.59%	January 18, 2052	**400**	400
KeySpan Gas East Notes			**2,100**	2,100
Boston Gas Unsecured Notes:				
Senior Note	3.15%	August 1, 2027	**500**	500
Senior Note	3.13%	October 5, 2027	**150**	150
Senior Note	3.00%	August 1, 2029	**500**	500
Senior Note	3.76%	March 16, 2032	**400**	400
Senior Note	5.84%	January 10, 2035	**500**	-
Senior Note	4.49%	February 15, 2042	**500**	500
Senior Note	4.63%	March 15, 2042	**25**	25
Senior Note	6.12%	July 20, 2053	**400**	400

Boston Gas Medium-Term Notes:				
MTN Series 1995 C	6.95%	December 1, 2024	**-**	5
MTN Series 1995 C	7.25%	October 1, 2025	**20**	20
MTN Series 1995 C	7.25%	October 1, 2025	**5**	5
Boston Gas Notes			**3,000**	2,505
National Grid USA MTN	8.00%	November 15, 2030	**250**	250
National Grid USA Unsecured Notes:				
Senior Note	5.88%	April 1, 2033	**150**	150
Senior Note	5.80%	April 1, 2035	**307**	307
National Grid USA Notes			**707**	707
Niagara Mohawk Unsecured Notes:				
Senior Note	3.51%	October 1, 2024	-	500
Senior Note	4.28%	December 15, 2028	**500**	500
Senior Note	1.96%	June 27, 2030	**600**	600
Senior Note	2.76%	January 10, 2032	**400**	400
Senior Note	5.29%	January 17, 2034	**500**	500
Senior Note	4.28%	October 1, 2034	**400**	400
Senior Note	4.12%	November 28, 2042	**400**	400
Senior Note	3.03%	June 27, 2050	**500**	500
Senior Note	5.78%	September 16, 2052	**500**	500
Senior Note	5.66%	January 17, 2054	**700**	700
Niagara Mohawk Notes			**4,500**	5,000
Massachusetts Electric Unsecured Notes:				
Senior Note	1.73%	November 24, 2030	**500**	500
Senior Note	5.90%	November 15, 2039	**800**	800
Senior Note	4.00%	August 15, 2046	**500**	500
Senior Note	5.87%	February 26, 2054	**400**	400
Massachusetts Electric Notes:			**2,200**	2,200

New England Power Unsecured Notes:				
Senior Note	3.80%	December 5, 2047	**400**	400
Senior Note	2.81%	October 6, 2050	**400**	400
Senior Note	5.94%	November 25, 2052	**300**	300
New England Power Notes:			**1,100**	1,100
Total Notes Payable			**18,057**	17,462
Promissory Notes to NGNA	3.13% - 3.25%	June 2027 - April 2028	**66**	84
First Mortgage Bonds	6.90% - 7.38%	October 2025 – April 2028	**50**	50
State Authority Financing Bonds	3.29% - 3.48%	December 2025 – July 2029	**354**	355
State Authority Financing Bonds	Variable	December 2027 – August 2042	**117**	117
Total debt			**18,644**	18,068
Unamortized debt premium (discount), net			**-**	(4)
Unamortized debt issuance costs			**(78)**	(78)
Current portion of long-term debt			**(648)**	(523)
Total long-term debt			**17,918**	17,463

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

(in millions of dollars) **March 31,**	**Maturities of Long-Term Debt**
2026	648
2027	788
2028	1,186
2029	1,124
2030	615
Thereafter	14,283
Total	$ 18,644

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. The Company's subsidiaries also have restrictions on the payment of dividends which relate to their debt-to-equity ratios. As of March 31, 2025 and 2024, the Company was in compliance with all such covenants.

Significant Debt Facilities

State Authority Financing Bonds

At March 31, 2025, the Company had outstanding $471 million of State Authority Financing Bonds, of which $420 million were issued through the New York State Energy Research and Development Authority ("NYSERDA") and the remaining $51 million were issued through the Massachusetts Development Finance Agency ("MDFA"), for the subsidiaries listed below.

Niagara Mohawk had outstanding $354 million of tax-exempt revenue bonds issued by the NYSERDA in a fixed rate interest mode ranging from 3.29% to 3.48%.

Revolving Credit Agreements

At March 31, 2025, the Company, NGNA, and the Parent 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. At March 31, 2025, these facilities remain undrawn.

The facilities are comprised of two distinct and separate single currency tranches, namely a GBP £2.1 billion and a USD $4.0 billion tranche. The Company, NGNA, and the Parent can all draw on these facilities, but the cumulative borrowings cannot exceed the GBP and USD tranche limits. The current annual commitment fees are 0.14%. The terms of the facilities restrict the borrowing of all subsidiaries of the Company to $45 billion excluding intercompany indebtedness. Additionally, these facilities have a number of non-financial covenants which the Company is obliged to meet. At March 31, 2025 and 2024, the Company, NGNA, and the Parent were in compliance with all covenants.

In August 2009, the Company entered into an agreement with the Parent, whereby either party can collectively borrow up to $3.0 billion from time to time for working capital needs. In October 2024, the Company entered into a variation agreement to increase the borrowing limit from $3.0 billion to $5.0 billion until September 30, 2025. At March 31, 2025 and 2024, the Company had zero advances under this agreement. See Note 16, "*Related Party Transactions*" for additional details.

In August 2008, the Company entered into an agreement with NGNA, whereby the Company can borrow up to $1.5 billion from time to time for working capital needs. The latest amendment was made in March 2025 to increase the borrowing capacity to $16.0 billion. See Note 16, "*Related Party Transactions*" for additional details.

Debt Authorizations

Niagara Mohawk

Niagara Mohawk has regulatory approval from the FERC to issue up to $1.0 billion of short-term debt internally or externally. The authorization was renewed with an effective date of October 15, 2024 and expires on October 14, 2026. Niagara Mohawk had no external short-term debt as of March 31, 2025 and 2024.

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

Under this most recent authorization, Niagara Mohawk has issued $2.1 billion of long-term debt as of March 31, 2025 and 2024.

Brooklyn Union

On June 17, 2022, the NYPSC authorized Brooklyn Union to issue up to $1.8 billion of new long-term debt securities, with the authorization valid for a period beginning on the effective date of the commission's order and ending on March 31, 2025. Under this most recent authorization, Brooklyn Union has issued $1.8 billion and $1.2 billion of long-term debt as of March 31, 2025 and 2024, respectively. A new petition for the right to issue long-term debt securities was filed with the NYPSC on May 9, 2025.

KeySpan Gas East

On June 17, 2022, the NYPSC authorized KeySpan Gas East to issue up to $890 million of new long-term debt securities, with the authorization valid for a period beginning on the effective date of the commission's order and ending on March 31, 2025. Under this most recent authorization, KeySpan Gas East has issued $500 million of long-term debt as of March 31, 2025 and 2024, respectively. A new petition for the right to issue long-term debt securities was filed with the NYPSC on May 9, 2025.

Boston Gas

On July 20, 2023, Boston Gas issued $400 million of unsecured senior long-term debt at a fixed rate of 6.12% with a maturity date of July 20, 2053.

The existing order for Boston Gas provided the authority to issue long-term debt securities through November 2024 of up to $1.5 billion, of which Boston Gas 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. Boston Gas' current authority now extends to November 2025.

On January 10, 2025, Boston Gas issued $500 million of unsecured long-term debt at 5.84% with a maturity date of January 10, 2035.

Massachusetts Electric

Massachusetts Electric has regulatory approval from the FERC to issue up to $750 million of short-term debt internally or externally that expires on October 14, 2026. Massachusetts Electric had no external short-term debt as of March 31, 2025 and 2024.

On July 17, 2023, Massachusetts Electric received approval from the DPU to issue up to $1.1 billion of long-term debt in one or more transactions through August 31, 2024. Under this most recent authorization, Massachusetts Electric has issued $900 million of long-term debt as of March 31, 2025 and 2024, respectively. The authorization and remaining capacity has since expired. Massachusetts Electric will be able to implement temporary funding measures if needed until a new authority is approved by the DPU.

NEP

NEP has regulatory approval from the FERC to issue up to $1.5 billion of short-term debt. The authorization was renewed with an effective date of October 15, 2024 and expires on October 14, 2026. NEP had no external short-term debt as of March 31, 2025 and 2024.

On November 22, 2024, NEP filed a petition for authorization and approval of the issuance of long-term debt in an amount not to exceed $1.2 billion. The new debt will have a term exceeding one year not to exceed 30 years with either an adjustable interest rate or a fixed interest rate. NEP is requesting an interest rate of up to 8 percent, which is the rate approved in recent financing petitions. On April 17, 2025, the DPU issued the order approving this authorization for three years from the date of the issuance of this order.

Genco

Genco has regulatory approval from the FERC to issue up to $250 million of short-term debt. The authorization was renewed with an effective date of October 15, 2024 and expires on October 14, 2026. Genco had no short-term debt as of March 31, 2025 or 2024.

12. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,	
	2025	2024
	(in millions of dollars)	
Current tax expense (benefit):		
Federal	**$ 58**	$ 45
State	**(10)**	(21)
Total current tax expense (benefit)	**48**	24
Deferred tax expense:		
Federal	**135**	183
State	**144**	111
Total deferred tax expense	**279**	294
Amortized investment tax credits [1]	**(3)**	(3)
Total deferred tax expense (benefit)	**276**	291
Total income tax expense (benefit)	**$ 324**	$ 315

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

Statutory Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2025 and 2024 are 18.9% and 18.1%, respectively. The following table presents a reconciliation of income tax expense (benefit) at the federal statutory tax rate of 21% to the actual tax expense:

	Years Ended March 31,	
	2025	2024
	(in millions of dollars)	
Computed federal tax	**$ 360**	$ 365
Change in computed taxes resulting from:		
State income tax, net of federal benefit	**106**	71
Amortization of regulatory tax liability, net	**(128)**	(117)
Research and development credit, net of reserves	**(4)**	(3)
Other	**(10)**	(1)
Total changes	**(36)**	(50)
Total income tax expense	**$ 324**	$ 315

The Company is included in the NGNA and subsidiaries consolidated federal income tax return, and Massachusetts and New York unitary state income tax returns. 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 millions of dollars)	
Deferred tax assets:		
Allowance for doubtful accounts	**$ 194**	$ 184
Environmental remediation costs	**864**	907
Net operating losses	**255**	150
Postretirement benefits	**165**	184
Regulatory liabilities	**1,580**	1,669
Reserves not currently deducted	**320**	299
Corporate alternative minimum tax credit	**150**	106
Other items	**309**	367
Total deferred tax assets	**3,837**	3,866
Deferred tax liabilities:		
Property related differences	**7,416**	6,990
Regulatory assets	**1,883**	1,985
Other items	**536**	433
Total deferred tax liabilities	**9,835**	9,408
Net deferred income tax liabilities	**5,998**	5,542
Deferred investment tax credits	**37**	40
Deferred income tax liabilities, net	**$ 6,035**	$ 5,582

Net Operating Losses

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

	Gross Carryforward Amount *(in millions of dollars)*	Expiration Period
Federal	946	Indefinite
Massachusetts	526	2044 – 2045
New York	2,000 [2]	2035 – 2045
New York City	327 [2]	2035 – 2045

[2] The amount contains net operating losses that were incurred before the tax year ended March 31, 2015 that have been converted into a Prior Net Operating Loss Conversion subtraction that can be utilized beginning fiscal year 2017.

As a result of the accounting for uncertain tax positions, the amount of deferred tax assets reflected in the consolidated 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.

Tax Years Subject to Examination

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

Jurisdiction	Tax Years
Federal	March 31, 2022
Massachusetts	March 31, 2013
New York	March 31, 2013
New York City	March 31, 2013

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statement of operations and comprehensive income. As of March 31, 2025 and 2024, the Company has accrued for interest related to unrecognized tax benefits of $50 million and $31 million, respectively. During the years ended March 31, 2025 and 2024, the Company recorded interest expense of $20 million and $9 million, respectively. No tax penalties were recognized during the years ended March 31, 2025 and 2024.

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

13. ENVIRONMENTAL MATTERS

Ordinary business operations subject the Company to various federal, state, and local laws, rules, and regulations dealing with the environment, including air, water, and hazardous waste. The Company's business operations are regulated by various federal, regional, state, and local authorities, including the U.S. Environmental Protection Agency ("EPA"), the New York State Department of Environmental Conservation ("DEC"), the New York City Department of Environmental Protection, and the Nassau and Suffolk County Departments of Health.

Except as set forth below, no material proceedings relating to environmental matters have been commenced or, to the Company's knowledge, are contemplated by any federal, state, or local agency against the Company and the Company is not a defendant in any material litigation with respect to any matter relating to the protection of the environment. The Company believes that its operations are in compliance with environmental laws and that requirements imposed by environmental laws are not likely to have a material adverse impact on the Company's financial position or results of operations.

Air

Genco's generating facilities are subject to increasingly stringent emissions limitations. In addition to efforts to improve both ozone and particulate matter air quality, there has been an increased focus on greenhouse gas emissions in recent years. Genco's previous investments in low NOx boiler combustion modifications, the use of natural gas firing systems at its steam electric generating stations, and the compliance flexibility available under cap-and-trade programs have enabled Genco to achieve its prior emission reductions in a cost-effective manner.. Genco will continue to make investments for additional emissions reductions, as needed. Genco has developed a compliance strategy to address anticipated future requirements and is closely monitoring the regulatory developments to identify any necessary changes to its compliance strategy. At this time, Genco is unable to predict what effect, if any, these future requirements will have on its financial position, results of operations, and cash flows.

Water

Additional capital expenditures associated with the renewal of the surface water discharge permits for Genco's steam electric power plants have been required by the DEC pursuant to Section 316 of the Clean Water Act to mitigate the plants' alleged cooling water system impacts to aquatic organisms. Final permits have been issued and work is completed for Port Jefferson and Northport. Genco is awaiting a final permit from the DEC to proceed with the improvements at E.F. Barrett and will continue to operate under the prior permit, which is automatically extended under the State Administrative Procedure Act ("SAPA"). The date when the final permit will be issued is currently unknown. Costs associated with these capital improvements are reimbursable from LIPA under the A&R PSA.

Land, Manufactured Gas Plants and Related Facilities

Federal and state environmental regulators, as well as private parties, have alleged that several of the Company's subsidiaries are potentially responsible parties under Superfund laws for the remediation of numerous contaminated sites in New York and New England. The Company's greatest potential Superfund liabilities relate to MGP facilities formerly owned or operated by its subsidiaries or their predecessors. MGP byproducts include fuel oils, hydrocarbons, coal tar, purifier waste, and other waste products which may pose a risk to human health and the environment.

Several lawsuits have been filed which allege damages resulting from contamination associated with the historic operations of a former MGP located in Bay Shore, New York. The Company has been conducting remediation at this location pursuant to Administrative Order on Consent with the DEC. The Company intends to contest these proceedings vigorously.

At March 31, 2025 and 2024, the Company's total reserve for estimated MGP-related environmental matters is $3.1 billion and $3.3 billion, respectively. These liabilities are expected to be settled over approximately 57 years, and these undiscounted amounts have been recorded as estimated liabilities on the consolidated balance sheets. Management believes that obligations imposed on the Company because of the environmental laws will not have a material adverse effect on its operations, financial position, or cash flows. Through various rate orders issued by the NYPSC and the DPU, costs related to MGP environmental cleanup activities are recovered in rates charged to gas distribution customers. Accordingly, the Company has reflected a net regulatory asset of $3.1 billion and $3.2 billion on the consolidated balance sheets at March 31, 2025 and 2024, respectively. The Company is pursuing claims against other potentially responsible parties to recover investigation and remediation costs it believes are the obligations of those parties. The Company cannot predict the likelihood of success of such claims.

During the year ended March 31, 2025, the Company received new information from environmental regulators concerning the design and remediation work required at several sites. Through ongoing technical scope discussions with the regulators concerning their expectations for these sites, the Company revised the anticipated scope of remediation work to be performed. Accordingly, the Company recorded a decrease to the environmental obligation for these sites of $43 million and an increase of $834 million at March 31, 2025 and 2024, respectively, reflecting estimates prepared by third-party engineers for the revised scope of remediation work to be performed. After recording an offsetting decrease in regulatory assets relating to environmental remediation, there was no impact to the net assets of the Company. Discussions with regulators will continue and final selection of technologies and remedial actions required will be made based on the results of field studies. Depending on the final selection of technologies and remedial actions required, there could be a material change to the reserve, which would have a corresponding offsetting change in regulatory assets due to regulatory recovery of environmental remediation costs.

The Company believes that its ongoing operations, and its approach to addressing conditions at historic sites, are in compliance with all applicable environmental laws, and that the obligations imposed on it because of the environmental laws will not have a material impact on its results of operations or financial position since, as noted above, environmental expenditures incurred by the Company are generally recoverable from customers.

The Company is pursuing environmental insurance recoveries in connection with several legal proceedings that are ongoing between the Company and insurance companies who have provided historic coverage over environmentally impacted sites. Following any favorable resolution of these claims, the Company is expected to return insurance recoveries to customers through the Company's regulatory mechanisms. However, legal proceedings in each case still have a number of stages to complete, any of which could modify the amount of any eventual claim. As such it is not currently practicable to provide a reliable estimate of the amount of likely eventual recoveries.

14. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company's electric subsidiaries have several long-term contracts for the purchase of electric power. Substantially all of these contracts require power to be delivered before the subsidiaries are obligated to make payment. Additionally, the Company's gas distribution subsidiaries have entered into various contracts for gas delivery, storage, and supply services. Certain of these contracts require payment of annual demand charges, which are recoverable from customers. The Company's gas distribution subsidiaries are 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 and intangible assets.

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

(in millions of dollars) Years Ending March 31,	Energy Purchases	Capital Commitments
2026	$ 1,625	$ 607
2027	1,620	221
2028	1,475	86
2029	1,299	30
2030	1,191	7
Thereafter	10,648	-
Total	$ 17,858	$ 951

Power Purchase Agreements for Renewable Energy Projects

Section 83A

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

Three-State Procurement: Section 83A

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

Clean Energy Procurement: Section 83D

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

Offshore Wind Energy Procurement: Section 83C Round 1

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

On March 25, 2024, Vineyard Wind notified the Massachusetts Electric Distribution Companies ("MA EDCs") of their intent to utilize critical milestone extensions in the Facility 1 and Facility 2 PPAs. As such, the new guaranteed commercial operations dates are January 15, 2026 for the first wind farm and May 31, 2026 for the second wind farm.

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

In 2020 and 2022, the MA EDCs entered into several 20-year PPAs with two developers for the purchase of a portion of the electricity and renewable energy credits generated by two offshore wind farms proposed. The contracts were entered into pursuant to Section 83C of the Green Communities Act and were approved by the DPU. In 2022 both developers indicated that they were unable to build their projects under their awarded contract prices. After negotiations with the MA EDCs, both counterparties elected to request amendments to their contracts allowing for Termination and Release. In July and August 2023, the MA EDCs filed amendment to these PPAs allowing for termination and requiring a payment to be returned to each EDC's customers. The DPU approved these amendments and the contracts were terminated in late 2023. The Company received termination payments totaling approximately $49 million, which were returned to customers via bills between March 1, 2024, and February 28, 2025.

Financial Guarantees

The Company has guaranteed the principal and interest payments on certain outstanding debt of its subsidiaries. Additionally, the Company has issued financial guarantees in the normal course of business, on behalf of its subsidiaries, to various third-party creditors. At March 31, 2025, the following amounts would have to be paid by the Company in the event of non-payment by the primary obligor at the time payment is due:

Guarantees for Subsidiaries:		Amount of Exposure	Expiration Dates
		(in millions of dollars)	
Surety Bonds	(i)	$ 175	Revolving
Commodity Guarantees and Other	(ii)	72	December 2025 – Continuing
Letters of Credit	(iii)	177	December 2024 – October 2025
Nantucket Tax-exempt Bonds	(iv)	51	March 2039 – August 2042
Environmental Remediation Trust	(v)	69	2037
		$ 544	

The following is a description of the Company's outstanding subsidiary guarantees:

(i) The Company has agreed to indemnify the issuers of various surety bonds associated with various construction requirements or projects of its subsidiaries. In the event that the Company or its subsidiaries fail to perform their obligations under contracts, the injured party may demand that the surety make payments or provide services under the bond. The Company would then be obligated to reimburse the surety for any expenses or cash outlays it incurs.

(ii) The Company has guaranteed commodity-related and operational payments for certain subsidiaries. These guarantees are provided to third-parties to facilitate physical and financial transactions supporting the purchase and transportation of natural gas, oil, and other petroleum products for gas and electric production and financing activities. The guarantees cover actual transactions by these subsidiaries that are still outstanding as of March 31, 2025.

(iii) The Company has arranged for stand-by letters of credit to be issued to third-parties that have extended credit to certain subsidiaries. Certain vendors require the posting of letters of credit to guarantee subsidiary performance under the Company's contracts and to ensure payment to the Company's subsidiary subcontractors and vendors under those contracts. Certain of the Company's vendors also require letters of credit to ensure reimbursement for amounts they are disbursing on behalf of the Company's subsidiaries, such as to beneficiaries under the Company's self-funded insurance programs. Such letters of credit are generally issued by a bank or similar financial institution. The letters of credit commit the issuer to pay specified amounts to the holder of the letter of credit if the holder demonstrates that the Company has failed to perform specified actions. If this were to occur, the Company would be required to reimburse the issuer of the letter of credit.

(iv) The Massachusetts Electric Company unconditionally guarantees the full and prompt payment of the principal, premium, if any, and interest on certain tax-exempt bonds issued by the Massachusetts Development Finance Agency in connection with Nantucket Electric's financing of its first and second underground and submarine cable projects. The Massachusetts Electric Company would be required to make any principal, interest, and premium payments if Nantucket Electric failed to pay. The carrying value of the debt guaranteed is approximately $51 million as of March 31, 2025, and the debt has maturities extending through 2042. This guarantee is absolute and unconditional. As of the date of this report, the Massachusetts Electric Company has not had a claim made against it for this guarantee and has no reason to believe that Nantucket Electric will default on its obligations.

(v) Brooklyn Union Gas Company is a guarantor of a lease agreement as part of its participation in a grantor trust established to manage and administer funds contributed towards cleanup efforts for environmental remediation. The trust maintains all obligations for the payment of rent, insurance and property taxes for the leased property. In the unlikely event that the trust was to default on required payments or be dissolved, Brooklyn Union would become responsible for those lease obligations. Total lease obligations (undiscounted) over the 12 year term are approximately $69 million.

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 NYPSC issued an order commencing a proceeding to examine the potential impacts of the employee misconduct on the capital and O&M expenditures of National Grid's downstate New York gas companies.

Over the past three years, National Grid has fully cooperated with the NYPSC's investigation, which was resolved through a settlement that was approved by the NYPSC on December 19, 2024. The DPU has indicated that it will open an investigation into this matter after the conclusion of the NYPSC's investigation.

In the interest of ensuring that Brooklyn Union and KeySpan Gas East customers were not financially impacted by the criminal conduct, Brooklyn Union and KeySpan Gas East agreed to defer for the benefit of customers $20 million of revenues previously collected in rates. As of March 31, 2025, Brooklyn Union and KeySpan Gas East have recorded regulatory liabilities of $13 million and $7 million, respectively, for their share of the settlement. The Company does not expect this matter will have a materially adverse effect on its results of operations, financial position, or cash flows.

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 Massachusetts Electric Companies' 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 Massachusetts Electric Companies does not expect this matter to have a material adverse effect on its results of operations, financial position or cash flows.

FERC ROE Complaints

Four separate complaints have been filed at the FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties, and other parties. In each of the first three complaints, filed on September 30, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the New England Transmission Owners' ("NETO"), of which NEP is one, base ROE of 11.14% and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month compliance periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE of 10.57% asserting that these ROEs were unjust and unreasonable. NEP recorded a liability of $42 million and $38 million, included in other current liabilities on the consolidated balance sheets as of March 31, 2025 and 2024, respectively, for the potential refund as a result of reduction of the base ROE.

On October 17, 2024, FERC issued an order addressing the August 2022 remand and updating its methodology, reducing the MISO base ROE from 10.32% to 9.98%, and requiring refunds for the 15-month period after the first complaint and the period from September 28, 2016, the date of the initial order in the MISO ROE complaint proceeding, to October 17, 2024. Until FERC acts on the NETOs ROE dockets, there is significant uncertainty about the impacts of the October 2024 MISO order on NEP. NEP concluded that there is no reasonable basis for a change to the reserve or recognized ROEs for any of the complaint periods at this time. Further, NEP believes that the current reserve is the best estimate of the potential loss.

Nuclear Contingencies

As of March 31, 2025 and 2024, Niagara Mohawk had a liability of $202 million and $193 million, recorded in non-current liabilities on the consolidated balance sheets, for the disposal of nuclear fuel irradiated prior to 1983. The Nuclear Waste Policy Act of 1982 provides three payment options for liquidating such liability and Niagara Mohawk has elected to delay payment, with interest, until the year in which Constellation Energy Group Inc., which purchased Niagara Mohawk's nuclear assets, initially plans to ship irradiated fuel to an approved Department of Energy ("DOE") disposal facility.

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

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

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

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

Amended and Restated Power Supply Agreements

Effective May 28, 2013 (and most recently amended on April 1, 2018), Genco provides services to LIPA under an amended and restated ("A&R") PSA. Under the A&R PSA, Genco has a return on equity of 9.75% and a capital structure of 50% debt and 50% equity. The PSA allows for changes in the allowed ROE if U.S. Treasury bond yields exceed certain thresholds. This was triggered last year and the parties agreed to update the allowed ROE to 10.6% effective January 1, 2025. FERC approval is contingent on approval of the New York State Comptroller and Attorney General. Once these approvals are received, the capacity charge paid by LIPA will be updated to reflect the new allowed ROE back to January 1, 2025.

The A&R PSA has a term of fifteen years, provided LIPA has the option to terminate the agreement on two years advance notice. Genco accounts for the A&R PSA and PPAs as operating leases under ASC 842. In addition, LIPA has options to ramp down blocks of capacity on two years advance notice for steam generating units and one year advance notice for other generating units covered by the A&R PSA.

On April 18, 2022, Genco and LIPA signed a "Letter Agreement to Clarify and Settle Ramp Down Rights and Other Issues under the A&R PSA" ("Letter Agreement"), and on September 22, 2022, GENCO and LIPA signed a "Side Letter to Clarify Post Nassau Tax Settlement Administration of LIPA/National Grid Obligations" ("Side Letter"). In November 2022, GENCO submitted amendments to the A&R PSA to reflect the terms of the Letter Agreement and the Side Letter which were approved by the FERC on January 27, 2023, with an effective date of February 1, 2023. The Letter Agreement provided for further ramp down options, clarification on how a ramp down is calculated in regard to the capacity charge and notional tracking account of $68M to offset initial ramp down payments. The Letter Agreement does not change the terms of the A&R PSA, except as explicitly discussed in the letter. The Company has received ramp down notifications with an effective date in 2025 for Shoreham Unit 2, Glenwood Unit 1, and West Babylon Unit 4. In April 2025 The Company received a request for these units to remain operational through September 30, 2026 in load modifier status.

Under the terms of the A&R PSA, LIPA is obligated to pay for capacity at rates that reflect recovery of an agreed level of the overall cost of maintaining and operating the generating facilities, including recovery of depreciation and return on its investment in plant.

15. LEASES

The Company has various operating leases, primarily related to a transmission line, buildings, land, real estate, and fleet vehicles used to support the electric and gas operations, with lease terms ranging between 1 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 consolidated balance sheets. As of March 31, 2025 and 2024, the Company does not have any finance leases.

Expense related to operating leases was $144 million and $129 million for the years ended March 31, 2025 and 2024, 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:

	Years ended March 31,	
	2025	**2024**
	(in millions of dollars)	
Cash paid for amounts included in lease liabilities		
Operating cash flows from operating leases	**$ 146**	$ 131
ROU assets obtained in exchange for operating lease liabilities	**$ 201**	$ 194
Weighted-average remaining lease term – operating leases	**10 years**	10 years
Weighted-average discount rate – operating leases	**4.21%**	3.81%

The following contains the Company's maturity analysis of its operating lease liabilities, 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 millions of dollars)*
2026	**$ 149**
2027	**140**
2028	**129**
2029	**114**
2030	**97**
Thereafter	**497**
Total future minimum lease payments	**1,126**
Less: imputed interest	**221**
Total	**$ 905**
Reported as of March 31, 2025:	
Current lease liability	**$ 116**
Non-current lease liability	**789**
Total	**$ 905**

Genco recognizes operating revenues related to the A&R PSA, and PPAs whereby LIPA agrees to purchase capacity, energy, and ancillary services from Genco and its subsidiaries. The agreements are classified as operating leases. The revenues earned from the contracts amounted to $486 million and $457 million for the years ended March 31, 2025 and March 31, 2024, respectively. There are other lease arrangements where the Company is the lessor. Revenue under such leases was immaterial for the years ended March 31, 2025 and March 31, 2024.

16. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

The Company engages in various transactions with the Parent and its subsidiaries. Certain activities and costs, including accounting, auditing, risk management, tax, and treasury/finance, human resources, information technology, legal, purchase gas, and strategic planning, are shared between the Company and its affiliates.

The Company also records short-term receivables from, and payables to, certain of its affiliates in the ordinary course of business. The amounts receivable from, and payable to, its affiliates do not bear interest and are settled through the intercompany money pool.

A summary of outstanding accounts receivable from affiliates and accounts payable to affiliates is as follows:

	Accounts Receivable from Non-consolidated Affiliates		Accounts Payable to Non-consolidated Affiliates	
	March 31,		March 31,	
	2025	2024	**2025**	2024
	(in millions of dollars)			
National Grid plc	**$ 167**	$ 98	**$ 239**	$ 104
National Grid North America	**1**	-	**-**	-
NGV US LLC ("NGV") and National Grid Partners LLC ("NGP")	**530**	406	**174**	159
Total	**$ 698**	$ 504	**$ 413**	$ 263

Advance from Affiliate

In August 2009, the Company entered into an agreement with the Parent, whereby either party can collectively borrow up to $3.0 billion from time to time for working capital needs. In October 2024, the Company entered into a variation agreement to increase the borrowing limit from $3.0 billion to $5.0 billion until September 30, 2025. These advances currently bear interest rates of the Secured Overnight Financing Rate plus a margin set to reflect the cost of short-term borrowing rates for the Parent at the time of the borrowing. Outstanding balances are due on demand and reported on a net basis in the consolidated statements of cash flows. At March 31, 2025 and 2024, the Company had zero advances under this agreement.

In August 2008, the Company entered into an agreement with NGNA, whereby the Company can borrow up to $1.5 billion from time to time for working capital needs. The agreement can be amended and restated from time to time, with the latest amendment made in March 2025 to increase the borrowing capacity to $16.0 billion. These advances do not bear interest. At March 31, 2025 and 2024, the Company had $12.2 billion and $9.0 billion in outstanding advances from NGNA under this agreement.

Amounts advanced under each of these agreements are repayable on demand and can be structured as interest or non-interest bearing subject to the demands of the lender. The advances support general working capital needs, with advances and repayments executed on a daily basis.

Promissory Notes

On November 20, 2015, Genco entered into an intercompany loan with the Company totaling $227 million, composed of a $165 million intercompany loan with an interest rate of 3.25% due to mature on April 30, 2028, and a $62 million intercompany loan with an interest rate of 3.13% due to mature on June 1, 2027. The remaining intercompany loan of $66 million and $84 million as of March 31, 2025 and 2024, respectively, is reported in long-term debt on the consolidated balance sheets. The intercompany loans also have an annual sinking fund requirement totaling $18 million, which is included in current portion of long-term debt on the accompanying consolidated balance sheets as of March 31, 2025 and 2024, respectively.

The $78m unsecured intercompany loan previously entered between LNG and the Company, with an annual interest rate of 2.57%, matured on December 1, 2024.

Intercompany money pool

The settlement of the Company's various transactions with its subsidiaries and certain affiliates generally occurs via the Regulated and Unregulated money pools, as applicable. Borrowings from the Regulated and Unregulated money pools bear interest in accordance with the terms of the applicable money pool agreement. All changes in the intercompany money pool balances are reflected as investing or financing activities in the accompanying consolidated statements of cash flows. For the purpose of presentation in the consolidated 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 and Unregulated money pools are funded by operating funds from participants in the applicable pool. The Intercompany money pool balances represent positions between the Company and legal entities that are part of the NGV and NGP business, which remains party to the Unregulated money pool. The cash impacts from these money pool positions were reported as either investing or financing activities in the consolidated statements of cash flows.

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.

Holding Company Charges

The Company receives charges from National Grid Commercial Holdings Limited (an affiliated company in the United Kingdom) for certain corporate and administrative services provided by the corporate functions of the Parent to its U.S. subsidiaries. For the years ended March 31, 2025 and 2024, the effect on income before income taxes was $106 million and $62 million, respectively.

17. PREFERRED STOCK

Preferred stock of NGUSA subsidiaries

The Company's subsidiaries have certain issues of non-participating cumulative preferred stock outstanding where the security is guaranteed by National Grid plc and can be redeemed only at the option of the Company's subsidiaries. There are no mandatory redemption provisions on the cumulative preferred stock and no conversion options. A summary of the cumulative preferred stock of NGUSA subsidiaries at March 31, 2025 and 2024 is presented in the table below. The preferred stock is reported as a non-controlling interest as of March 31, 2025 and 2024, respectively.

		Shares Outstanding		Amount		
		March 31,		March 31,		Call
Series	Company	**2025**	2024	**2025**	2024	Price
		(in millions of dollars, except per share and number of shares data)				
$100 par value -						
3.40% Series	Niagara Mohawk	**57,524**	57,524	**$ 6**	$ 6	$ 103.500
3.60% Series	Niagara Mohawk	**137,152**	137,152	**14**	14	104.850
3.90% Series	Niagara Mohawk	**95,171**	95,171	**9**	9	106.000
4.44% Series	Massachusetts Electric	**22,585**	22,585	**2**	2	104.068
6.00% Series	NEP	**11,117**	11,117	**1**	1	Non-callable
Golden Shares -	Niagara Mohawk and the New York Gas Companies	**3**	3	**-**	-	Non-callable
Total		**323,552**	323,552	**$ 32**	$ 32	

In connection with the acquisition of KeySpan by NGUSA, the Company's New York Gas Companies became subject to a requirement to issue a class of preferred stock, having one share (the "Golden Share"), subordinate to any existing preferred stock. The holder of the Golden Share would have voting rights that limit the Company's right to commence any voluntary bankruptcy, liquidation, receivership, or similar proceeding without the consent of the holder of the Golden Share. The NYPSC subsequently authorized the issuance of the Golden Share to a trustee, GSS Holdings, Inc. ("GSS"), who will hold the Golden Share subject to a Services and Indemnity Agreement requiring GSS to vote the Golden Share in the best interests of NYS. On July 8, 2011, the Company issued a total of 3 Golden Shares pertaining to Niagara Mohawk and the New York Gas Companies each with a par value of $1.

The Company's subsidiaries did not redeem any preferred stock during the years ended March 31, 2025 or 2024. The annual dividend requirement for cumulative preferred stock was $1 million as of March 31, 2025 and 2024.

Preferred stock of NGUSA

The Company has cumulative series A through F non-participating non-callable preferred stock (5,000 total shares authorized, 915 outstanding) which have no fixed redemption date and no conversion options. The series A through F shares rank above all common shares, but below the Company's debt holders in an event of liquidation. If the Company does not pay its annual dividend on the A through F series preferred stock due on July 28, it is subject to limitations on the payment of any dividends to its common shareholder. The par value of the series A through F preferred stock is $0.10. The fixed rate on the series A through E preferred stock is 6.5%. The fixed rate on the series F preferred stock is 8.5%. The Company has paid all declared dividends in full.

A summary of preferred stock is as follows:

	Shares Outstanding		Amount (par)		Amount (additional paid-in capital)		Dividends Paid	
	March 31,		March 31,		March 31,		March 31,	
Series	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	(in millions of dollars, except per share and number of shares data)							
$0.10 par value -								
Series A	**51**	51	**$ -**	$ -	**$ 400**	$ 400	**$ 26**	$ 26
Series B	**40**	40	**-**	-	**315**	315	**20**	20
Series C	**96**	96	**-**	-	**750**	750	**49**	49
Series D	**79**	79	**-**	-	**616**	616	**40**	40
Series E	**1**	1	**-**	-	**10**	10	**1**	1
Series F	**648**	648	**-**	-	**5,368**	5,368	**456**	456
Total	**915**	915	**$ -**	$ -	**$ 7,459**	$ 7,459	**$ 592**	$ 592

18. TRANSFER OF SUBSIDIARIES

On December 31, 2023 the Company transferred its ownership interests in NG LNG to NGV. The ownership interests were transferred by making an equity distribution of the shares in the entities to NGV. As part of the transfer, $55 million of goodwill was allocated to the disposal group. As this was a transaction between entities under common control, the Company's interest was transferred at net book value and no gain or loss was recognized in the consolidated statement of operations as a result of this transfer during the year ended March 31, 2024.

The entities that were transferred had total assets of $495 million (including accounts receivable from either the Company or one of its consolidated subsidiaries of $5 million) and total liabilities of $366 million (including accounts payable to either the Company or one of its consolidated subsidiaries of $1 million, and an intercompany money pool liability to the Company or one of its consolidated subsidiaries of $202 million) at December 31, 2023. The transfer resulted in the recognition of $78 million in intercompany loans receivable to NGUSA, which had previously been eliminated in consolidation while NG LNG was a consolidated entity. See Note 16, "*Related Party Transactions*", for additional details. The derecognition of the Company's net investment in NG LNG was recorded in Additional paid-in-capital. The transfer of NG LNG in December 2023 did not meet the criteria for classification as discontinued operations.