New England Power Company

Financial Statements

For the years ended March 31, 2019, 2018, and 2017

NEW ENGLAND POWER COMPANY

FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED

March 31, 2019

I hereby certify that I am Vice-President, NE Controller of New England Power Company and that the enclosed financial statements for the twelve months ended March 31, 2019 have been prepared in accordance with generally accepted accounting principles, and are, in my opinion, materially correct.

Christopher McCusker, Vice-President, NE Controller

7/18/19

Date

NEW ENGLAND POWER COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New England Power Company

We have audited the accompanying financial statements of New England Power Company (the "Company"), which comprise the balance sheets and statements of capitalization as of March 31, 2019 and 2018 and the related statements of operations and comprehensive income, cash flows, and changes in shareholders' equity for the two years in the period ended March 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England Power Company as of March 31, 2019 and 2018, 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.

Predecessor Auditors' Opinion on 2017 Financial Statements

The financial statements of the Company as of and for the year ended March 31, 2017, were audited by other auditors whose report, dated August 23, 2017, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

July 18, 2019

NEW ENGLAND POWER COMPANY
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands of dollars)

	Years Ended March 31,		
	2019	2018	2017
Operating revenues	**$ 421,995**	$ 443,119	$ 437,166
Operating expenses:			
Purchased electricity	**427**	19,711	37,516
Operations and maintenance	**110,754**	116,240	110,034
Depreciation	**63,150**	59,904	55,384
Other taxes	**52,006**	49,604	46,471
Total operating expenses	**226,337**	245,459	249,405
Operating income	**195,658**	197,660	187,761
Other income and (deductions):			
Interest on long-term debt	**(21,036)**	(9,857)	(4,098)
Other interest, including affiliate interest	**(6,389)**	(13,511)	(10,654)
Other income, net	**8,651**	1,011	2,214
Total other deductions, net	**(18,774)**	(22,357)	(12,538)
Income before income taxes	**176,884**	175,303	175,223
Income tax expense	**43,471**	63,711	69,495
Net income	**$ 133,413**	$ 111,592	$ 105,728
Other comprehensive income, net of taxes:			
Unrealized (losses) gains on securities, net of $8, $(73) and $(124) taxes in 2019, 2018 and 2017, respectively	**(21)**	48	189
Total other comprehensive income	**(21)**	48	189
Comprehensive Income	**$ 133,392**	$ 111,640	$ 105,917

NEW ENGLAND POWER COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2019	2018	2017
Operating activities:			
Net income	**$ 133,413**	$ 111,592	$ 105,728
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**63,150**	59,904	55,384
Deferred income tax	**22,986**	28,536	52,196
Bad debt expense	**379**	(17)	(206)
Income from equity investments, net of dividends received	**(166)**	(22)	(135)
Allowance for equity funds used during construction	**(9,829)**	(1,502)	88
Net postretirement benefits (contributions) expense	**(3,037)**	(1,940)	(4,754)
Changes in operating assets and liabilities:			
Accounts receivable and other receivable, net, and unbilled revenues	**1,205**	537	(5,588)
Accounts receivable from/payable to affiliates, net	**(17,216)**	-	-
Inventory	**100**	1,560	1,161
Regulatory assets and liabilities, net	**(16,237)**	12,230	31,108
Prepaid and accrued taxes	**16,890**	25,936	12,792
Accounts payable and other liabilities	**4,619**	2,710	7,468
Accrued Yankee nuclear plant costs	**17,523**	(3,254)	(18,891)
Other, net	**(7,941)**	(2,570)	(4,082)
Net cash provided by operating activities	**205,839**	233,700	232,269
Investing activities:			
Capital expenditures	**(164,531)**	(200,580)	(194,769)
Intercompany money pool	**186,091**	(176,285)	-
Cost of removal	**(6,954)**	(10,015)	(19,689)
Other	**(370)**	(655)	(1,479)
Net cash provided by (used in) investing activities	**14,236**	(387,535)	(215,937)
Financing activities:			
Common stock dividends to Parent	**(220,000)**	-	(110,000)
Preferred stock dividends	**(67)**	(50)	(83)
Payments on long-term debt	**-**	(79,250)	-
Proceeds from long-term debt	**-**	400,000	-
Payment of debt issuance costs	**-**	(3,645)	-
Intercompany money pool	**-**	(670,983)	96,513
Equity infusion from Parent	**-**	505,000	-
Net cash (used in) provided by financing activities	**(220,067)**	151,072	(13,570)
Net increase in cash, cash equivalents, restricted cash and special deposits	**8**	(2,763)	2,762
Cash, cash equivalents, restricted cash and special deposits, beginning of year	**-**	2,763	1
Cash, cash equivalents, restricted cash and special deposits, end of year	**$ 8**	$ -	$ 2,763
Supplemental disclosures:			
Interest paid	**$ (20,322)**	$ (10,417)	$ (9,334)
Income taxes (paid) refunded	**(13,383)**	(8,769)	320
Significant non-cash items:			
Capital-related accruals included in accounts payable	**3,415**	4,382	11,258
Parent tax loss allocation	**5,951**	4,120	-

NEW ENGLAND POWER COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 8**	$ -
Accounts receivable	**5,563**	69,972
Accounts receivable from affiliates	**77,456**	12,262
Intercompany money pool	**18,364**	208,819
Inventory	**1,629**	1,729
Other	**2,283**	1,567
Total current assets	**105,303**	294,349
Equity investments	**3,232**	3,065
Property, plant and equipment, net	**2,515,562**	2,395,588
Other non-current assets:		
Regulatory assets	**90,368**	80,042
Goodwill	**337,614**	337,614
Postretirement benefits asset	**19,283**	11,214
Financial investments	**11,770**	11,432
Other	**15,417**	8,503
Total other non-current assets	**474,452**	448,805
Total assets	**$ 3,098,549**	$ 3,141,807

NEW ENGLAND POWER COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31, 2019	March 31, 2018
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	**$ 19,741**	$ 15,964
Accounts payable to affiliates	**25,585**	44,796
Taxes accrued	**45,985**	35,295
Other	**49,279**	37,529
Total current liabilities	**140,590**	133,584
Other non-current liabilities:		
Regulatory liabilities	**321,838**	321,425
Accrued Yankee nuclear plant costs	**24,766**	7,248
Deferred income tax liabilities, net	**341,477**	321,848
Environmental remediation costs	**1,915**	2,851
Other	**6,568**	13,103
Total other non-current liabilities	**696,564**	666,475
Capitalization:		
Shareholders' equity	**1,575,196**	1,655,920
Long-term debt	**686,199**	685,828
Total capitalization	**2,261,395**	2,341,748
Total liabilities and capitalization	**$ 3,098,549**	$ 3,141,807

NEW ENGLAND POWER COMPANY
STATEMENTS OF CAPITALIZATION
(in thousands of dollars)

			March 31,	
			2019	2018
Total shareholders' equity			**$ 1,575,196**	$ 1,655,920
Long-term debt:	Interest Rate	Maturity Date		
Pollution Control Revenue Bonds:				
Business Finance Authority of the State of New Hampshire	Variable	November 1, 2020	**135,850**	135,850
Business Finance Authority of the State of New Hampshire	Variable	November 1, 2020	**50,600**	50,600
Massachusetts Development Finance Agency 2	Variable	October 1, 2022	**106,150**	106,150
Senior Notes	3.80%	December 5, 2047	**400,000**	400,000
Total debt			**692,600**	692,600
Unamortized debt discount			**(2,578)**	(2,668)
Unamortized debt issuance costs			**(3,823)**	(4,104)
Long-term debt			**686,199**	685,828
Total capitalization			**$ 2,261,395**	$ 2,341,748

NEW ENGLAND POWER COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

	Common Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Available-For-Sale Securities	Accumulated Other Comprehensive Income (Loss): Total Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance as of March 31, 2016	**$ 72,398**	**$ 1,112**	**$ 802,510**	**$ 943**	**$ 943**	**$ 162,413**	**$ 1,039,376**
Net income	-	-	-	-	-	105,728	105,728
Other comprehensive income (loss):							
Unrealized gains on securities, net of $22 tax expense	-	-	-	189	189	-	189
Total comprehensive income	-	-	-	-	-	-	105,917
Common stock dividends to Parent	-	-	-	-	-	(110,000)	(110,000)
Preferred stock dividends	-	-	-	-	-	(83)	(83)
Balance as of March 31, 2017	**$ 72,398**	**$ 1,112**	**$ 802,510**	**$ 1,132**	**$ 1,132**	**$ 158,058**	**$ 1,035,210**
Net income	-	-	-	-	-	111,592	111,592
Other comprehensive loss:							
Unrealized gains on securities, net of $124 tax expense	-	-	-	48	48	-	48
Total comprehensive income	-	-	-	-	-	-	111,640
Equity infusion from Parent	-	-	505,000	-	-	-	505,000
Parent tax loss allocation	-	-	4,120	-	-	-	4,120
Preferred stock dividends	-	-	-	-	-	(50)	(50)
Balance as of March 31, 2018	**$ 72,398**	**$ 1,112**	**$ 1,311,630**	**$ 1,180**	**$ 1,180**	**$ 269,600**	**$ 1,655,920**
Net income	-	-	-	-	-	133,413	133,413
Other comprehensive loss:							
Unrealized losses on securities, net of $8 tax benefit	-	-	-	(21)	(21)	-	(21)
Total comprehensive income							133,392
Parent tax loss allocation	-	-	5,951	-	-	-	5,951
Impact of adoption of recognition and measurement of financial assets and liabilities standard	-	-	-	(1,119)	(1,119)	1,119	-
Common stock dividends to Parent	-	-	-	-	-	(220,000)	(220,000)
Preferred stock dividends	-	-	-	-	-	(67)	(67)
Balance as of March 31, 2019	**$ 72,398**	**$ 1,112**	**$ 1,317,581**	**$ 40**	**$ 40**	**$ 184,065**	**$ 1,575,196**

The Company had 3,619,896 shares of common stock authorized, issued and outstanding, with a par value of $20 per share and 11,117 shares of preferred stock authorized, issued and outstanding, with a par value of $100 per share at March 31, 2019, 2018, and 2017.

NEW ENGLAND POWER COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

The Company also owns non-controlling interests in three companies (the "Yankees") which own nuclear generating facilities that are permanently retired and are being decommissioned (refer to Note 7, "Equity Investments", and the "Decommissioning Nuclear Units" section in Note 11, "Commitments and Contingencies"). In addition, the Company has a 3.3% equity share in New England Hydro-Transmission Electric Company, Inc. and a 3.3% equity share in New England Hydro-Transmission Corporation, which are two of its affiliates.

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

The Company has evaluated subsequent events and transactions through July 18, 2019, the date of issuance of these financial statements, and concluded that there were no events or transactions that require adjustment to, or disclosure in, the financial statements as of and for the year ended March 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Regulatory Accounting

The Federal Energy Regulatory Commission ("FERC") has jurisdiction over the rates the Company charges its customers and certain activities, including (i) regulating certain transactions among the Company's affiliates; (ii) governing the issuance acquisition and disposition of securities and assets; and (iii) approving certain utility mergers and acquisitions. The Company is subject to the jurisdiction of the regulatory Commissions of Massachusetts, New Hampshire, Rhode Island, Maine, Vermont and the Nuclear Regulatory Commission (NRC). The Company defers costs (as regulatory assets) or recognizes obligations (as regulatory liabilities) if it is probable that such amounts will be recovered from, or refunded to, customers through future rates. Regulatory assets and liabilities are reflected on the balance sheet consistent with the treatment of the related costs in the ratemaking process.

Revenue Recognition

The Company has two primary sources of revenue: transmission and stranded cost recovery. Transmission revenues are based on a formula rate that recovers the Company's actual costs plus a return on investment, which are recovered through regional network service ("RNS") rates and local network service ("LNS") rates. The Company has received authorization from the FERC to recover through contract termination charges ("CTC's") substantially all of the costs associated with the divestiture of its electricity generation investments (nuclear and non-nuclear) and related contractual commitments that were not recovered through the sale of those investments (i.e. stranded costs). Stranded costs are recovered from the former wholesale customers of the Company. See Note 5, "Rate Matters", and Note 11, "Commitments and Contingencies", for an explanation of stranded costs.

Other Taxes

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

The Company's policy is to accrue for property taxes on a calendar year basis, taking into account the assessment period. The Company had accrued for property taxes of $0.4 million and $1.0 million at March 31, 2019 and 2018, respectively.

Income Taxes

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

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

NGNA files consolidated federal tax returns including all of the activities of its subsidiaries. Each subsidiary determines its tax provision based on the separate return method, modified by 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.

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts to record accounts receivable at estimated net realizable value. The allowance is determined based on a variety of factors including, for each type of receivable, applying an estimated reserve percentage to each aging category, taking into account historical collection and write-off experience and management's assessment of collectability from individual customers as appropriate. The collectability of receivables is continuously assessed and, if circumstances change, the allowance is adjusted accordingly. Receivable balances are written off against the allowance for doubtful accounts when the accounts are disconnected and/or terminated and the balances are deemed to be uncollectible.

Inventory

Inventory is primarily composed of materials and supplies. Materials and supplies are stated at weighted average cost, which represents net realizable value, and are expensed or capitalized as used. There were no material write-offs of obsolete inventory for the years ended March 31, 2019, 2018, and 2017.

The Company had materials and supplies of $1.6 million and $1.7 million at March 31, 2019 and 2018, respectively.

Fair Value Measurements

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access as of the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data;
- Level 3: unobservable inputs, such as internally-developed forward curves and pricing models for the asset or liability due to little or no market activity for the asset or liability with low correlation to observable market inputs; and
- Not categorized: certain investments are not categorized within the fair value hierarchy. These investments are measured based on the fair value of the underlying investments but may not be readily redeemable at that fair value.

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

Property, Plant and Equipment

Property, plant and equipment is stated at original cost. The 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. The capitalized cost of additions to property, plant and equipment includes costs such as direct material, labor and benefits, and an allowance for funds used during construction ("AFUDC").

Depreciation is computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the FERC and state regulatory bodies. The average composite rate for each of the years ended March 31, 2019, 2018, and 2017 was 2.3%.

Depreciation expense includes a component for estimated future cost of removal, which is recovered through rates charged to customers. Cumulative costs incurred in excess of costs recovered is recognized as a regulatory asset. 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. The Company had cumulative costs incurred in excess of costs recovered of $9.5 million and $10.8 million at March 31, 2019 and 2018, respectively.

Allowance for Funds Used During Construction

The Company records AFUDC which represents the debt and equity costs of financing the construction of new utility plant. The equity component of AFUDC is reported in the accompanying statements of operations and comprehensive income as a non-cash income in other deductions, net. The debt component of AFUDC is reported as a non-cash offset to other interest, including affiliate interest. After construction is completed, the Company is permitted to recover these costs through their inclusion in rate base and corresponding depreciation expense. The Company recorded AFUDC related to equity of $9.8 million and AFUDC related to debt of $1.0 million for the year ended March 31, 2019. The average AFUDC rate for the year ended March 31, 2019 was 7.6%.

Goodwill

The Company tests goodwill for impairment annually on January 1, and when events occur or circumstances change that would more likely than not reduce the fair value of the Company below its carrying amount. The Company has early adopted Accounting Standards Update ("ASU") No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the two-step goodwill impairment test required under the current standard. The goodwill impairment test requires a recoverability test performed based on the comparison of the Company's estimated fair value with its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, then 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 amount of goodwill.

Historically, the fair value of the Company was calculated for the annual goodwill impairment test utilizing both the income and market-based approaches. For the year ended March 31, 2019, the fair value of the Company was calculated utilizing only the income approach. The Company believes that this approach provides the most reliable information about the fair value of the Company's estimated fair value. Based on the resulting fair value from the annual analyses, the Company determined that no adjustment to the goodwill carrying value was required at March 31, 2019 or 2018.

Available-For-Sale Securities

The Company provides certain executives with nonqualified retirement and deferred compensation benefits which have been partially secured through separate fund arrangements. As a result, the Company holds available-for-sale securities that include equities, municipal bonds, and corporate bonds. These investments are recorded at fair value and are included in financial investments on the balance sheet. Changes in the fair value of these assets are recorded within net income on the Statement of Operations and Comprehensive Income.

Variable Interest Entities

A variable interest entity ("VIE") is an entity that does not have a sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the obligation to absorb losses, the right to receive residual returns or the right to make decisions about the entity's activities. The primary beneficiary is the business enterprise that has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and either absorbs a significant amount of the VIE's losses or has the right to receive the benefits that could be significant to the VIE. The primary beneficiary holds a controlling financial interest in an entity and is required to consolidate the VIE.

The Company determines whether they are the primary beneficiary of a VIE by evaluating the purpose and design of the entity, the nature of the VIE's risks and the risks that the Company absorbs, who has the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE, and who has the obligation to absorb losses or receive benefits that could be significant to the VIE.

The Company has non-controlling interests in Yankee Atomic (34.5%), Connecticut Yankee (19.5%), and Maine Yankee (24%) (the "Yankees") which own nuclear generating facilities that are permanently retired and are being decommissioned. In addition, the Company has a 3.3% equity share in New England Hydro-Transmission Electric Company, Inc. and a 3.3% equity share in New England Hydro-Transmission Corporation. Each of the individual entities is a variable interest entity, however the Company is not the primary beneficiary as it does not have the power to direct the most significant activities of the entities. The Company accounts for its ownership interests in the entities using the equity method of accounting for investments.

Employee Benefits

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

Going Concern

Current U.S. GAAP guidance requires management to evaluate whether there is substantial doubt surrounding an entity's ability to continue as a going concern. If management concludes that substantial doubt exists additional disclosures relating to management's evaluation and conclusion are required. Management is not aware of any indicators giving rise to substantial doubt about the Company's ability to continue to operate and to meet its obligations as they become due.

New and Recent Accounting Guidance

Accounting Guidance Recently Adopted

Pension and Postretirement Benefits

In March 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which changes certain presentation and disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The ASU requires the service cost component of the net benefit cost to be classified within the same line item as other compensation in operating income in an entity's statement of operations and the other components of net benefit cost to be classified outside of operating income on a retrospective basis. In addition, as prescribed by the ASU, only the service cost component will be eligible for capitalization when applicable, on a prospective basis.

The Company adopted this new guidance on April 1, 2018. Although required by the standard, the Company elected not to retrospectively adjust the accompanying 2018 and 2017 financial statements as management determined that such retrospective application, is not material to the Company's statements of operations and comprehensive income for the years ended March 31, 2018 and 2017 presented herein. The adoption of this ASU did not have a material effect on the Company's results of operations, cash flows, and financial position.

Statements of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statements of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance about the classification of certain cash receipts and payments within the statements of cash flows, including debt prepayment or extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and policies, and distributions received from equity method investments. The Company adopted the new guidance in the current fiscal year and applied it retrospectively for each prior period presented. The application of the new guidance did not have a material impact on the on the Company's presentation of its statements of cash flows.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The FASB further amended ASC 606 through various updates issued thereafter. The underlying principle of this ASU is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to, in exchange for those goods or services. The Company adopted the new guidance on April 1, 2018, using the modified retrospective method applied to contracts that were not completed as of April 1, 2018, and the Company did not recognize an adjustment to retained earnings for the cumulative effect of adopting the standard.

The adoption of ASC 606 did not have a material impact on the presentation of the Company's results of operations, cash flows, or financial position. The Company has added additional disclosures as required under ASC 606 (See Note 3, "Revenue" for additional details).

Financial Instruments – Classification and Measurement

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments–Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The new guidance eliminates the available-for-sale and cost method classification for equity securities and requires that all equity investments, other than those accounted for using the equity method of accounting, be measured and recorded at fair value with any changes in fair value recognized through net income. However, for equity investments that do not have a readily determinable fair value an entity may choose to measure equity investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. If any entity elects to use the measurement alternative for equity investments without readily determinable fair values, those investments must be qualitatively assessed for impairment at each reporting period and if impairment exist the investment is required to be measured at fair value. The guidance does not impact the classification or measurement of investments in debt securities. The guidance also amended certain disclosure requirements related to financial instruments. The Company adopted the guidance on April 1, 2018 using a modified retrospective transition approach with a cumulative effect adjustment to retain earnings which was reclassified from accumulated other comprehensive income for $1.1 million related to equity investments that were previously classified as available-for-sale.

Accounting Guidance Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02 "Leases" (Topic 842) related to lease accounting. For the Company, the new standard is effective for the fiscal year ending March 31, 2020, and interim periods within. Under the new standard, a lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified assets for a period of time in exchange for consideration. Under the requirements of the new standard, lessees will need to recognize leases on the balance sheet as a right-of-use asset and a related lease liability, which will be equal to the present value of the estimated future lease payments. The right-of-use asset at inception will be based on the liability, subject to certain adjustments, such as initial direct costs. The new standard requires leases to be classified as either operating or financing which will impact the amount and classification of lease related expenses on the statements of comprehensive income. Under the new standard, lessor accounting is largely unchanged. The new standard also has additional disclosure requirements.

The new standard provides the Company with transition practical expedients including a package of three expedients that must be taken together and allows the Company to: not reassess whether existing contracts contain leases, carryforward the existing classification of any leases, and not reassess initial direct costs associated with existing leases. The Company has exercised its option to elect the package of practical expedients. The Company will make the election under the new standard to not reflect a right-of-use asset or related liability for leases with a term of 12 months or less. The Company has also elected the practical expedient to not reevaluate land easements existing at adoption if they were not previously accounted for as leases. The Company will not make the election to combine the lease components and the associated non-lease components of an arrangement and account for as a single lease component and will also not elect the expedient to use hindsight in determining the lease term for existing leases at the time of adoption.

The Company will recognize and measure the cumulative effect of the new standard at the beginning of the earliest period presented using the modified retrospective approach. The Company determined the impact the ASUs will have on its financial statements by reviewing its lease population and identifying lease data needed for the disclosure requirements. The Company will implement a new lease accounting system in fiscal year 2020, to ensure ongoing compliance with the ASU's requirements. The Company recognized approximately $1.3 million of operating lease liabilities and right-of-use assets on the balance sheets upon transition at April 1, 2019. Implementation of the new guidance will not materially impact our results of operations or cash flows, as we do not expect significant changes to our pattern of expense recognition as a result of the new standard.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements" requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The FASB further amended Topic 326 through additional updates issued thereafter. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. For the Company, the requirements of the new standard will be effective for the fiscal year ending March 31, 2022, and interim periods within, with early adoption permitted from the fiscal year ending March 31, 2020 and interim periods within. The Company is currently assessing the impact of this standard.

3. REVENUE

The following table presents, for the year ending March 31, 2019, revenue from contracts with customers, as well as additional revenue from sources other than contracts with customers, disaggregated by major source:

	Year ended March 31, 2019
	(in thousands of dollars)
Revenue from Contracts with Customers:	
Electric Transmission	$ 394,985
Stranded Cost Recovery	11,830
Total Revenues from Contracts with Customers	406,815
Regualtory Mechanism (Stranded Cost Recovery)	5,899
Other	9,281
Total Operating Revenues	$ 421,995

Electric Transmission

Transmission systems generally include overhead lines, underground cables and substations, connecting generation and interconnectors to the distribution system. The Company owns, maintains, and operates an electric transmission system spanning Massachusetts, Rhode Island, New Hampshire and Vermont. The Company's transmission services are provided under tariffs administered by the Regional Transmission Operators (i.e. Independent System Operators ("ISO") New England or under grandfathered agreements), approved and regulated by the FERC in respect of interstate transmission. Electric transmission revenues arise under Transmission Congestion Contract auctions, Transmission Service Agreements and Local / Regional Network Services under tariff/rate agreements. The Company bills its transmission services typically monthly, in the month after service has been provided. The Company recognizes the revenue over time when the amounts are billed.

The Company is a participating transmission owner in ISO New England which is a third party responsible for administering and collecting RNS transmission revenue from local distribution utilities, generators and municipalities, which includes revenues from affiliate companies Massachusetts Electric Company ("MECO") and Narragansett Electric Company ("NECO"). The Company is also responsible for administering and collecting LNS transmission revenue from local distribution utilities, generators and municipalities, including affiliates MECO and NECO. For the years ended March 31, 2019, 2018, and 2017, the Company recognized revenues of $362.7 million, $370.9 million, and $342.4 million from affiliated companies.

Stranded Cost Recovery

The Company has received authorization from the FERC to recover through CTC's, substantially all the costs associated with the divestiture of its electricity generation investments and related contractual commitments that were not recovered through the sale of those stranded investments. Stranded costs are recovered from the former wholesale customers of the Company. See the "Stranded Cost Recovery" section in Note 5. Rate Matters.

Other

Other revenues include proceeds from right of ways with affiliate companies and lease revenue from transmission pole rentals that are not considered to be revenues from contracts with customers.

Included in other revenue is revenue recognized for right of ways granted to affiliate companies New England Hydro-Transmission Electric Company, Inc., New England Hydro-Transmission Corporation, and New England Electric Transmission Corporation. For the year ended March 31, 2019 the Company recognized revenue for right of ways from affiliates of $8.2 million.

4. REGULATORY ASSETS AND LIABILITIES

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

	March 31,	
	2019	2018
	(in thousands of dollars)	
Regulatory assets		
Non-current:		
Cost of removal	**$ 9,526**	$ 10,752
Postretirement benefits	**55,848**	58,875
Yankee nuclear decommissioning costs	**24,890**	7,366
Other	**104**	3,049
Total	**90,368**	80,042
Regulatory liabilities		
Non-current:		
CTC charges	**45,662**	46,912
Regulatory tax liability, net	**272,962**	269,613
Other	**3,214**	4,900
Total	**321,838**	321,425
Net regulatory liabilities	**$ (231,470)**	$ (241,383)

Cost of removal: Represents cumulative amounts incurred, but not yet collected from customers, to dispose of property, plant and equipment. Cost of removal will continue to be recovered from customers through rates.

CTC charges: Stranded cost recovery revenues are collected through a Contract Termination Charge ("CTC"), which is billed to former wholesale customers of the Company in connection with the Company's divestiture of its electricity generation investments. CTC-related liabilities consist of obligations to customers that resulted from the sale of certain stranded assets or amounts collected from third parties that will be refunded to customers. These amounts are being refunded to customers as determined per rate filings.

Postretirement benefits: The regulatory asset represents the Company's non-cash accrual of net actuarial gains and losses and the excess amounts received in rates over actual costs of the Company's pension and PBOP plans that are to be passed back in future periods.

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

Yankee nuclear decommissioning costs: The Yankees operated nuclear generating units which have been permanently decommissioned. Spent nuclear fuel remains on each site, awaiting fulfillment by the U.S. Department of Energy ("DOE") of its statutory obligation to remove it. In addition, groundwater monitoring is ongoing at each site. The Company has recorded a regulatory asset reflecting the estimated future decommissioning billings and the remaining asset retirement obligation from the Yankees.

The Company records carrying charges on regulatory balances for which cash expenditures have been made and are subject to recovery, or for which cash has been collected and is subject to refund. Carrying charges are not recorded on items for which expenditures have not yet been made.

5. RATE MATTERS

Stranded Cost Recovery

Under the settlement agreements approved by state commissions and the FERC, the Company is permitted to recover stranded costs (those 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). The Company earns a return on equity ("ROE") related to stranded cost recovery consisting of nuclear-related investments. In Massachusetts and Rhode Island, the current ROEs are 9.2% and 10.46%, respectively. The Company will recover its remaining non-nuclear stranded costs through 2020. See the "Decommissioning Nuclear Units" section in Note 11, "Commitments and Contingencies", for a discussion of on-going costs associated with decommissioned nuclear units.

Transmission Return on Equity

Transmission revenues are based on a formula rate that recovers the Company's actual costs plus a return on investment. Approximately 74% of the Company's transmission facilities are included under RNS rates. The Company earns an additional 0.5% ROE incentive adder on RNS-related transmission facilities approved under the Regional Transmission Organization's ("RTO") Regional System Plan and placed in service on or before December 31, 2008. It also earns a 1.25% ROE incentive on its portion of New England East-West Solution ("NEEWS") (see the "New England East-West Solution" section).

The Company's transmission rates applicable to transmission service through October 15, 2014 reflected a base ROE of 11.14% applicable to the Company's transmission facilities, plus an additional 0.5% RTO participation adder applicable to transmission facilities included under the RNS rate. Starting on October 16, 2014, the FERC issued a series of orders as a result of the Company's four ROE complaints (see the "FERC ROE Complaints" section in Note 11, "Commitments and Contingencies"), reducing the Company's base ROE to 10.57%. The FERC also established a maximum ROE such that any incentives, taken together, may not exceed a cap of 11.74%.

On October 16, 2018, the FERC issued a Preliminary Order Directing Briefs on the four ROE complaints. The FERC proposes a new methodology for determining whether an existing ROE remains just and reasonable and also for determining a new ROE where an existing ROE is found to be unjust and reasonable. The FERC also proposes to set the base ROE in New England at

10.41% with a 13.08% cap on incentives. Briefs were submitted by the New England Transmission Operators (“NETOs”), Complainants, and FERC Trial Staff in early January of 2019. The FERC is under no deadline to act on the briefs and it is too early to determine when or how the FERC will decide on the briefs.

Although the order provided illustrative calculations, the FERC stated that these calculations are merely preliminary. The FERC's preliminary calculations are not binding and do not represent what the Company believes to be the most likely outcome of a final FERC order, as changes to the methodology by the FERC are possible as a result of the parties' arguments and calculations in the briefing process. Until the FERC issues a final decision on each of these four complaints, there is significant uncertainty, and at this time, the Company does not know the impact to the Company’s current base ROE.

On March 21, 2019 the FERC announced a Notice of Inquiry (“NOI”) on whether, and if so how, to revise its policies on determining the ROE used in setting rates charged by jurisdictional public utilities. The Company responded to the NOI on June 26, 2019 with reply comments due back on August 26, 2019.

Recovery of Transmission Costs

In conformance with the terms of the Company’s Tariff No. 1, on November 17, 2014, the Company submitted a filing to the FERC under Section 205 of the Federal Power Act (“FPA”) proposing to reduce the ROE under its Tariff No. 1 formula rates so that they were consistent with those applied under the Independent System Operator New England (“ISO-NE”) Open Access Transmission Tariff pursuant to the FERC’s Opinion Nos. 531 and 531-A. Under the integrated facilities provisions of Tariff No. 1, the Company supports the cost of transmission facilities owned by its distribution affiliates, MECO and NECO, and makes these facilities available for open access transmission service on an integrated basis. The FERC rejected the Company’s filing on April 16, 2015, finding that it was inconsistent with the FERC’s clarifications issued in its Order on Rehearing in Opinion No. 531-B (see the “FERC ROE Complaints” section in Note 11, “Commitments and Contingencies”). On January 21, 2016, the Company re-filed proposed amendments to its Tariff No. 1 formula rates for integrated facilities to be consistent with Opinion No. 531-B among other proposed changes. On March 8, 2016, the FERC accepted the filing approving an effective date of October 16, 2014 for the ROE components. The Company has reduced its compensation to its distribution affiliates in accordance with the Order. On April 14, 2017, the Court of Appeals vacated the FERC’s Opinion Nos. 531, 531-A, and 531-B, and remanded the issue back to the FERC (refer to the “FERC ROE Complaints” section in Note 11, “Commitments and Contingencies”).

Transmission Incentive Policy Inquiry

On March 21, 2019 the FERC announced a NOI seeking comments on possible improvements to its electric transmission incentives policy to ensure that it appropriately encourages the development of the infrastructure needed to ensure grid reliability and reduce congestion to reduce the cost of power for consumers. The FERC believes it is prudent to seek comment on whether and how to improve FERC’s current transmission incentives policy. The NOI and the comments are meant to examine whether incentives should continue to be granted based on a project’s risks and challenges or should be based on the benefits that a project provide. The Company responded to the NOI on June 26, 2019 with reply comments due back on August 26, 2019.

Tax Cuts and Jobs Act

On March 15, 2018, the FERC initiated multiple proceedings intended to adjust FERC-jurisdictional rates to reflect the corporate tax changes as a result of the passage of the Tax Act. Of the proceedings initiated relevant to the Company is the NOI seeking comments on the effects of the Tax Act on all FERC-jurisdiction rates and a Notice of Proposed Rulemaking (“NOPR”) issued as a result of the NOI. In response to the FERC NOI, the Company made recommendations designed to mitigate the cash flow impacts of the expected refunds including providing flexibility regarding the methods used to refund accumulated deferred income tax (“ADIT”) to customers and providing flexibility regarding the time period of the flow back. In the NOPR, the FERC proposed to give the flexibility the company proposed. Comments on the NOPR were due on January 22, 2019. The Company is awaiting a final rule from FERC.

New England East-West Solution ("NEEWS") Project

In September 2008, the Company, its affiliate NECO, and Northeast Utilities jointly filed an application with the FERC to recover financial incentives for the NEEWS project, pursuant to the FERC's Transmission Pricing Policy Order No. 679. NEEWS consists of a series of inter-related transmission upgrades identified in the New England Regional System Plan and is being undertaken to address a number of reliability problems in Connecticut, Massachusetts, and Rhode Island. Effective November 18, 2008, the FERC granted (1) an incentive ROE of 12.89% (125 basis points above the approved base ROE of 11.64% including the RTO participation adder), (2) 100% construction work in progress in rate base, and (3) recovery of plant abandoned for reasons beyond the companies' control. As discussed in the preceding section, effective October 16, 2014, the FERC issued a series of orders establishing a maximum ROE of 11.74% that effectively caps the NEEWS incentive ROE at that level. The NEEWS upgrades were placed in service in December 2015.

6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes utility plant and nonutility property at cost along with accumulated depreciation and amortization:

	March 31,	
	2019	2018
	(in thousands of dollars)	
Plant and machinery	**$ 2,700,368**	$ 2,641,502
Assets in construction	**242,859**	150,689
Land and buildings	**108,113**	105,759
Motor vehicles and equipment	**64**	64
Software and other intangibles	**2,548**	2,548
Total property, plant and equipment	**3,053,953**	2,900,562
Accumulated depreciation and amortization	**(538,391)**	(504,974)
Property, plant and equipment, net	**$ 2,515,562**	$ 2,395,588

7. EQUITY INVESTMENTS

Yankee Nuclear Power Companies

The Company has non-controlling interests in Yankee Atomic, Connecticut Yankee, and Maine Yankee (the "Yankees"), which own nuclear generating units that have been permanently decommissioned. Spent nuclear fuel remains on each site, awaiting fulfillment by the DOE of its statutory obligation to remove it. In addition, groundwater monitoring is ongoing at each site. Summarized statement of income and balance sheet data for the Yankees are as follows:

	For the Years Ended March 31,		
	2019	2018	2017
		(in thousands of dollars)	
Operating revenue	**$ 300**	$ 700	$ 2,036
Operating expenses	**86**	467	1,475
Other income (deductions), net	**(33)**	(69)	(270)
Total expenses	**119**	536	1,745
Net income	**$ 181**	$ 164	$ 291

	March 31,	
	2019	2018
	(in thousands of dollars)	
Assets		
Current assets	**$ 18,915**	$ 15,913
Property, plant and equipment	**874**	882
Other non-current assets	**605,856**	705,391
Total assets	**$ 625,645**	$ 722,186
Liabilties and equity		
Current liabilities	**$ 3,368**	$ 4,049
Other non-current liabilities	**616,372**	712,411
Equity	**5,905**	5,726
Total liabilities and equity	**$ 625,645**	$ 722,186

8. EMPLOYEE BENEFITS

The Company participates with other NGUSA subsidiaries in a qualified and non-qualified non-contributory defined benefit plan (the "Pension Plans") and PBOP plans (together with the Pension Plan (the "Plans")), covering substantially all employees.

Plan assets are maintained for all of NGUSA and its subsidiaries in commingled trusts. In respect of cost determination, plan assets are primarily allocated to the Company based on the Company's proportionate share of the Plan's projected benefit obligation. The Plan's costs are first directly charged to the Company based on the Company's employees that participate in the Plan. Costs associated with affiliated service companies' employees are then allocated as part of the labor burden for work performed on the Company's behalf. Pension and PBOP service costs are included within operations and maintenance expense and non-service costs are included within other deductions, net in the accompanying statements of income. Portions of the net periodic benefit costs disclosed below have been capitalized as a component of property, plant and equipment.

Pension Plans

The Qualified Pension Plan are defined benefit plans which provide most union employees, as well as non-union employees hired before January 1, 2011, with a retirement benefit. Supplemental non-qualified, non-contributory executive retirement programs provide additional defined pension benefits for certain executives. During the years ended March 31, 2019, 2018, and 2017, the Company made contributions of approximately $0.5 million, $0.8 million, and $1.7 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, 2020.

Benefit payments to Pension Plans' participants for the years ended March 31, 2019, 2018, and 2017 were approximately $9.9 million, $10.6 million, and $7.0 million, respectively.

PBOP Plans

The PBOP plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements and, in most cases, retirees must contribute to the cost of their medical coverage. During the years ended March 31, 2019, 2018, and 2017, the Company made contributions of approximately $0, $0, and $0.7 million, respectively, to the PBOP Plans. The Company does not expect to contribute to the PBOP Plans during the year ending March 31, 2020.

Benefit payments to PBOP plan participants for the years ended March 31, 2019, 2018, and 2017 were approximately $2.2 million, $3.4 million, and $3.3 million, respectively.

Net Periodic Benefit Costs

The Company's net periodic benefit pension cost for the years ended March 31, 2019, 2018, and 2017 was $1.1 million, $1.3 million, and $2.2 million, respectively.

The Company's net periodic benefit PBOP cost (income) for the years ended March 31, 2019, 2018, and 2017 was ($0.4) million, ($0.4) million, and $0.3 million, respectively.

Amounts Recognized in Regulatory Assets

The following tables summarize the Company's changes in actuarial gains/losses and prior service costs recognized in regulatory assets as well as accumulated other comprehensive income for the years ended March 31, 2019, 2018, and 2017:

	Pension Plans		
	Years Ended March 31,		
	2019	2018	2017
		(in thousands of dollars)	
Net actuarial loss (gain)	**$ 1,245**	$ (234)	$ (4,426)
Amortization of net actuarial loss	**(3,035)**	(3,206)	(3,897)
Total	**$ (1,790)**	$ (3,440)	$ (8,323)
Recognized in regulatory assets	**$ (1,790)**	$ (3,440)	$ (8,323)
Total	**$ (1,790)**	$ (3,440)	$ (8,323)

	PBOP Plans		
	Years Ended March 31,		
	2019	2018	2017
		(in thousands of dollars)	
Net actuarial gain	**$ (637)**	$ (1,753)	$ (7,721)
Amortization of net actuarial loss	**(590)**	(601)	(1,050)
Amortization of prior service cost, net	**(11)**	(11)	(11)
Total	**$ (1,238)**	$ (2,365)	$ (8,782)
Recognized in regulatory assets	**$ (1,238)**	$ (2,365)	$ (8,782)
Total	**$ (1,238)**	$ (2,365)	$ (8,782)

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

The following tables summarize the Company's amounts in regulatory assets on the balance sheet that have not yet been recognized as components of net actuarial loss at March 31, 2019, 2018, and 2017:

	Pension Plans		
	March 31,		
	2019	2018	2017
		(in thousands of dollars)	
Net actuarial loss	**$ 43,824**	$ 45,614	$ 49,054
Total	**$ 43,824**	$ 45,614	$ 49,054
Recognized in regulatory assets	**$ 43,824**	$ 45,614	$ 49,054
Total	**$ 43,824**	$ 45,614	$ 49,054

	PBOP Plans		
	March 31,		
	2019	2018	2017
		(in thousands of dollars)	
Net actuarial loss	**$ 11,910**	$ 13,137	$ 15,491
Prior service cost	**113**	124	135
Total	**$ 12,023**	$ 13,261	$ 15,626
Recognized in regulatory assets	**$ 12,023**	$ 13,261	$ 15,626
Total	**$ 12,023**	$ 13,261	$ 15,626

The amount of net actuarial loss to be amortized from regulatory assets during the year ending March 31, 2020 for the Pension and OPEB Plans is $2.8 million and $0.6 million, respectively.

Amounts Recognized on the Balance Sheet

The following table summarizes the portion of the funded status that is recognized on the Company's balance sheet at March 31, 2019 and 2018:

	Pension Plans		PBOP Plans	
	Years Ended March 31,		Years Ended March 31,	
	2019	2018	**2019**	2018
		(in thousands of dollars)		
Projected benefit obligation	**$ (158,545)**	$ (163,188)	**$ (39,055)**	$ (41,605)
Fair value of plan assets	**169,552**	172,626	**42,103**	42,881
Total	**$ 11,007**	$ 9,438	**$ 3,048**	$ 1,276
Other non-current assets	**$ 11,488**	$ 9,851	**$ 3,136**	$ 1,363
Current liabilities	**(481)**	(413)	**(88)**	(87)
Total	**$ 11,007**	$ 9,438	**$ 3,048**	$ 1,276

Expected Benefit Payments

Based on current assumptions, the following benefit payments are expected subsequent to March 31, 2019 in respect of the Company:

(in thousands of dollars) Years Ended March 31,	Pension Plans	PBOP Plans
2020	$ 11,609	$ 3,104
2021	11,998	3,108
2022	12,396	3,078
2023	12,838	3,070
2024	13,322	3,036
2025-2029	72,946	13,996
Total	$ 135,109	$ 29,392

Assumptions Used for Employee Benefits Accounting

	Pension Plans		
	Years Ended March 31,		
	2019	2018	2017
Benefit Obligations:			
Discount rate	**4.10%**	4.10%	4.30%
Rate of compensation increase	**3.50%**	3.50%	3.50%
Expected return on plan assets	**6.50%**	6.25%	6.50%
Net Periodic Benefit Costs:			
Discount rate	**4.10%**	4.30%	4.25%
Rate of compensation increase	**3.50%**	3.50%	3.50%
Expected return on plan assets	**6.25%**	6.50%	6.50%

	PBOP Plans		
	Years Ended March 31,		
	2019	2018	2017
Benefit Obligations:			
Discount rate	**4.10%**	4.10%	4.30%
Rate of compensation increase	**n/a**	n/a	n/a
Expected return on plan assets	**6.50%-7.25%**	6.25%-6.75%	6.50%-6.75%
Net Periodic Benefit Costs:			
Discount rate	**4.10%**	4.30%	4.25%
Rate of compensation increase	**n/a**	n/a	n/a
Expected return on plan assets	**6.25%-6.75%**	6.50%-6.75%	6.50%-6.75%

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. Specifically, the Company uses the Hewitt AA Above Median Curve along with 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 small premium is added for active management of both equity and fixed income securities. The rates of return for each asset class are then weighted in accordance with the actual asset allocation, resulting in a long-term return on asset rate for each plan.

Assumed Health Cost Trend Rate

	March 31,	
	2019	2018
Health care cost trend rate assumed for next year		
Pre 65	**7.25%**	7.50%
Post 65	**5.75%**	5.75%
Prescription	**9.75%**	10.25%
Rate to which the cost trend is assumed to decline (ultimate)	**4.50%**	4.50%
Year that rate reaches ultimate trend		
Pre 65	**2028**	2025
Post 65	**2026**	2026
Prescription	**2027**	2027

Plan Assets

NGUSA, as the Plans' sponsor, manages the benefit plan investments to minimize the long-term cost of operating the Plans, with a reasonable level of risk. Risk tolerance is determined as a result of a periodic asset/liability study which analyzes the Plans' liabilities and funded status and results in the determination of the allocation of assets across equity and fixed income securities. 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. Small investments are also approved for private equity, real estate, and infrastructure with the objective of 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 NGUSA's Investment Committee on a quarterly basis.

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

The target asset allocations for the benefit plans as of March 31, 2019 and 2018 are as follows:

	Pension Plans		PBOP Union		PBOP Non-Union	
	March 31,		March 31,		March 31,	
	2019	2018	**2019**	2018	**2019**	2018
U.S. equities	**20%**	20%	**34%**	34%	**45%**	45%
Global equities (including U.S.)	**7%**	7%	**12%**	12%	**0%**	0%
Global tactical asset allocation	**10%**	10%	**17%**	17%	**0%**	0%
Non-U.S. equities	**10%**	10%	**17%**	17%	**25%**	25%
Fixed income securities	**40%**	40%	**20%**	20%	**30%**	30%
Private equity	**5%**	5%	**0%**	0%	**0%**	0%
Real estate	**5%**	5%	**0%**	0%	**0%**	0%
Infrastructure	**3%**	3%	**0%**	0%	**0%**	0%
Total	**100%**	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

The following tables provide the fair value measurements amounts for the pension and PBOP assets at the Plan level:

	March 31, 2019				
	Level 1	Level 2	Level 3	Not categorized	Total
	(in thousands of dollars)				
Pension Assets:					
Cash and cash equivalents	$ -	$ 1,954	$ -	$ 27,308	$ 29,262
Accounts receivable	50,966	-	-	-	50,966
Accounts payable	(105,196)	-	-	-	(105,196)
Convertible or exchangeable securities	-	188	-	-	188
Equity	189,522	-	-	667,776	857,298
Fixed income securities	-	621,152	-	339,857	961,009
Futures contracts	692	-	-	-	692
Preferred securities	-	6,426	-	-	6,426
Private equity	-	-	-	155,902	155,902
Real estate	-	-	-	116,409	116,409
Other	68,624	-	-	198,167	266,791
Total	$ 204,608	$ 629,720	$ -	$ 1,505,419	$ 2,339,747
PBOP Assets:					
Cash and cash equivalents	$ 8,632	$ 101	$ -	$ 869	$ 9,602
Accounts receivable	2,295	-	-	-	2,295
Accounts payable	(333)	-	-	-	(333)
Equity	161,077	-	-	274,993	436,070
Fixed income securities	-	156,161	-	-	156,161
Futures contracts	(107)	-	-	-	(107)
Other	39,056	-	-	79,657	118,713
Total	$ 210,620	$ 156,262	$ -	$ 355,519	$ 722,401

	March 31, 2018				
	Level 1	Level 2	Level 3	Not categorized	Total
	(in thousands of dollars)				
Pension Assets:					
Cash and cash equivalents	$ 575	$ 15,518	$ -	$ 28,149	$ 44,242
Accounts receivable	88,162	-	-	-	88,162
Accounts payable	(133,593)	-	-	-	(133,593)
Equity	303,037	(16)	-	651,355	954,376
Fixed income securities	-	553,463	-	338,944	892,407
Preferred securities	-	5,972	-	-	5,972
Private equity	-	-	-	133,785	133,785
Real estate	-	-	-	110,551	110,551
Other	1,329	-	-	178,235	179,564
Total	$ 259,510	$ 574,937	$ -	$ 1,441,019	$ 2,275,466
PBOP Assets:					
Cash and cash equivalents	$ 9,111	$ 16	$ -	$ 598	$ 9,725
Accounts receivable	1,998	-	-	-	1,998
Accounts payable	(183)	-	-	-	(183)
Equity	189,026	-	-	281,678	470,704
Fixed income securities	-	165,705	-	-	165,705
Other	14,030	-	-	78,622	92,652
Total	$ 213,982	$ 165,721	$ -	$ 360,898	$ 740,601

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

Cash and cash equivalents: Cash and cash equivalents that can be priced daily are classified as Level 1. Active reserve funds, reserve deposits, commercial paper, repurchase agreements, and commingled cash equivalents are classified as Level 2. Cash and cash equivalents invested in commingled money market investment funds which have Net Asset Value ("NAV") pricing per fund share are excluded from the fair value hierarchy.

Accounts receivable and accounts payable: Accounts receivable and accounts payable are classified as Level 1. Such amounts are short-term and settle within a few days of the measurement date.

Equity and preferred securities: Common stocks, preferred stocks, and real estate investment trusts are valued using the official close of the primary market on which the individual securities are traded. Equity securities are primarily comprised of securities issued by public companies in domestic and foreign markets plus investments in commingled funds, which are valued on a daily basis. If the Company can exchange shares of the publicly traded securities and the fair values are primarily sourced from the closing prices on stock exchanges where there is active trading, the securities are classified as Level 1 investments. If there is less active trading, then the publicly traded securities would typically be priced using observable data, such as bid and ask prices, and these measurements are classified as Level 2 investments. Mutual funds with publicly quoted prices and active trading are classified as Level 1 investments. 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.

Fixed income securities: Fixed income securities (which include corporate debt securities, municipal fixed income securities, U.S. Government and Government agency securities including government mortgage backed securities, index linked government bonds, and state and local bonds), convertible securities, and investments in securities lending collateral (which include repurchase agreements, asset backed securities, floating rate notes and time deposits) are valued with an institutional bid valuation. A bid valuation is an estimated price a dealer would pay for a security (typically in an institutional round lot). Oftentimes, these evaluations are based on proprietary models, which pricing vendors establish for these purposes. In some cases, there may be manual sources when primary vendors do not supply prices. Fixed income investments are primarily comprised of fixed income securities and fixed income commingled funds. The prices for direct investments in fixed income securities are generated on a daily basis. Prices generated from less active trading with wider bid ask prices are classified as Level 2 investments. Mutual funds with publicly quoted prices and active trading are classified as Level 1 investments. For 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, 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.

Private equity and real estate: Commingled equity funds, commingled special equity funds, limited partnerships, real estate, venture capital, and other investments are valued using evaluations (NAV per fund share) based on proprietary models, or based on the NAV. Investments in private equity and real estate funds are primarily invested in privately held real estate investment properties, trusts, and partnerships as well as equity and debt issued by public or private companies. The Company's interest in a fund or partnership is estimated based on the NAV. The Company's interest in these funds cannot be readily redeemed due to the inherent lack of liquidity and the primarily long-term nature of the underlying assets. Distribution is made through the liquidation of the underlying assets. The Company views these investments as part of a long-term investment strategy. These investments are valued by each investment manager based on the underlying assets. The funds utilize valuation techniques consistent with the market, income, and cost approaches to measure the fair value of certain real estate investments. The majority of the underlying assets are valued using significant unobservable inputs and often require significant management judgment or estimation based on the best available information. Market data includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Investments in limited partnerships with redemption restrictions and that use NAV are excluded from the fair value hierarchy.

While management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the NAV as a practical expedient could result in a different fair value measurement at the reporting date.

Other Benefits

At March 31, 2019 and 2018, the Company had accrued workers compensation, auto, and general insurance claims which have been incurred but not yet reported ("IBNR") of $0.7 million and $0.8 million, respectively. IBNR reserves have been established for claims and/or events that have transpired but have not yet been reported to the Company for payment.

9. CAPITALIZATION

Long-term Debt

The aggregate maturities of long-term debt for the years subsequent to March 31, 2019 are as follows:

(in thousands of dollars)	
Years Ending March 31,	
2020	-
2021	186,450
2022	-
2023	106,150
2024	-
Thereafter	400,000
Total	$ 692,600

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. During the years ended March 31, 2019 and 2018, the Company was in compliance with all such covenants.

Debt Authorizations

Since October 7, 2016, the Company had regulatory approval from the FERC to issue up to $1.5 billion of short-term debt, including the intercompany money pool. The authorization was renewed with an effective date of October 15, 2018 for a period of two years and expires on October 14, 2020. The Company had no short-term debt outstanding as of March 31, 2019 and 2018.

On May 23, 2017, the Company had received all required approvals from the Massachusetts Department of Public Utilities, New Hampshire Public Utilities Commission and Vermont Public Service Board authorizing the Company to issue up to $800 million of long term debt in one or more transactions through May 23, 2020. On November 30, 2017, the Company issued $400 million of unsecured senior long-term debt with a maturity date of December 5, 2047.

Pollution Control Revenue Bonds

At March 31, 2019, the Company had $292.6 million outstanding of Pollution Control Revenue Bonds in tax-exempt commercial paper mode with maturity dates ranging from November 2020 to October 2022. The debt is remarketed at periods of 1-270 days, and had variable interest rates ranging from 1.20% to 1.95% and 0.78% to 1.80% for the years ended March 31, 2019 and 2018, respectively.

The Company has a Standby Bond Purchase Agreement ("SBPA") of $292.6 million, which was renewed in June 2018 and expires on June 14, 2023. This agreement is available to provide liquidity support for $292.6 million of the Company's Pollution Control Revenue Bonds. The Company has classified this debt as long-term due to its intent and ability to refinance the debt on a long-term basis if it is not able to remarket it. At March 31, 2019 and 2018, there were no bond purchases made by the banks participating in this agreement.

Dividend Restrictions

Pursuant to provisions in connection with prior mergers, payment of dividends on common stock are not permitted if, after giving effect to such payment of dividends, common equity becomes less than 30% of total capitalization. At March 31, 2019 and 2018, common equity was 69.6% and 70.7% of total capitalization, respectively. Under these provisions, none of the Company's retained earnings at March 31, 2019 and 2018 were restricted as to common dividends.

In December 2018, the Company paid dividends on common stock of $220 million to NGUSA to realign its capital structure.

Cumulative Preferred Stock

The Company has non-participating cumulative preferred stock outstanding which can be redeemed at the option of the Company. There are no mandatory redemption provisions on the Company's cumulative preferred stock. A summary of cumulative preferred stock is as follows:

	Shares Outstanding		**Amount**		
	March 31,		**March 31,**		**Call**
Series	**2019**	2018	**2019**	2018	**Price**
	(in thousands of dollars, except per share and number of shares data)				
$100 par value - 6.00% Series	**11,117**	11,117	**$ 1,112**	$ 1,112	Non-callable

The Company did not redeem any preferred stock during the years ended March 31, 2019, 2018, or 2017. The annual dividend requirement for cumulative preferred stock was $0.07 million for each of the years ended March 31, 2019, 2018, and 2017.

Capital Contributions

The Company received a capital contribution of $505 million on December 28, 2017.

10. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,		
	2019	2018	2017
	(in thousands of dollars)		
Current tax expense (benefit):			
Federal	**$ 14,605**	$ 29,140	$ 12,320
State	**5,880**	6,035	4,979
Total current tax expense	**20,485**	35,175	17,299
Deferred tax expense (benefit):			
Federal	**18,300**	22,932	45,492
State	**4,958**	5,916	7,066
Total deferred tax expense	**23,258**	28,848	52,558
Amortized investment tax credits [1]	**(272)**	(312)	(362)
Total deferred tax expense	**22,986**	28,536	52,196
Total income tax expense	**$ 43,471**	$ 63,711	$ 69,495

[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, 2019, 2018, and 2017 are 24.6%, 36.3%, and 39.7%, respectively. The following table presents a reconciliation of income tax expense at the federal statutory tax rate of 21%, 31.55%, and 35%, respectively, to the actual tax expense:

	Years Ended March 31,		
	2019	2018	2017
	(in thousands of dollars)		
Computed tax	**$ 37,146**	$ 55,308	$ 61,328
Change in computed taxes resulting from:			
Investment tax credits	**(272)**	(312)	(362)
State income tax, net of federal benefit	**8,562**	8,168	7,829
Other items, net	**(1,965)**	547	700
Total changes	**6,325**	8,403	8,167
Total income tax expense	**$ 43,471**	$ 63,711	$ 69,495

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

On December 22, 2017, the Tax Act was signed into law. The Tax Act includes significant changes to various federal tax provisions applicable to the Company, including provisions specific to regulated public utilities. The most significant changes include the reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018, the elimination of bonus depreciation for certain property acquired or placed in service after September 27, 2017, and extension of the normalization requirements for ratemaking treatment of excess deferred taxes.

On August 3, 2018, the Internal Revenue Service (IRS) and the U.S. Department of Treasury released proposed regulations associated with the bonus depreciation rules enacted as part of the Tax Act. The proposed regulations would enable utilities to claim additional bonus depreciation on property acquired and placed in service between September 28, 2017 and March 31, 2018. The Company adopted the guidance in the proposed regulations and claimed the additional six months of bonus depreciation on its fiscal year 2018 Federal income tax return.

In accordance with ASC 740, "Income Taxes," the effect of changes in tax law are required to be recognized in the period of enactment, which for the Company was the period ended March 31, 2018. Since the Company's fiscal year end is March 31, the statutory rate applicable for the Company's fiscal year ended March 31, 2018, was a blended tax rate of 31.55%. For the fiscal year ended March 31, 2019 and future period, the federal income tax rate is 21%. In addition, ASC 740 requires deferred income tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. As a result, the Company remeasured its federal deferred income tax assets and liabilities using the newly enacted tax rate of 21%.

On December 22, 2017, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date to complete the accounting under ASC 740, “Income Taxes”. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete, a company can determine a reasonable estimate for those effects and record a provisional estimate in the financial statements. As of March 31, 2019, any and all provisional amounts previously recorded in accordance with SAB 118 have been adjusted to reflect their final amounts.

As of March 31, 2018, the remeasurement amounted to a decrease in net deferred income tax liability of $206.5 million of which $0.4 million was recorded to deferred income tax expense and $206.9 million recorded as a regulatory liability for the refund of excess accumulated deferred income taxes to the ratepayers ("excess ADIT"). During the current period, the Company adjusted the remeasurement of the net deferred income tax liability by $4.9 million, which was recorded as an increase to a regulatory liability for excess ADIT. As of March 31, 2019, the regulatory liability for excess ADIT on a pre-tax basis which is presented in Other Regulatory Liabilities amounted to $288.1 million ($211.8 million post-tax).

Deferred Tax Components

	March 31,	
	2019	2018
	(in thousands of dollars)	
Deferred tax assets:		
Future federal benefit on state taxes	**$ 14,221**	$ 13,083
Net operating losses	**15,477**	15,325
Regulatory liabilities - taxes	**76,831**	75,972
Regulatory liabilities - other	**13,508**	14,001
Reserve - nuclear and decommissioning	**6,952**	2,058
Other items	**1,916**	1,701
Total deferred tax assets	**128,905**	122,140
Deferred tax liabilities:		
Property related differences	**434,690**	413,230
Regulatory assets - postretirement benefits	**15,455**	15,973
Regulatory assets - other	**6,981**	2,909
Other items	**11,133**	9,481
Total deferred tax liabilities	**468,259**	441,593
Net deferred income tax liabilities	**339,354**	319,453
Deferred investment tax credits	**2,123**	2,395
Deferred income tax liabilities, net	**$ 341,477**	$ 321,848

Net Operating Losses

The amounts and expiration dates of the Company's net operating losses carryforward as of March 31, 2019 are as follows:

	Carryfoward Amount *(in thousands of dollars)*	Expiration Period
Federal	**$ 72,571**	**2033-2036**
Massachusetts	**18,280**	**2036**

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

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other deductions, net, in the accompanying statements of income. As of March 31, 2019, and 2018, the Company has accrued for interest related to unrecognized tax benefits of $2.5 million and $2 million, respectively. During the years ended March 31, 2019, 2018, and 2017, the Company recorded interest expense of $0.5 million, $0.7 million, and $0.3 million, respectively. No tax penalties were recognized during the years ended March 31, 2019, 2018, and 2017.

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.

During the year ended March 31, 2019, the Company reached a settlement with the IRS for the tax years ended March 31, 2008 and March 31, 2009. The outcome of the settlement did not have a material impact on the Company’s results of operations, financial position, or cash flows. The IRS continues its examination of the next audit cycle which includes the income tax returns for the years ended March 31, 2010 through March 31, 2012. The examination is expected to conclude in the next fiscal year and result in a settlement agreement with the IRS. The Company does not anticipate the settlement to have a material impact on the Company's financial position. As a result of both settlements with the IRS a payment of $12.5 million is expected to be made within the next 12 months. The income tax returns for the years ended March 31, 2013 through March 31, 2019 remain subject to examination by the IRS.

The state of Massachusetts is in the process of examining the Company's income tax returns for the years ended March 31, 2010 through March 31, 2012. The income tax returns for the years ended March 31, 2013 through March 31, 2019 remain subject to examination by the state of Massachusetts.

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

Jurisdiction	**Tax Year**
Federal	March 31, 2010
Massachusetts	March 31, 2010

11. COMMITMENTS AND CONTINGENCIES

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.

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 (collectively the "Complainants"). In each of the first three complaints, filed on October 1, 2011, December 27, 2012, and July 31, 2014, respectively, the Complainants challenged the NETO base ROE of 11.14% that had been utilized since 2005 and sought an order to reduce it prospectively from the date of the final FERC order and for the separate 15-month complaint periods. In the fourth complaint, filed April 29, 2016, the Complainants challenged the NETOs' base ROE of 10.57% and the maximum ROE for transmission incentive ("incentive cap") of 11.74%, asserting that these ROEs were unjust and unreasonable. The Company recorded a liability of $29.8 million included in other current liabilities on the accompanying balance sheet as of March 31, 2019 for the potential refund as a result of reduction of the base ROE.

In response to appeals of the FERC decision in the first complaint filed by the NETOs and the Complainants, the U.S. Court of Appeals for the D.C. Circuit issued a decision on April 14, 2017 vacating and remanding the FERC's decision. On October 16, 2018, the FERC issued an order on all four complaints describing how it intends to address the issues that were remanded by the Court. The FERC proposed a new framework to determine whether an existing ROE is unjust and unreasonable and, if so, how to calculate a replacement ROE. The FERC stated that these calculations are merely preliminary. The potential financial impacts to the Company are unknown until the FERC issues a final order on the briefs and all appeals are resolved and does not provide a reasonable basis to change the Company’s reserve.

FERC 206 Proceeding on Rate Transparency

On December 28, 2015, the FERC initiated a proceeding under Section 206 of the FPA. The FERC found that the ISO-NE Transmission, Markets, and Services Tariff is unjust, unreasonable, and unduly discriminatory or preferential. The FERC found that ISO-NE’s Tariff lacks adequate transparency and challenge procedures with regard to the formula rates for ISO-NE Participating Transmission Owners (“PTOs”). In addition, the FERC found that the ISO-NE PTOs’, including the Company’s, current RNS and LNS formula rates appear to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. The FERC explained that the formula rates appear to lack sufficient detail in order to determine how certain costs are derived and recovered in the formula rates. Accordingly, the FERC established hearing and settlement judge procedures to develop just and reasonable formula rate protocols to be included in the ISO-NE Tariff and to examine the justness and reasonableness of the RNS and LNS rates. On August 17, 2018, the parties filed a settlement package with a FERC judge that is close to revenue neutral. A small group of municipals and FERC Trial Staff submitted comments opposing the filed settlement. The settling parties filed an answer to the opposition in late September asking the FERC to approve the settlement as is, despite the protests. On May 22, 2019, the Commission rejected the Formula Rate 206 settlement in its entirely. Accordingly, the Commission remanded the matter to the Chief Administrative Law Judge (“ALJ”) for hearing procedures. The Chief ALJ established Track III procedural time standards for this hearing, which require that the hearing be convened within 42 weeks and the initial decision issued within 63 weeks. The Chief ALJ also designated a dispute resolution specialist to serve as settlement facilitator in the proceeding but any settlement discussions will have to proceed in parallel with hearing procedures. At this time, the Company is unable to predict whether and, if so, to what extent, there will be any impact to earnings as a result of the proceeding.

Decommissioning Nuclear Units

The Company is a minority equity owner of, and former purchaser of electricity from, the Yankees. The Yankees have been permanently shut down and physically decommissioned. Spent nuclear fuel remains on each site awaiting fulfillment by the DOE of its statutory and contractual obligation to remove it. Future estimated billings are as follows:

(in thousands of dollars)	The Company's Investment as of March 31, 2019			Future Estimated Billings to the Company
Unit	%	Amount	Date Retired	Amount
Yankee Atomic	34.5	$ 508	Feb 1992	$ 6,824
Connecticut Yankee	19.5	386	Dec 1996	10,078
Maine Yankee	24.0	590	Aug 1997	7,989

The Yankees are periodically required to file rate cases for FERC review, which present the Yankees' estimated future decommissioning costs. The Yankees collect the approved costs from their purchasers, including the Company. Future estimated billings from the Yankees are based on cost estimates. These estimates include the projections of groundwater monitoring, security, liability and property insurance, and other costs. They also include costs for interim spent fuel storage facilities which the Yankees have constructed while they await removal of the fuel by the DOE as required by the Nuclear Waste Policy Act of 1982 and contracts between the DOE and each of the Yankees. The Company has recorded a current liability of $0.1 million as of both March 31, 2019 and 2018, which represents the current portion of accrued Yankee nuclear plant costs. As of March 31, 2019 and 2018, the Company has recorded a deferred liability of $24.8 million and $7.2 million, respectively. The sum of the current and deferred liabilities is offset by a regulatory asset of $24.9 million and $7.4 million as of March 31, 2019 and 2018, respectively, reflecting the estimated future decommissioning billings from the Yankees.

In 2013, the FERC accepted settlements establishing rate mechanisms by which each of the Yankees maintains funding for operations and decommissioning, and credits to its purchasers, including the Company, any net proceeds in excess of funding costs received as part of the DOE litigation proceedings discussed below.

The Yankees have brought several litigations against the DOE for the failure to remove their respective nuclear fuel stores as required by the Nuclear Waste Policy Act and contracts. This includes spent fuel storage costs incurred for the periods through 2002 (the "Phase I Litigation"), through 2008 (the "Phase II Litigation"), through 2013 (the "Phase III Litigation"). For the respective periods, the Yankees were awarded approximately $160.0 million, $235.4 million and $76.8 million from the U.S. Court of Claims. The Company received $25.6 million, $57.8 million and $4.5 million, respectively. The Company refunds its share to its customers through the CTC's.

On May 22, 2017, the Yankees brought further litigation (the "Phase IV Litigation") in the Claims Court to recover damages incurred from 2013 through 2016. On February 21, 2019, the judge issued an order granting partial summary judgment in favor of the Yankees awarding them approximately $104 million. The judgment became final on April 23, 2019. On June 11, 2019 the Yankees received payment from the DOE of approximately $103.2 million. The remaining $0.5 million associated with the negotiated Offer of Judgment to close out the Phase IV Litigation was received on July 16, 2019.

Despite insufficient funding and actions of the DOE to block its construction, the U.S. Court of Appeals for the DC Circuit directed the NRC to resume the Yucca Mountain licensing process. On November 18, 2013, the NRC ordered its staff to resume work on its Yucca Mountain safety report but scarce funding has precluded progress in the licensing process. On January 26, 2012 a Blue Ribbon Commission ("BRC"), which was charged with advising the DOE regarding alternatives to disposal at Yucca Mountain, issued a final report recommending that priority be given to removal of spent fuel from shutdown reactor sites. Private entities have initiated proposals, and submitted license applications to the NRC, to site consolidated interim storage facilities at two locations in the southwestern United States. It is impossible to predict when the DOE will fulfill its obligation to take possession of the Yankees' spent fuel. The decommissioning costs that are actually incurred by the Yankees may substantially exceed the estimated amounts.

12. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

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

The Company records short-term receivables from, and payables to, certain of its affiliates in the ordinary course of business. The amounts receivable from, and payable to, its affiliates do not bear interest and are settled through the intercompany money pool. A summary of net outstanding accounts receivable from affiliates and accounts payable to affiliates is as follows:

	Accounts Receivable from Affiliates		Accounts Payable to Affiliates	
	March 31,		March 31,	
	2019	2018	**2019**	2018
	(in thousands of dollars)			
NGUSA Service Company	**$ 1,350**	$ -	**$ 6,816**	$ 11,831
Massachusetts Electric Company	**53,586**	3,530	**3,951**	4,183
The Narragansett Electric Company	**21,679**	5,413	**14,212**	27,666
NG Glenwood Energy Center	**-**	2,116	**-**	-
Other	**841**	1,203	**606**	1,116
TOTAL	**$ 77,456**	$ 12,262	**$ 25,585**	$ 44,796

The Company is a participating transmission owner in ISO New England, which is a third party responsible for administering and collecting RNS transmission revenue from local distribution utilities, generators and municipalities, which include affiliate companies MECO and NECO. For purposes of these financial statements the outstanding balances associated to those revenue activities are reflected in accounts receivable from affiliates as of March 31, 2019. The Company recognized $62.8 million and $65.1 million of affiliate RNS receivables on the accompanying balance sheet as of March 31, 2019 and 2018, respectively.

Advance from Affiliate

In December 2008, the Company entered into an agreement with NGUSA whereby the Company can borrow up to $400 million from time to time for working capital needs. The advance is non-interest bearing. At March 31, 2019 and 2018, the Company had no outstanding advances from NGUSA.

Intercompany Money Pool

The settlement of the Company's various transactions with NGUSA and certain affiliates generally occurs via the intercompany money pool in which it participates. The Company is a participant in the Regulated Money Pool and can both borrow and invest funds. Borrowings from the Regulated Money Pool bear interest in accordance with the terms of the Regulated Money Pool Agreement. As the Company fully participates in the Regulated Money Pool rather than settling intercompany charges with cash, all changes in the intercompany money pool balance are reflected as investing or financing activities in the accompanying statements of cash flows. For the purpose of presentation in the statements of cash flows, it is assumed all amounts settled through the intercompany money pool are constructive cash receipts and payments, and therefore are presented as such.

The Regulated Money Pool is funded by operating funds from participants. NGUSA has the ability to borrow up to $3 billion from National Grid plc for working capital needs, including funding of the Regulated Money Pool, if necessary. The Company had short-term intercompany money pool investments of $18.4 million and $208.8 million at March 31, 2019 and 2018, respectively. The average interest rates for the intercompany money pool were 2.4%, 1.6%, and 1.1% for the years ended March 31, 2019, 2018, and 2017, respectively.

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at their cost. The service company costs are generally allocated to associated companies through a tiered approach. First and foremost, costs are directly charged to the benefited company whenever practicable. Secondly, in cases where direct charging cannot be readily determined, costs are allocated using cost/causation principles linked to the relationship of that type of service, such as number of employees, number of customers/meters, capital expenditures, value of property owned, and total transmission and distribution expenditures. Lastly, all other costs are allocated based on a general allocator determined using a 3-point formula based on net margin, net property, plant and equipment, and operations and maintenance expense.

Charges from the service companies of NGUSA to the Company are mostly related to traditional administrative support functions, of which for the years ended March 31, 2019, 2018, and 2017 were $103.8 million, $101.4 million, and $115.1 million, respectively.