nationalgrid

Nantucket Electric Company

Financial Statements

For the years ended March 31, 2022 and 2021

NANTUCKET ELECTRIC COMPANY

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nantucket Electric Company

Opinion

We have audited the financial statements of Nantucket Electric Company (the "Company"), which comprise the balance sheets and statements of capitalization as of March 31, 2022 and 2021, and the related statements of income, cash flows and shareholders' equity for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

July 1, 2022

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

	Years Ended March 31,	
	2022	2021
Operating revenues	**$ 26,317**	$ 25,966
Operating expenses:		
Purchased electricity	**2,274**	1,762
Operations and maintenance	**10,961**	11,812
Depreciation	**2,963**	2,827
Other taxes	**832**	784
Total operating expenses	**17,030**	17,185
Operating income	**9,287**	8,781
Other income and (deductions):		
Interest on long-term debt	**(207)**	(290)
Other interest, including affiliate interest, net	**(93)**	(123)
Other income, net	**206**	281
Total other deductions, net	**(94)**	(132)
Income before income taxes	**9,193**	8,649
Income tax expense	**2,682**	2,813
Net income	**$ 6,511**	$ 5,836

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

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

	Years Ended March 31,	
	2022	2021
Operating activities:		
Net income	**$ 6,511**	$ 5,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**2,963**	2,827
Deferred income tax benefit	**(246)**	(630)
Bad debt expense (recoveries)	**(714)**	386
Amortization of debt discount and issuance costs	**108**	107
Pension and postretirement benefits expenses, net	**367**	232
Pension and postretirement benefits contributions	**(593)**	(604)
Changes in operating assets and liabilities:		
Accounts receivable and other receivables, net and unbilled revenues	**509**	(849)
Accounts receivable from/payable to affiliates, net	**931**	(987)
Regulatory assets and liabilities (current), net	**2,650**	1,885
Regulatory assets and liabilities (non-current), net	**998**	3,244
Prepaid and accrued taxes, net	**(40)**	2,075
Accounts payable and other liabilities	**222**	(608)
Other, net	**(260)**	60
Net cash provided by operating activities	**13,406**	12,974
Investing activities:		
Capital expenditures	**(2,744)**	(4,481)
Intercompany money pool	**(11,078)**	(7,886)
Cost of removal	**(930)**	(379)
Financial investments	**1,299**	(230)
Other, net	**-**	5
Net cash used in investing activities	**(13,453)**	(12,972)
Financing activities:		
Net cash provided by financing activities	**-**	-
Net (decrease) increase in cash and cash equivalents	**(47)**	2
Cash and cash equivalents, beginning of year	**104**	102
Cash and cash equivalents, end of year	**$ 57**	$ 104
Supplemental disclosures:		
Interest paid	**$ (87)**	$ (339)
Income taxes paid	**(2,882)**	(2,325)
Significant non-cash items:		
Capital-related accruals included in accounts payable	**658**	7
Parent tax loss allocation	**614**	524

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

NANTUCKET ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 57**	$ 104
Accounts receivable	**3,070**	3,546
Allowance for doubtful accounts	**(322)**	(800)
Accounts receivable from affiliates	**1,207**	1,697
Intercompany money pool	**83,819**	72,741
Unbilled revenues	**1,192**	989
Inventory	**412**	249
Regulatory assets	**73**	60
Other	**10**	2
Total current assets	**89,518**	78,588
Property, plant and equipment, net	**84,516**	82,220
Non-current assets:		
Regulatory assets	**2,133**	2,934
Goodwill	**15,706**	15,706
Postretirement benefits asset	**295**	-
Financial investments	**-**	1,299
Other	**37**	67
Total non-current assets	**18,171**	20,006
Total assets	**$ 192,205**	$ 180,814

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

NANTUCKET ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2022	2021
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	**$ 3,043**	$ 2,302
Accounts payable to affiliates	**1,555**	1,114
Taxes accrued	**3,014**	3,668
Customer deposits	**111**	78
Interest accrued	**17**	5
Regulatory liabilities	**24,413**	21,750
Other	**952**	644
Total current liabilities	**33,105**	29,561
Non-current liabilities:		
Regulatory liabilities	**15,590**	13,233
Asset retirement obligations	**9**	8
Deferred income tax liabilities, net	**2,065**	3,044
Postretirement benefits	**2,413**	3,918
Operating lease liability	**1,124**	209
Other	**240**	338
Total non-current liabilities	**21,441**	20,750
Commitments and contingencies (Note 11)		
Capitalization:		
Shareholders' equity	**86,984**	79,861
Long-term debt	**50,675**	50,642
Total capitalization	**137,659**	130,503
Total liabilities and capitalization	**$ 192,205**	$ 180,814

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

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

			March 31,	
			2022	2021
Total shareholders' equity			**$ 86,984**	$ 79,861
Long-term debt:	Interest Rate	Maturity Date		
Unsecured notes:				
2004 Massachusetts Development Finance Agency ("MDFA")	Variable	March 1, 2039	**10,000**	10,000
2005 MDFA	Variable	December 1, 2040	**28,000**	28,000
2007 MDFA	Variable	August 1, 2042	**13,300**	13,300
Total debt			**51,300**	51,300
Unamortized debt issuance costs			**(625)**	(658)
Long-term debt			**50,675**	50,642
Total capitalization			**$ 137,659**	$ 130,503

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

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

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income: Unrealized Gain on Securities	Accumulated Other Comprehensive Income: Total Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of March 31, 2020	$ -	$ 30,517	$ 29	$ 29	$ 42,952	$ 73,498
Net Income	-	-	-	-	5,836	5,836
Other Comprehensive income:						
Unrealized gain on securities, net of $1 tax expense	-		3	3		3
Total comprehensive income						5,839
Parent tax loss allocation	-	524	-	-		524
Balance as of March 31, 2021	$ -	$ 31,041	$ 32	$ 32	$ 48,788	$ 79,861
Balance as of March 31, 2021	**$ -**	**$ 31,041**	**$ 32**	**$ 32**	**$ 48,788**	**$ 79,861**
Net Income	-	-	-	-	6,511	6,511
Other Comprehensive income (loss):						
Unrealized loss on securities, net of $1 tax benefit	-	-	(2)	(2)	-	(2)
Total comprehensive income						6.509
Parent tax loss allocation	-	614	-	-	-	614
Balance as of March 31, 2022	**$ -**	**$ 31,655**	**$ 30**	**$ 30**	**$ 55,299**	**$ 86,984**

The Company had 1,201 shares of common stock authorized, with 1 share issued and outstanding at a par value of $1 per share at March 31, 2022 and 2021.

NANTUCKET ELECTRIC COMPANY
NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nantucket Electric Company ("the Company") is an electric retail distribution company providing electric service to approximately 14,100 customers on the Island of Nantucket.

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

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

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

The Company has evaluated subsequent events and transactions through July 1, 2022, 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, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements that conform to U.S. GAAP, the Company must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities included in the financial statements. Such estimates and assumptions include the impact of the ongoing COVID-19 pandemic and are reflected in the accompanying financial statements. Actual results could differ from those estimates.

Regulatory Accounting

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

Revenue Recognition

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

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 enough future taxable income of the appropriate tax character will be generated to realize the benefits of existing deferred tax assets. When the evaluation of the evidence indicates that the Company will not be able to realize the benefits of existing deferred tax assets, a valuation allowance is recorded to reduce existing deferred tax assets to the net realizable amount.

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

NGNA files consolidated federal tax returns including all of the activities of its subsidiaries. Each subsidiary determines its tax provision based on the separate return method, modified by a benefits-for-loss allocation pursuant to a tax sharing agreement between NGNA and its subsidiaries. The 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.

Other Taxes

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts to 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. The Company recorded bad debt expense (recoveries) of $(0.7) million and $0.4 million for the years ended March 31, 2022 and 2021, respectively, within operations and maintenance expenses in the accompanying statements of income.

Inventory

Inventory is composed of materials and supplies and are stated at weighted average cost, which represents net realizable value, and are expensed or capitalized into property, plant and equipment as used. There were no significant write-offs of obsolete inventory for the years ended March 31, 2022 or 2021.

Fair Value Measurements

The Company measures securities and pension 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: investments in certain funds, that meet certain conditions of ASC 820, are not required to be categorized within the fair value hierarchy. These investments are typically in commingled funds or limited partnerships that are not publicly traded and have ongoing subscription and redemption activity. As a practical expedient, the fair value of these investments is the Net Asset Value (“NAV”) per fund share.

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

Property, Plant and Equipment

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

Depreciation is computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the FERC and the DPU. The average composite rates for the years ended March 31, 2022 and 2021 were 3.0% and 3.0%, respectively.

Depreciation expense includes a component for the estimated cost of removal, which is recovered through rates charged to customers. Any difference in cumulative costs recovered and costs incurred is recognized as a regulatory liability or regulatory asset. 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 liability. As of March 31, 2022, and 2021, the Company recognized a regulatory liability of $1.2 million and $1.5 million for the amount recovered that was in excess of costs incurred, respectively.

Allowance for Funds Used During Construction

The Company records AFUDC, which represents the debt and equity costs of financing the construction of new property, plant and equipment. The equity component of AFUDC is reported in the accompanying statements of income as non-cash income in other income, net. The debt component of AFUDC is reported as a non-cash offset to other interest, including affiliate interest, net. After construction is completed, the Company is permitted to recover these costs through their inclusion in rate base. The Company recorded AFUDC related to equity of $63 thousand and $81 thousand and AFUDC related to debt of $3 thousand and $13 thousand, for the years ended March 31, 2022 and 2021, respectively. The average AFUDC rates for the years ended March 31, 2022 and 2021 were 5.6% and 6.0%, respectively.

Impairment of Long-Lived Assets

The Company tests the impairment of long-lived assets when events or changes in circumstances indicate that the carrying amount of the asset (or asset group) may not be recoverable. If identified, the recoverability of an asset is determined by comparing its carrying value to the estimated undiscounted cash flows that the asset is expected to generate. If the comparison indicates that the carrying value is not recoverable, an impairment loss is recognized for the excess of the carrying value over the estimated fair value. For the years ended March 31, 2022 and 2021, there were no impairment losses recognized for long-lived assets.

Goodwill

The Company tests goodwill for impairment annually on January 1, or more frequently if events occur or circumstances exist that indicate it is more likely than not that the fair value of the Company is below its carrying amount. The Company has early adopted Accounting Standards Update ("ASU") No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" eliminating step two from the two-step goodwill impairment test previously required under the former standard. The goodwill impairment test requires a recoverability test based on the comparison of the Company's estimated fair value with its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, the Company is required to recognize an impairment charge for such excess, limited to the carrying amount of goodwill.

The Company performed its latest annual goodwill impairment test as of January 1, 2022, at which time the Company's estimated fair value substantially exceeded the carrying value. The Company applies two valuation methodologies to estimate its fair value, principally discounted projected future net cash flows and market-based multiples, commonly referred to as the income approach and market approach. Key assumptions include, but are not limited to, the use of estimated future cash flows, multiples of earnings, and an appropriate discount rate. In estimating future cash flows, the Company incorporates current market information and historical factors. The determination of fair value incorporates significant unobservable inputs, requiring the Company to make significant judgments, whereby actual results may differ from assumed and estimated amounts. For the year ended March 31, 2022, the Company applied a balanced 50/50 weighting for each valuation methodology, as it believes that each approach provides equally valuable and reliable information regarding the Company's estimated fair value. The Company did not record any goodwill impairment during the years ended March 31, 2022 and 2021.

Employee Benefits

The Company participates with other NGUSA subsidiaries in defined benefit pension plans and postretirement benefit other than pension ("PBOP") plans for its employees, administered by NGUSA. The Company recognizes its portion of the pension and PBOP plans' funded status on the 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 each year-end date. Pension and PBOP plan assets are measured at fair value, using the year-end market value of those assets.

Leases

The Company adopted Topic 842 during the year ended March 31, 2020. The Company elected the practical expedient "package" in which any expired contracts were not reassessed to determine whether they met the definition of a lease; classification of leases that commenced prior to the adoption of this standard was not reassessed; and any initial direct costs for existing leases were not reassessed. Additionally, the Company elected the practical expedient to not reassess existing easements that were not previously accounted for as leases under Topic 840.

The Company has elected to not evaluate whether sales tax and other similar taxes are lessor and lessee costs. Instead, such costs are deemed lessee costs. The Company does not combine lease and non-lease components for contracts in which the Company is the lessee or the lessor.

Certain building leases provide the Company with an option to extend the lease term. The Company has included the periods covered by an extension options in its determination of the lease term when management believes it is reasonably certain the Company will exercise its option.

Lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. For any leases that do not provide an implicit rate, the Company uses an estimate of its collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. In measuring lease liabilities, the Company excludes variable lease payments, other than those that depend on an index or a rate, or are in substance fixed payments, and includes lease payments made at or before the commencement date. Variable lease payments were not material for the years ended March 31, 2022 and 2021. The Company does not reflect short-term leases on the balance sheets. Expense related to short-term leases was not material for the years ended March 31, 2022 and 2021.

Right-of-use ("ROU") assets consist of the lease liability, together with any payments made to the lessor prior to commencement of the lease (less any lease incentives) and any initial direct costs. ROU assets are amortized over the lease term.

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

New and Recent Accounting Guidance

Accounting Guidance Recently Adopted

Income Taxes

In October 2020, the FASB issued ASU No. 2020-08 "Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs" to clarifies that an entity must reevaluate whether a callable debt security with multiple call dates is within the scope of paragraph ASC 310-20-35-33 for each reporting period such that the premium should be amortized over the period ending at the earliest call date. The Company early adopted this new guidance prospectively on April 1, 2021. The adoption did not materially impact the Company's financial position, results of operations, or cash flows for the year ended March 31, 2022.

Callable Debt Securities

In October 2020, the FASB issued ASU No. 2020-08, "Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs," which clarifies that an entity must reevaluate whether a callable debt security with multiple call dates is within the scope of paragraph ASC 310-20-35-33 for each reporting period, and the premium should be amortized over the period ending at the earliest call date. The Company early adopted this new guidance prospectively on April 1, 2021. The adoption did not have a material impact on the Company's financial position, results of operations, or cash flows for the fiscal year ended March 31, 2022.

Accounting Guidance Not Yet Adopted

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements" which 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 accounting standard provides a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses that replaces existing incurred loss impairment methodology requiring delayed recognition of credit losses. A broader range of reasonable and supportable information must be considered in developing estimates of credit losses. 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.

In May 2019, the FASB issued ASU 2019-05, “Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief”, permitting entities to irrevocably elect the fair value option for financial instruments that were previously recorded at amortized cost basis within the scope of Topic 326, except for held-to-maturity debt securities. In March 2022, the FASB issued ASU 2022-02, “Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The update eliminates the accounting guidance for troubled debt restructurings by creditors and enhances the disclosure requirements for loan refinancing and restructurings made with borrowers experiencing financial difficulty. The Company will adopt these updates on April 1, 2023 and is currently assessing the application of these standards to determine whether their adoption will have a material impact on its financial statements.

3. REVENUE

The following table presents, for the years ended March 31, 2022 and 2021, revenue from contracts with customers, as well as additional revenue from sources other than contracts with customers, disaggregated by major source:

	Years ended March 31	
	2022	2021
	(in thousands of dollars)	
Revenue from contracts with customers:		
Electric services	**$ 23,064**	$ 21,359
Other revenue from contracts with customers	**6,855**	9,662
Total revenue from contracts with customers	**29,919**	31,021
Revenue from regulatory mechanisms	**(3,602)**	(5,055)
Total operating revenues	**$ 26,317**	$ 25,966

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

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

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

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

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

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

Revenue from Regulatory Mechanisms: The Company records revenues in accordance with accounting principles for rate-regulated operations for arrangements between the Company and the regulator, which are not accounted for as contracts with customers. Revenue from Regulatory Mechanisms include various deferral mechanisms such as capital trackers, energy efficiency programs, and other programs that also qualify as Alternative Revenue Programs ("ARPs"). ARPs enable the Company to adjust rates in the future, in response to past activities or completed events. The Company's electric distribution rates have a revenue decoupling mechanism ("RDM") which allows for annual adjustments to the Company's delivery rates as a result of the reconciliation between allowed revenue and billed revenue. The Company also has other ARPs related to the achievement of certain objectives, demand side management initiatives, and certain other rate making mechanisms. The Company recognizes ARP's with a corresponding offset to a regulatory asset or liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24-months from the end of the annual reporting period.

4. 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,	
	2022	2021
	(in thousands of dollars)	
Regulatory assets		
Current:		
Rate adjustment mechanisms	**$ 73**	$ 60
Total	**73**	60
Non-current:		
Postretirement benefits	**2,125**	2,927
Other	**8**	7
Total	**2,133**	2,934
Regulatory liabilities		
Current:		
Rate adjustment mechanisms	**3,244**	2,743
Transmission service	**19,983**	18,235
Other	**1,186**	772
Total	**24,413**	21,750
Non-current:		
Energy efficiency	**7,175**	5,420
Cost of removal	**1,185**	1,511
Second cable deferral	**1,904**	1,660
Regulatory tax liability, net	**5,319**	4,586
Other	**7**	56
Total	**$ 15,590**	$ 13,233

Other than $1.2 million of Postretirement benefits regulatory assets summarized above, all regulatory assets earn a rate of return.

Cost of removal: Represents cumulative removal amounts collected but not yet spent. This liability is discharged as removal costs are incurred.

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

Postretirement benefits: Represents the Company's unamortized non-cash accrual of net actuarial gains and losses, offset by the excess amounts received in rates over actual costs of the Company's pension and PBOP plans, that are to be recovered from or passed back to customers in future periods.

Rate adjustment mechanisms: In addition to commodity costs, the Company is subject to a number of additional rate adjustment mechanisms whereby an asset or liability is recognized resulting from differences between actual revenues and the underlying cost being recovered or differences between actual revenues and targeted amounts as approved by the DPU.

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

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

Transmission service: The Company arranges transmission service on behalf of its customers and bills the costs of those services to customers pursuant to the Company's Transmission Service Cost Adjustment Provision. Any over or under recoveries of these costs are passed on to customers receiving transmission service over the subsequent year.

The 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, as approved in accordance with the DPU. Carrying charges are not recorded on items for which expenditures have not yet been made.

5. RATE MATTERS

As described in Note 1, "Nature of Operations and Basis of Presentation," the Company and Massachusetts Electric are considered as one regulated entity for the purpose of recovering its costs and establishing its rates assessed to its customers. For certain regulatory assets and liabilities, including incremental storm costs of qualifying storm events, site investigation and remediation costs, solar generation costs, and any other costs incurred by the companies when taken as a single entity, the funding of the recovery or means of refund is from or to the customers of both companies, with a single regulatory asset or liability recorded on the balance sheet of Massachusetts Electric. As discussed in the "Related Party Reimbursement" section in Note 13, "Related Party Transactions," the Company's share of such costs and recoveries are reflected through the DPU-approved return on equity mechanism between the Company and Massachusetts Electric.

The Company records its regulatory assets and liabilities associated with items that are specific to the Company, including but not limited to, energy efficiency, postretirement benefits, rate adjustment mechanisms, and regulatory deferred tax liability, net.

General Rate Case

On November 15, 2018, the Company and Massachusetts Electric filed an application for new base distribution rates that became effective October 1, 2019. On September 30, 2019, and updated on October 11, 2019, the DPU approved for the Company and Nantucket Electric an overall net increase in base distribution revenue of approximately $40 million based upon a 9.6% ROE, with a 53.49% equity, 46.43% long-term debt, and 0.08% preferred stock capital structure. The DPU approved a five-year performance-based ratemaking ("PBR") plan, which adjusts base distribution revenue annually based on a pre-determined formula. With the approval of the PBR plan, the Company agreed not to file for an effective change in base distribution rates outside of the operation of the PBR plan for five years. Also, the Capital Investment Recovery Mechanism has been discontinued after a transition period that concluded with nine months of recovery of vintage year 2019 investments through September 30, 2021, at which point the recovery of capital investments has fully transitioned to the PBR plan. The approved net increase includes an increase in annual funding of the storm fund from $10.5 million to $16.0 million per year and an extension of the storm fund replenishment factor through November 2023.

PBR Plan Filing

On June 15, 2021, the Company and Massachusetts Electric filed the second annual PBR plan filing for rates effective October 1, 2021. The PBR plan filing adjusts base distribution rates pursuant to a revenue cap formula, provides a credit to customers for any customer share of excess earnings pursuant to the earnings sharing mechanism, and recovers from or credits customers for the impact of costs in excess of a threshold associated with exogenous events, including storms having incremental costs in excess of $30 million. The result of the revenue cap formula was a proposed increase to base distribution revenue of 2.709%, or $22.8 million. On September 8, 2021, the DPU approved the Company and Massachusetts Electric's proposed PBR and Capital Expenditure Adjustment filing, effective October 1, 2021, subject to further investigation and reconciliation in the second phase of the proceeding. On February 23, 2022, the DPU issued its final approval of the Company and Massachusetts Electric's proposed PBR and Capital Expenditure Adjustment filing.

On June 17, 2022, the Company and Massachusetts Electric filed the third annual PBR plan filing for rates effective October 1, 2022. The Company and Massachusetts Electric requested approval of a PBR adjustment of $43.9 million based on a PBR Percentage of 4.92%. This adjustment reflects the implementation of the Company and Nantucket Electric's proposed one-time Customer Impact Mitigation Plan, which the Company is proposing due to the extreme economic circumstances currently impacting customers at this time. In the absence of the Customer Impact Mitigation Plan, the Company and Massachusetts Electric would be proposing a PBR adjustment of $68.1 million, based on a PBR percentage of 7.63%, inclusive of the annual impact of a change in assessing municipal property taxes adopted by several of communities in which the Company owns property during 2021 and which the Company would have requested, in addition to requesting recovery of $10.6 million annually over five years associated with an exogenous storm event in which the Company and Nantucket Electric incurred incremental costs in excess of $30 million, resulting in a total of $78.7 million, in accordance with the PBR formula. The Company cannot predict the outcome of this request.

Tax Act

In February 2018, the DPU opened an investigation to examine the effect of the Tax Act on the rates of the investor-owned utilities in Massachusetts as of January 1, 2018 and directed the utilities to account for any revenues associated with the difference between the previous and current corporate income tax rates and establish a regulatory liability for excess recovery in rates of accumulated deferred income taxes ("ADIT"). On December 21, 2018, the DPU issued an order requiring all utilities to begin crediting in rates the amortization of excess deferred federal income taxes, to the extent such amortization was not already included in base distribution rates, through the combination of factors associated with certain reconciling mechanisms and a separate factor for the amortization of the remaining amounts.

On February 15, 2019, the DPU issued an order (D.P.U. 18-15-F) finding that the Massachusetts utilities were not required to refund tax savings previously accrued from January 1, 2018 through June 30, 2018 as a result of the federal income tax rate reduction, on grounds that refunds would not be "appropriate," based upon the prohibition against retroactive ratemaking. On March 7, 2019, the Massachusetts Attorney General's ("AG") office filed a motion for clarification and reconsideration, requesting that the DPU provide additional clarity regarding its ruling and reconsider its determination to allow utilities to keep the federal tax savings accrued from January 1, 2018 through June 30, 2018. On October 22, 2021, the DPU issued a ruling denying the AG's motion for reconsideration on grounds that the AG established no mistake or inadvertence in the DPU's initial determination. Accordingly, the DPU upheld its 2019 decision in D.P.U. 18-15-F, finding that the "timing of the Act, and retroactive nature of any rate adjustments [made] a refund of tax savings accrued from January 1, 2018 to June 30, 2018 inappropriate." The deadline for the AG to appeal the DPU's ruling on this issue to the Massachusetts Supreme Judicial Court ("SJC") expired on November 1, 2021, and, as no appeal was filed, order D.P.U. 18-15-F is final.

On November 21, 2019, the FERC issued Order 864 to address ratemaking and regulatory reporting of excess or deficient ADIT related to the Tax Act. On June 29, 2020, NEP, on behalf of the Company, submitted a compliance filing to address the application of Order 864 in NEP's Tariff No. 1. The filing proposes changes to various revenue requirement calculations in the tariff for the inclusion of the Rate Adjustment and Income Tax Allowance mechanisms. The filing also includes the populated permanent ADIT worksheet, which will be provided with the issuance of final bills pursuant to the provisions of the tariff. NEP has proposed for the Company to amortize transmission-related, protected property-related excess or deficient ADIT associated with the 2017 Tax Act using the Average Rate Assumption Method ("ARAM"), and a 21-year amortization period for unprotected property-related excess or deficient balances. Other unprotected excess or deficient ADIT is proposed to be amortized over five years, consistent with the time period approved in the DPU docket addressing the Tax Act. The FERC has not yet acted on NEP's compliance filing.

Grid Modernization Plan

On August 19, 2015, the Company, together with Massachusetts Electric Company, filed its first proposed grid modernization plan ("GMP") with the DPU. On May 10, 2018, the DPU issued an order in this proceeding. The order approved $82 million in grid-facing investments over three years in (1) conservation voltage reduction and volt/volt-amps reactive optimization; (2) advanced distribution automation; (3) feeder monitors; (4) communications and information/operational technologies; and (5) advanced distribution management/distribution supervisory control and data acquisition. The DPU allowed recovery of both operations and maintenance ("O&M") expenses and capital costs through a reconciling mechanism. The DPU did not approve any customer-facing (i.e., advanced metering infrastructure, or "AMI") investments; the DPU said it would address these in a further investigation to see if there are ways to achieve cost-effective deployment of these investments. The Company has filed annual reports and cost recovery filings with the DPU for its GMP in 2019, 2020, 2021 and 2022.

In an order in D.P.U. 20-69-A, on May 21, 2021, the DPU directed the Company to include an AMI proposal in its July 1, 2021 GMP filing. The Company filed its proposed four-year GMP (for calendar years 2022–2025) on July 1, 2021, which includes proposals to continue the previously-approved investments (designated as "Track 1" in the proceeding), invest in a distributed energy resource management system ("DERMS"), conduct two demonstration projects, and deploy AMI (designated as "Track 2" in the proceeding). The proceedings on Track 1 have concluded, and on December 30, 2021, the DPU issued an interim order allowing investments in Track 1 to continue, pending the DPU's final order on Track 1. The DPU's investigation of Track 2 is ongoing, with hearings concluded in April 2022 and orders expected sometime in 2022.

Operational and Management Audit

On September 30, 2019, in its decision regarding the Company's most recent request for a change in base distribution rates, the DPU stated that, pursuant to its supervisory authority, it would require a comprehensive independent management audit of the Company, including a review of its relationship with National Grid USA Service Company. On November 25, 2019, the DPU formally opened the investigation to undertake an independent audit. The draft audit report was provided to the Company on March 1, 2021 for review and factual corrections, and the final report was submitted to the DPU on March 29, 2021. On April 30, 2021, the Company filed a comprehensive response to the audit report formally adopting the findings and recommendations, with certain modifications, for the DPU's consideration. On June 30, 2021 the AG's office filed written comments in response to the final audit report. The Company and the independent auditor filed reply comments to the AG on July 21, 2021. On November 24, 2021, the DPU issued a final order finding that the Company and Massachusetts Electric shall implement the recommendations contained in the final report and file a comprehensive update regarding the implementation of the recommendations at or around the time of the next base rate proceeding.

COVID-19 Moratorium on Utility Shut Offs

Between March 24, 2020 and February 26, 2021, the Chairman of the DPU declared a moratorium prohibiting all residential utility collection activities due to the COVID-19 pandemic until July 1, 2021. Effective July 1, 2021, the Company recommenced normal collections activities, which includes issuing notices of amounts in arrears and alerting customers that their service is subject to disconnection for non-payment. The commercial and industrial ("C&I") moratorium was lifted effective September 1, 2020. The following are highlights of the customer assistance programs implemented to assist customers during the pandemic:

- Extended deferred payment arrangements ("DPAs") - up to 12 months for residential and small C&I customers, with the ability to extend to 18 months for unique circumstances; up to six months for large C&I customers, with the terms to be determined on a case-by-case basis. On January 24, 2022, the Company discontinued the zero down payment COVID-19 DPAs and is implementing a transitional DPA program until May 2022.

- Late fees for C&I customers were waived during the pandemic and resumed effective January 7, 2022.

- Revisions to residential AMPs to provide more flexible enrollment terms and an increase in arrearages forgiven (from $4,000 to $12,000) are still in effect. The Company has proposed to continue to apply most of the COVID-19 AMP terms for the 2022 AMP program year in its AMP filing submitted on February 25, 2022.

- Established a COVID-19 small C&I Arrearage Forgiveness Program that was extended several times and expired on September 30, 2021.

On December 31, 2020, the DPU approved the following implementation items related to the ratemaking treatment of the COVID-19 customer assistance programs on which the Massachusetts local distribution companies and the AG's office had reached consensus: (1) the distribution companies should be allowed to record, defer, and track their bad debt and other COVID-related expenses; (2) cost recovery should be limited to the incremental costs incurred; and (3) certain costs must be extraordinary to qualify for recovery. As of March 31, 2022, the Company and Massachusetts Electric Company have deferred $38.4 million of delivery bad debt, as the Company and Massachusetts Electric Company believe that this amount is probable of recovery.

The DPU decided that the contested issues, including the extent to which the distribution companies will be allowed to recover their COVID-19 costs, should be fully adjudicated in a new docket, D.P.U. 20-91. The AG opposes recovery by distribution companies with PBR plans (including the Company) of incremental COVID-related O&M expenses. The AG also opposes using the pre-tax overall weighted cost of capital for the calculation of carrying charges on bad debt, arguing that the short-term debt rate, or, in the alternative, an interest rate contemporaneous to two-year U.S. Treasury notes, is the correct rate. The AG also takes the position that the DPU should consider the significance of the distribution companies' net incremental O&M costs due to COVID-19 to determine whether they resulted in substantial harm to the distribution companies' financial position. The briefing phase has concluded, and the DPU's order is pending.

Massachusetts Petition for Waiver of Jurisdiction Regarding the Rhode Island Sale

On March 17, 2021, NGUSA announced the sale of its Rhode Island business to PPL Energy Holdings, LLC. On May 3, 2021, PPL Energy Holdings, LLC assigned its right to acquire NECO to its wholly owned subsidiary, PPL Rhode Island Holdings, LLC ("PPL Rhode Island"), such that, upon closing, PPL Rhode Island will own 100 percent of the outstanding shares of common stock in NECO. On May 4, 2021, NGUSA filed a petition with the DPU for a waiver of jurisdiction under G.L. c. 164, § 96(c), based on a finding that the sale of NECO to PPL Rhode Island will have no adverse impacts on any electric or gas company subject to the DPU's jurisdiction, as applicable, or the customers of any such electric or gas company. On July 16, 2021, the DPU issued an order (D.P.U. 21-60) approving NGUSA's request for a waiver of Section 96 regarding the sale of NECO.

On August 12, 2021, the AG filed an appeal of the DPU's waiver of jurisdiction with the SJC. The AG filed a motion to stay order D.P.U. 21-60 along with a request for the court to issue a decision on the motion on or before February 14, 2022. On January 7, 2022, NGUSA filed its opposition to the AG's motion to stay the order. On February 10, 2022, the single SJC justice referred the matter to the full court instead of ruling on the motion for a stay. On February 16, 2022, the full court issued an order requesting that the single justice make a recommendation to the full court regarding the motion for a stay. On February 24, 2022, the single justice issued a temporary stay of the DPU's order. NGUSA provided an update to the single justice and the SJC on the Rhode Island legal process and the anticipated closing date of March 8, 2022 and requested a decision on the stay by March 4, 2022. On March 3, 2022, the full court issued a docket entry order allowing the AG's motion to stay the DPU decision in docket D.P.U. 21-60 "until further order." On March 25, 2022, NGUSA reached a settlement with the AG and jointly petitioned the SJC to lift the stay and withdraw the appeal. On March 29, 2022, the SJC approved the motion to lift the stay and dismissed the appeal. On May 25, 2022, NECO was sold to PPL Rhode Island after all regulatory approvals were obtained.

As a result of NGUSA's settlement with the AG and the sale of NECO to PPL Rhode Island, the Company, together with Massachusetts Electric Company, expects to incur the following costs:

- The Company expects to record a regulatory liability of up to $3.0 million relating to the potentially excess recovery of indirectly attributable service company ("IASC") costs. The Company will ultimately need to provide a credit to customers equal to any incremental amount of IASC costs above the calendar year 2021 baseline level, and the Company will true-up the regulatory liability accordingly.

- Over the course of 90 days, the Company, together with Massachusetts Electric Company, will forgive $3.0 million in arrearages for electric distribution customers.

- $0.6 million contribution from the Company and Massachusetts Electric Company to the AG's residential energy assistance grant program.

- As compensation to customers for potential future increases in IASC costs during the first five years after the NECO divestiture, the Company and Massachusetts Electric Company will provide a one-time credit of $4.2 million to customers. The form and timing of this one-time credit will be subject to the DPU's review and approval.

Storm Threshold Deferral Request

On June 15, 2021, the Company and Massachusetts Electric petitioned the DPU for authorization to defer for future recovery from the storm fund $13.95 million in storm cost threshold amounts associated with nine qualifying major storm events that occurred in calendar year 2020. On December 22, 2021, the DPU allowed the Company and Massachusetts Electric to defer the nine storm fund threshold amounts from calendar year 2020 until the next base rate case, at which point the DPU will determine the appropriate level of recovery for the storm threshold amounts, if any.

On June 17, 2022, the Company and Massachusetts Electric petitioned the DPU for authorization to defer for future recovery from the storm fund $6.2 million in storm cost threshold amounts associated with four qualifying major storm events that occurred in calendar year 2021. The Company cannot predict the outcome of this request.

6. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2022	2021
	(in thousands of dollars)	
Plant and machinery	**$ 135,082**	$ 128,387
Land and buildings	**4,822**	4,781
Assets in construction	**2,209**	5,704
Operating leases	**1,773**	587
Total property, plant and equipment	**143,886**	139,459
Accumulated depreciation and amortization	**(58,949)**	(56,970)
Operating lease accumulated depreciation	**(421)**	(269)
Property, plant and equipment, net	**$ 84,516**	$ 82,220

7. FAIR VALUE MEASUREMENTS

The following tables present assets measured and recorded at fair value on the balance sheet on a recurring basis and their level within the fair value hierarchy as of March 31, 2022 and 2021:

	March 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands of dollars)		
Assets:				
Securities	$ -	$ -	$ -	$ -

	March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in thousands of dollars)		
Assets:				
Securities	$ 576	$ 723	$ -	$ 1,299

Securities: Securities are included in other non-current assets on the balance sheet and primarily include equity and debt investments based on quoted market prices (Level 1) and municipal and corporate bonds based on quoted prices of similar traded assets in open markets (Level 2).

8. EMPLOYEE BENEFITS

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

Plan assets are maintained for all of NGUSA and its subsidiaries in commingled trusts. In respect of cost determination, plan assets are allocated to the Company based on its proportionate share of projected benefit obligation. The Plans' costs are first directly charged to the Company based on the Company's employees that participate in the Plans. Costs associated with affiliated service companies' employees are then allocated as part of the labor burden for work performed on the Company's behalf. Pension and PBOP service costs are included within operations and maintenance expense, and non-service costs are included within other income, 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 Plans are defined benefit pension plans which provide union employees, as well as non-union employees hired before January 1, 2011, with a retirement benefit. Supplemental non-qualified, non-contributory retirement programs provide additional pension benefits to certain executives and for eligible participants covers compensation levels in excess of the Internal Revenue Service ("IRS") limits. During the years ended March 31, 2022 and 2021, the Company made contributions of approximately $0.5 million in both years, to the Qualified Pension Plans. The Company expects to contribute approximately $0.2 million to the Qualified Pension Plans during the year ending March 31, 2023.

Benefit payments to Pension Plan participants for the years ended March 31, 2022 and 2021 were approximately $0.3 million and $0.4 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 healthcare coverage. During the years ended March 31, 2022 and 2021, the Company made no contributions to the PBOP Plans. The Company does not expect to contribute to the PBOP Plans during the year ending March 31, 2023.

Benefit payments to PBOP plan participants for the years ended March 31, 2022 and 2021 were approximately $68 thousand and $46 thousand, respectively.

Net Periodic Benefit Costs

The Company's net periodic benefit pension cost for the years ended March 31, 2022 and 2021 are $0.2 million in both years.

The Company's net periodic benefit PBOP cost for the years ended March 31, 2022 and 2021 was $0.1 million and $0.2 million, respectively.

Amounts Recognized in Regulatory Assets/Liabilities

The following tables summarize the Company's changes in actuarial gains/losses and prior service costs recognized in regulatory assets/liabilities for the years ended March 31, 2022 and 2021:

	Pension Plans March 31, 2022	Pension Plans March 31, 2021
	(in thousands of dollars)	
Net actuarial gain	**$ (980)**	$ (444)
Amortization of net actuarial loss	**(171)**	(190)
Total	**$ (1,151)**	(634)
Included in regulatory assets	**$ (1,151)**	(634)
Total	**$ (1,151)**	$ (634)

	PBOP Plans March 31, 2022	PBOP Plans March 31, 2021
	(in thousands of dollars)	
Net actuarial gain	**$ (584)**	$ (198)
Amortization of net actuarial loss	**(18)**	(38)
Amortization of prior service benefit, net	**-**	(1)
Total	**$ (602)**	(237)
Included in regulatory assets	**$ (602)**	(237)
Total	**$ (602)**	$ (237)

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

The following tables summarize the Company's amounts in regulatory assets/liabilities on the balance sheet that have not yet been recognized as components of net actuarial loss as of March 31, 2022 and 2021:

	Pension Plans March 31, 2022	Pension Plans March 31, 2021
	(in thousands of dollars)	
Net actuarial loss	**$ 989**	$ 2,140
Total	**$ 989**	$ 2,140
Included in regulatory assets	**$ 989**	$ 2,140
Total	**$ 989**	$ 2,140

	PBOP Plans	
	March 31,	
	2022	2021
	(in thousands of dollars)	
Net actuarial loss	**$ 175**	$ 777
Total	**$ 175**	$ 777
Included in regulatory assets	**$ 175**	$ 777
Total	**$ 175**	$ 777

Amounts Recognized on the Balance Sheet

The following table summarizes the portion of the funded status above that is recognized on the Company's balance sheet as of March 31, 2022 and 2021:

	Pension Plans		PBOP Plans	
	March 31,		March 31,	
	2022	2021	**2022**	2021
	(in thousands of dollars)			
Projected benefit obligation	**$ (7,654)**	$ (10,053)	**$ (2,481)**	$ (2,854)
Allocated fair value of assets	**7,949**	8,904	**-**	3
Funded status	**$ 295**	$ (1,149)	**$ (2,481)**	$ (2,851)
Non-current assets	**$ 295**	$ -	**$ -**	$ -
Other current liabilities	**-**	(37)	**(68)**	(46)
Non-current liabilities	**-**	(1,112)	**(2,413)**	(2,805)
Total	**$ 295**	$ (1,149)	**$ (2,481)**	$ (2,851)

For the year end March 31, 2022, the net actuarial gain for pension and PBOP was largely driven by the increase in discount rate and change in the mortality assumption resulting from the recent experience study, partially offset by small asset losses due to returns that were less than expected. For the year ended March 31, 2021, the net actuarial gain (loss) for pension was driven by the discount rate decrease, partial offset by a gain related to a change in the mortality assumption. The net actuarial gain for PBOP was generated by an assumption change for post-65 participant rates as well as the mortality assumption change, partially offset by the discount rate decrease.

Expected Benefit Payments

Based on current assumptions, the Company expects to make the following benefit payments subsequent to March 31, 2022:

(in thousands of dollars) Years Ending March 31,	Pension Plans	PBOP Plans
2023	$ 305	$ 83
2024	318	80
2025	330	92
2026	342	106
2027	353	116
2028-2032	1,867	730
Total	$ 3,515	$ 1,207

Assumptions Used for Employee Benefits Accounting

	Pension Plans	
	Years Ended March 31,	
	2022	2021
Benefit Obligations:		
Discount rate	**3.65%**	3.25%
Rate of compensation increase (nonunion)	**4.30%**	4.10%
Rate of compensation increase (union)	**4.25%**	4.05%
Weighted average cash balance interest crediting rate	**2.75%**	2.75%
Net Periodic Benefit Costs:		
Discount rate	**3.25%**	3.65%
Rate of compensation increase (nonunion)	**4.10%**	3.50%
Rate of compensation increase (union)	**4.05%**	3.50%
Expected return on plan assets	**5.50%**	6.00%
Weighted average cash balance interest crediting rate	**2.75%**	2.75%

	PBOP Plans	
	Years Ended March 31,	
	2022	2021
Benefit obligations:		
Discount rate	**3.65%**	3.25%
Net periodic benefit costs:		
Discount rate	**3.25%**	3.65%
Expected return on plan assets	**5.00%-5.50%**	6.50%-7.00%

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. Specifically, the Company uses the Aon AA Only Bond Universe 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

	Years Ended March 31,	
	2022	2021
Health care cost trend rate assumed for next year		
Pre 65	**6.60%**	6.80%
Post 65	**5.00%**	5.40%
Prescription	**7.40%**	7.70%
Rate to which the cost trend is assumed to decline (ultimate)	**4.50%**	4.50%
Year that rate reaches ultimate trend		
Pre 65	**2031+**	2031+
Post 65	**2031+**	2031+
Prescription	**2031+**	2031+

Plan Assets

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

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

The RPC has established and reviews at least annually the Investment Policy Statement ("IPS") which sets forth the guidelines for how plan assets are to be invested. The IPS contains a strategic asset allocation for each plan which is intended to meet the objectives of the plans by diversifying its funds across asset classes, investment styles and fund managers. An asset/liability study typically is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year-end 2022 reflects the results of such a pension study conducted and implemented fiscal year 2022. As a result of that asset liability study, the asset mix for the National Grid Pension Plan and KeySpan Pension Plan were changed to further reduce investment risk given increased funded status of the plans and strong returns over the past 12-18 months. The Union PBOP Plan asset liability study was conducted in 2021. As a result of that study, the RPC approved changes to the Union PBOP asset allocation effective in fiscal year 2022 . The Non-Union PBOP Plan asset liability study is expected to be run within the next 12-18 months.

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

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

The target asset allocations for the benefit plans as of March 31, 2022 and 2021 are as follows:

	Pension Plans		**Union PBOP Plans**		**Non-Union PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2022	2021	**2022**	2021	**2022**	2021
Equity	**30%**	37%	**39%**	63%	**70%**	70%
Diversified alternatives	**8%**	10%	**11%**	17%	**0%**	0%
Fixed income securities	**50%**	40%	**50%**	20%	**30%**	30%
Private equity	**5%**	5%	**0%**	0%	**0%**	0%
Real estate	**4%**	5%	**0%**	0%	**0%**	0%
Infrastructure	**3%**	3%	**0%**	0%	**0%**	0%
	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, 2022			
	Level 1	Level 2	Not categorized	Total
		(in thousands of dollars)		
Pension assets:				
Equity	$ 155,495	$ -	$ 700,116	$ 855,611
Diversified alternatives	67,590	-	137,329	204,919
Corporate bonds	-	527,035	190,015	717,050
Government securities	(10,940)	459,423	294,402	742,885
Private equity	-	-	243,149	243,149
Real estate	-	-	118,669	118,669
Infrastructure	-	-	68,254	68,254
Total assets	**$ 212,145**	**$ 986,458**	**$ 1,751,934**	**$ 2,950,537**
Pending transactions				**(38,898)**
Total net assets				**$ 2,911,639**
PBOP assets:				
Equity	$ 122,877	$ -	$ 255,978	$ 378,855
Diversified alternatives	33,181	-	28,091	61,272
Corporate bonds	-	166,769	-	166,769
Government securities	64,695	108,710	628	174,033
Insurance contracts	-	-	40,103	40,103
Total assets	**$ 220,753**	**$ 275,479**	**$ 324,800**	**$ 821,032**
Pending transactions				**904**
Total net assets				**$ 821,936**

	March 31, 2021			
	Level 1	Level 2	Not categorized	Total
		(in thousands of dollars)		
Pension assets:				
Equity	$ 244,018	$ -	$ 891,362	$ 1,135,380
Diversified alternatives	70,409	-	203,187	273,596
Corporate bonds	-	514,588	168,106	682,694
Government securities	480	294,487	238,270	533,237
Private equity	-	-	168,914	168,914
Real estate	-	-	110,603	110,603
Infrastructure	-	-	50,489	50,489
Total assets	**$ 314,907**	**$ 809,075**	**$ 1,830,931**	**$ 2,954,913**
Pending transactions				**(148,083)**
Total net assets				**$ 2,806,830**
PBOP assets:				
Equity	$ 196,570	$ -	$ 335,943	$ 532,513
Diversified alternatives	45,255	-	41,632	86,887
Corporate bonds	-	3,792	-	3,792
Government securities	14,864	157,025	1,032	172,921
Insurance contracts	-	-	43,934	43,934
Total assets	**$ 256,689**	**$ 160,817**	**$ 422,541**	**$ 840,047**
Pending transactions				**1,103**
Total net assets				**$ 841,150**

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

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

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

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

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

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

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

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

Insurance contracts: Insurance contracts consists of Trust Owned Life Insurance.

Pending transactions: These are short term cash transactions that are expected to settle within a few days of the measurement date.

Defined Contribution Plan

NGUSA has defined contribution retirement plans that covers substantially all employees. For the years ended March 31, 2022 and 2021, the Company recognized an expense in the accompanying statements of income of $51 thousand in both years for matching contributions.

9. CAPITALIZATION

The aggregate maturities of long-term debt for the years subsequent to March 31, 2022 are as follows:

(in thousands of dollars) March 31,	Maturities of Long-Term Debt
2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	51,300
Total	$ 51,300

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. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of the Company's debt and may restrict the Company's ability to draw upon its facilities or access the capital markets. As of March 31, 2022, and 2021, the Company was in compliance with all such covenants.

Debt Authorizations

The Company has regulatory approval from the FERC to issue up to $15 million of short-term debt. The authorization was renewed with an effective date of January 11, 2021 and expires on October 14, 2022. The Company had no external short-term debt as of March 31, 2022 and 2021. Refer to Note 13, "Related Party Transactions" under "Intercompany Money Pool" for short-term debt outstanding with associated companies.

Electric Revenue Bonds

As of March 31, 2022, the Company had $51.3 million outstanding of Electric Revenue Bonds in the form of tax-exempt commercial paper with maturity dates ranging from 2039 through 2042. The debt is remarketed at periods of 1-270 days and had variable interest rates ranging from for 0.11% and 0.75% and from 0.11% and 1.25% for the years ended March 31, 2022 and 2021, respectively. The bonds were issued by the Massachusetts Development Finance Agency in connection with the Company's financing of its first and second underground and submarine cable projects.

The Company has a Standby Bond Purchase Agreement ("SBPA") of $51.3 million, which expires on June 14, 2023. The SBPA is available to provide liquidity support for $51.3 million of the Company's long-term bonds in the form of tax-exempt commercial paper. The Company has classified this debt as long-term due to its intent and ability to refinance the debt on a long-term basis if it is not able to remarket it. As of March 31, 2022, and 2021, there were no bond purchases made by the banks participating in this agreement.

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

Dividend Restrictions

Pursuant to provisions in connection with the prior mergers, payment of dividends on common stock are not permitted if, after giving effect to such payment of dividends, common equity becomes less than 30% of total capitalization. As of March 31, 2022, and March 31, 2021 common equity was 63% and 61% of total capitalization, respectively. Under these provisions, none of the Company's retained earnings as of March 31, 2022 and March 31, 2021 were restricted as to common dividends**.**

10. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,	
	2022	2021
	(in thousands of dollars)	
Current tax expense:		
Federal	**$ 2,109**	$ 2,455
State	**819**	988
Total current tax expense	**2,928**	3,443
Deferred tax benefit:		
Federal	**(157)**	(338)
State	**(89)**	(292)
Total deferred tax benefit	**(246)**	(630)
Total income tax expense	**$ 2,682**	$ 2,813

Statutory Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2022 and 2021 are 29.2% and 32.5%, respectively. The following table presents a reconciliation of income tax expense at the federal statutory tax rate of 21% to the actual tax expense:

	Years Ended March 31,	
	2022	2021
	(in thousands of dollars)	
Computed tax	**$ 1,930**	$ 1,816
Change in computed taxes resulting from:		
State income tax, net of federal benefit	**577**	550
Amortization of regulatory tax liability - net	**506**	499
R&D Credit, net of reserves	**(309)**	-
Other items, net	**(22)**	(52)
Total changes	**752**	997
Total income tax expense	**$ 2,682**	$ 2,813

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.

Deferred Tax Components

	March 31,	
	2022	2021
	(in thousands of dollars)	
Deferred tax assets:		
Postretirement benefits	**$ 622**	$ 1,190
Regulatory liabilities	**10,605**	9,144
Other	**863**	363
Total deferred tax assets	**12,090**	10,697
Deferred tax liabilities:		
Property-related differences	**13,541**	12,819
Regulatory assets	**603**	818
Other	**11**	104
Total deferred tax liabilities	**14,155**	13,741
Deferred income tax liabilities, net	**$ 2,065**	$ 3,044

Tax Years Subject to Examination

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

Jurisdiction	**Tax Year**
Federal	March 31, 2020
Massachusetts	March 31, 2013

In May 2022, the company reached an audit settlement agreement with the IRS for the years ended March 31, 2018, and March 31, 2019. The outcome of the settlement did not have a material impact on the company's results of operations, financial position, or cash flows. The income tax returns for the years ended March 31, 2020, through March 31, 2022, remain subject to examination by the IRS.

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statement of income. As of March 31, 2022, and 2021, the Company has accrued for interest related to unrecognized tax benefits of $12 thousand and $26 thousand, respectively. During the years ended March 31, 2022 and 2021, the Company recorded interest income of $14 thousand and $27 thousand, respectively. No tax penalties were recognized during the years ended March 31, 2022 and 2021.

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 flow.

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.

Federal and Regulatory Investigations into Allegations of Fraud and Bribery

On June 17, 2021, five former employees of National Grid USA Service Company, Inc. in the downstate New York facilities department were arrested on federal charges alleging fraud and bribery. The five former employees subsequently pleaded guilty to the charges, pursuant to plea agreements. The defendants have been, or are scheduled to be, sentenced between May 2022 and July 2022. It is NGUSA's understanding that the investigation by the U.S. Attorney's office and the Federal Bureau of Investigation remains ongoing; NGUSA is a victim of the alleged crimes and will continue to comply with the federal government's investigation. The DPU, the New York Public Service Commission ("NY PSC"), and the Rhode Island Public Utilities Commission have issued requests for information related to the alleged criminal conduct. The DPU has indicated that it will open an investigation into this matter after the conclusion of the NY PSC's investigation. At this time, it is not possible to predict the outcome of the regulatory investigations or determine the amount, if any, of any potential liabilities that may be incurred by the Company related to this matter. However, the Company does not expect this matter will have a material adverse effect on its results of operations, financial position, or cash flows.

Energy Efficiency Programs Investigation

NGUSA is performing an internal investigation into conduct associated with its energy efficiency programs. At this time, it is not possible to predict the outcome of the internal investigation or determine the amount, if any, of any potential liabilities that may be incurred by the Company related to this matter. However, the Company does not expect this matter will have a material adverse effect on its results of operations, financial position, or cash flows.

On April 29, 2022, an indictment was unsealed in the United States District Court of Massachusetts, alleging two individuals employed by a MassSave lead vendor paid bribes to obtain contracts for energy efficiency work. National Grid's Massachusetts operating companies collectively (along with other utilities in the state) are a sponsor of MassSave and recover costs associated with energy efficiency programs from their customers. National Grid is complying with all information requests from the US Attorney's Office and has made the Massachusetts Department of Public Utilities aware of this matter. National Grid is not a defendant in the indictment. At this time, it is not possible to predict the outcome of the investigation or determine whether any losses have been incurred by the Company.

12. LEASES

The Company has various operating leases, primarily related to fleet vehicles and real estate used to support electric operations, with lease terms ranging between 9 and 70 years.

Operating lease ROU assets are included in property, plant and equipment, net, and operating lease liabilities are included in other current liabilities and other noncurrent liabilities on the balance sheet. As of March 31, 2022, the Company does not have any finance leases.

As of March 31, 2022, the Company does not have material rights or obligations under operating leases that have not yet commenced.

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

	Year Ended March 31,	
	2022	2021
	(in thousands of dollars)	
Cash paid for amounts included in lease liabilities		
Operating cash flows from operating leases	**$ 217**	$ 159
ROU assets obtained in exchange for new operating lease liabilities	**$ 1,230**	$ 318
Weighted-average remaining lease term – operating leases	**9 years**	3 years
Weighted-average discount rate – operating leases	**1.7%**	2.7%

The following contains the Company's maturity analysis of its operating lease liabilities as of March 31, 2022, showing the undiscounted cash flows on an annual basis reconciled to the undiscounted cash flows of the operating lease liabilities recognized in the comparative balance sheet:

	Operating Leases
Year Ending March 31,	*(in thousands of dollars)*
2023	**$ 249**
2024	**212**
2025	**157**
2026	**134**
2027	**134**
Thereafter	**552**
Total future minimum lease payments	**1,438**
Less: imputed interest	**(86)**
Total	**$ 1,352**
Reported as of March 31, 2022:	
Current lease liability	**228**
Non-current lease liability	**1,124**
Total	**$ 1,352**

There are certain leases in which the Company is the lessor. Revenue under such leases was immaterial for the years ended March 31, 2022 and 2021.

13. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

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

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

	Accounts Receivable from Affiliates		Accounts Payable to Affiliates	
	March 31,		March 31,	
	2022	2021	**2022**	2021
	(in thousands of dollars)			
Massachusetts Electric Company	**$ 789**	$ 1,482	**$ 313**	$ 268
Narragansett Electric Company	**-**	49	**-**	-
New England Power Company	**12**	14	**416**	383
NGUSA	**22**	22	**51**	42
NGUSA Service Company	**382**	129	**739**	382
Other	**2**	1	**36**	39
Total	**$ 1,207**	$ 1,697	**$ 1,555**	$ 1,114

Advances from Affiliates

The Company has an agreement with NGUSA whereby the Company can borrow up $10 million from time to time for working capital needs. The advance is non-interest bearing. As of March 31, 2022 and 2021, the Company had no outstanding advance from affiliates.

Intercompany Money Pool

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

The Regulated Money Pool is funded by operating funds from participants. NGUSA has the ability to borrow up to $3.0 billion from National Grid plc for working capital needs including funding of the Regulated Money Pool, if necessary. The Company had short-term intercompany money pool investments of $83.8 million and $72.7 million as of March 31, 2022 and 2021, respectively. The average interest rates for the intercompany money pool were 0.40% and 0.72% for the years ended March 31, 2022 and 2021, respectively.

Related Party Reimbursement

In accordance with the Credit and Operating Support Agreement dated March 26, 1996, Massachusetts Electric will reimburse the Company an amount equal to the difference between the Company's actual net income for the year and the net income necessary for the Company to earn its DPU approved ROE for the fiscal year, currently 9.6%. This reimbursement shall constitute additional revenue to the Company and expense to Massachusetts Electric. The Company is entitled to retain any return in excess of 9.6%. For the years ended March 31, 2022 and 2021, Massachusetts Electric reimbursed the Company $6.3 million and $9.0 million, respectively.

Service Company Charges

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

Charges from the service companies of NGUSA to the Company are mostly related to traditional administrative support functions. For the years ended March 31, 2022, and 2021 cost allocated to the Company were $4.9 million and $5.3 million, respectively.