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The Brooklyn Union Gas Company

Consolidated Financial Statements

For the years ended March 31, 2024, 2023, and 2022

THE BROOKLYN UNION GAS COMPANY

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Brooklyn Union Gas Company

Opinion

We have audited the consolidated financial statements of The Brooklyn Union Gas Company (the "Company"), which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended March 31, 2024, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024 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 10, 2024

THE BROOKLYN UNION GAS COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of dollars)

	Years Ended March 31,		
	2024	2023	2022
Operating revenues	**$ 2,026,036**	$ 2,367,577	$ 2,086,000
Operating expenses:			
Purchased gas	**488,994**	918,908	733,024
Operations and maintenance	**623,317**	524,771	619,746
Depreciation and amortization	**166,086**	152,543	141,401
Other taxes	**324,046**	315,435	291,131
Total operating expenses	**1,602,443**	1,911,657	1,785,302
Operating income	**423,593**	455,920	300,698
Other income and (deductions):			
Interest on long-term debt	**(162,538)**	(137,924)	(111,869)
Other interest, including affiliate interest, net	**(3,958)**	(618)	(1,614)
Other income, net	**54,401**	57,401	30,669
Total other deductions, net	**(112,095)**	(81,141)	(82,814)
Income before income taxes	**311,498**	374,779	217,884
Income tax expense	**56,430**	73,725	1,681
Net income	**$ 255,068**	$ 301,054	$ 216,203

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

THE BROOKLYN UNION GAS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2024	2023	2022
Operating activities:			
Net income	**$ 255,068**	$ 301,054	$ 216,203
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**166,086**	152,543	141,401
Amortization of right-of-use asset	**432**	16,825	5,617
Accrued interest on tax reserves	**5,105**	751	1,477
Regulatory amortizations	**(8,353)**	(40,872)	18,521
Deferred income tax expense	**82,600**	344,152	32,430
Bad debt expense	**34,890**	(37,091)	42,211
Allowance for equity funds used during construction	**(17,767)**	(20,623)	(18,828)
Pension and postretirement benefits income, net	**(1,227)**	(3,094)	(13,561)
Other, net	**1,856**	1,628	1,460
Pension and postretirement benefits contributions, net	**(2,325)**	(9,924)	(5,324)
Environmental remediation payments	**(82,320)**	(72,755)	(76,150)
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net, and unbilled revenues	**(54,166)**	(20,600)	(191,628)
Accounts receivable from/payable to affiliates, net	**(28,434)**	(5,829)	22,251
Inventory	**48,611**	(100,664)	14,638
Regulatory assets and liabilities, (current), net	**(32,064)**	(64,578)	61,292
Regulatory assets and liabilities, (non-current), net	**(839,204)**	(157,272)	(92,271)
Derivative instruments	**(9,914)**	35,260	(20,369)
Prepaid and accrued taxes, net	**259,945**	(225,426)	40,094
Prepaid demand capacity contracts	**(10,552)**	(14,404)	(36,073)
Accounts payable and other liabilities	**50,654**	20,241	17,796
Environmental remediation costs	**838,663**	196,360	195,242
Lease liabilities	**(432)**	(26,469)	(8,608)
Other, net	**(5,768)**	(9,953)	(11,603)
Net cash provided by operating activities	**651,384**	259,260	336,218
Investing activities:			
Capital expenditures	**(757,588)**	(719,878)	(740,996)
Proceeds from sale of assets	**47,228**	-	-
Cost of removal	**(36,494)**	(20,036)	(13,897)
Intercompany money pool	**(259,325)**	92,863	26,451
Other, net	**(597)**	(1,948)	181
Net cash used in investing activities	**(1,006,776)**	(648,999)	(728,261)
Financing activities:			
Issuance of long-term debt	**400,000**	800,000	400,000
Payment of debt issuance cost	**(1,962)**	(2,866)	(224)
Repayment of term loan	**-**	(400,000)	-
Intercompany money pool	**(21,045)**	21,045	-
Net cash provided by financing activities	**376,993**	418,179	399,776
Net increase in cash, cash equivalents, restricted cash and special deposits	**21,601**	28,440	7,733
Cash, cash equivalents, restricted cash and special deposits, beginning of year	**49,951**	21,511	13,778
Cash, cash equivalents, restricted cash and special deposits, end of year	**$ 71,552**	$ 49,951	$ 21,511
Supplemental disclosures:			
Interest paid (net of amounts capitalized)	**$ (151,497)**	$ (130,001)	$ (110,386)
Income taxes refunded	**303,874**	44,966	93,153
Significant non-cash items:			
Capital-related accruals included in accounts payable	**84,888**	56,945	51,883
ROU assets obtained in exchange for new operating lease liabilities	**-**	56,588	-
Parent tax loss allocation	**-**	17	114

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

THE BROOKLYN UNION GAS COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 13,102**	$ 15,406
Restricted cash and special deposits	**58,450**	34,545
Accounts receivable, net	**522,150**	507,637
Accounts receivable from affiliates	**23,364**	21,343
Intercompany money pool	**538,531**	279,206
Unbilled revenues, net	**124,337**	107,840
Inventory	**105,052**	153,663
Regulatory assets	**37,780**	43,200
Accrued tax benefits	**-**	239,406
Other, net	**121,127**	96,329
Total current assets	**1,543,893**	1,498,575
Property, plant and equipment, net	**8,534,331**	7,822,442
Non-current assets:		
Regulatory assets	**3,412,847**	2,578,108
Goodwill	**1,451,141**	1,451,141
Postretirement benefits	**106,204**	103,209
Other, net	**87,074**	84,189
Total non-current assets	**5,057,266**	4,216,647
Total assets	**$ 15,135,490**	$ 13,537,664

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

THE BROOKLYN UNION GAS COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	March 31,	
	2024	2023
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	**$ 219,638**	$ 206,377
Accounts payable to affiliates	**88,511**	114,924
Intercompany money pool	**-**	21,045
Taxes accrued	**39,677**	-
Regulatory liabilities	**87,356**	135,622
Environmental remediation costs	**201,581**	112,388
Other	**121,642**	109,258
Total current liabilities	**758,405**	699,614
Non-current liabilities:		
Regulatory liabilities	**804,695**	744,464
Deferred income tax liabilities, net	**1,447,076**	1,330,430
Environmental remediation costs	**2,412,229**	1,745,079
Other	**251,846**	196,661
Total non-current liabilities	**4,915,846**	4,016,634
Commitments and contingencies (Note 12)		
Capitalization:		
Shareholders' equity	**5,627,285**	5,386,977
Long-term debt	**3,833,954**	3,434,439
Total capitalization	**9,461,239**	8,821,416
Total liabilities and capitalization	**$ 15,135,490**	$ 13,537,664

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

THE BROOKLYN UNION GAS COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars)

	Common Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance as of March 31, 2021	$ -	$ -	$ **4,070,796**	$ **798,793**	$ **4,869,589**
Net income	-	-	-	216,203	216,203
Parent tax income allocation	-	-	114	-	114
Balance as of March 31, 2022	$ -	$ -	$ **4,070,910**	$ **1,014,996**	$ **5,085,906**
Net income	-	-	-	301,054	301,054
Parent tax loss allocation	-	-	17	-	17
Balance as of March 31, 2023	$ -	$ -	$ **4,070,927**	$ **1,316,050**	$ **5,386,977**
Net income	-	-	-	255,068	255,068
Implementation of ASC 326, net of $5,648 tax benefit [1]	-	-	-	(14,760)	(14,760)
Balance as of March 31, 2024	$ **-**	$ **-**	$ **4,070,927**	$ **1,556,358**	$ **5,627,285**

The Company had 100 shares of common stock authorized, issued and outstanding, with a par value of $0.01 per share and 1 share of preferred stock, authorized, issued and outstanding, with a par value of $1 per share as of March 31, 2024 and 2023.

[1] See Note 4, "*Allowance for Doubtful Accounts*" for additional information.

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

THE BROOKLYN UNION GAS COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Brooklyn Union Gas Company ("the Company") is a gas distribution company engaged in the transportation and sale of natural gas to approximately 1.3 million customers in the boroughs of Brooklyn and Staten Island and two-thirds of the borough of Queens, all in New York City.

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

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), including the accounting principles for rate-regulated entities. The consolidated financial statements reflect the ratemaking practices of the applicable regulatory authorities. All intercompany balances and transactions have been eliminated in consolidation.

The Company has evaluated subsequent events and transactions through July 10, 2024, the date of issuance of these consolidated financial statements, and concluded that there were no events or transactions that require adjustment to, or disclosure in, the consolidated financial statements as of and for the year ended March 31, 2024, except as otherwise disclosed in Note 6, "*Rate Matters*".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Regulatory Accounting

The New York Public Service Commission ("NYPSC") regulates the rates the Company charges its customers. The rates charged to our customers are designed to collect the Company's costs to provide service, plus a return on investment. In certain cases, the rate actions of the NYPSC can result in accounting that differs from non-regulated companies. In these cases, the Company defers costs (as regulatory assets) or recognizes obligations (as regulatory liabilities) if it is probable that such amounts will be recovered from, or refunded to, customers through future rates. In accordance with Accounting Standards Codification ("ASC") 980, "*Regulated Operations*," regulatory assets and liabilities are reflected on the balance sheet consistent with the treatment of the related costs in the ratemaking process.

Revenue Recognition

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

Other Taxes

The Company collects taxes and fees from customers such as sales taxes, other taxes, surcharges, and fees that are levied by state or local governments on the sale or distribution of gas. The Company accounts for taxes that are imposed on customers (such as sales taxes) on a net basis (excluded from revenues), while taxes imposed on the Company, such as excise taxes, are recognized on a gross basis. Excise taxes collected and expected to be paid for the years ended March 31, 2024, 2023, and 2022 were $72.1 million, $75.3 million, and $70.3 million, respectively.

The state of New York imposes on corporations a franchise tax that is computed as the higher of a tax based on income or a tax based on capital. To the extent the Company's state tax based on capital is in excess of the state tax based on income, the Company reports such excess in other taxes and taxes accrued in the accompanying consolidated financial statements.

Cash and Cash Equivalents

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

Restricted Cash and Special Deposits

Restricted cash consists of margin calls to the New York Mercantile Exchange ("NYMEX") and collateral paid to the Company's counterparties for outstanding commodity and financial derivative instruments, as well as cash held in an environmental remediation trust the Company consolidates. The restricted cash held by the trust can only be used by the trust to pay for environmental remediation expenses. See Note 11, "*Environmental Matters*" for further details.

Accounts Receivable and Allowance for Doubtful Accounts

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

The allowance for doubtful accounts is determined based on a variety of factors including, for each type of receivable, applying an estimated reserve percentage to each aging category, which takes into account historical collections, write-off experience, and management's assessment of collectability from customers, as appropriate. Management continuously assesses the collectability of receivables and adjusts estimates accordingly if circumstances change and such adjustments are reasonable and supportable based on actual experience, current conditions, and forward-looking information as well as future expectations. Receivable balances are written-off against the allowance for doubtful accounts when the accounts are disconnected and/or terminated, and when such balances are deemed to be uncollectible. The Company recorded bad debt expense of $34.9 million, $(47.2) million, and $42.2 million for the years ended March 31, 2024, 2023, and 2022, respectively, within operation and maintenance expenses in the accompanying consolidated statements of income. For the years ended March 31, 2024 and 2023, bad debt expense reflects the impact of the Phase 1 and 2 Arrears Reduction programs. See Note 6, "*Rate Matters*" for additional details.

Inventory

Inventory is composed of materials and supplies as well as gas in storage.

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

Materials and supplies are stated at weighted average cost, which represents net realizable value, and are expensed or capitalized into property, plant and equipment as used. There were no significant write-offs of obsolete inventory for the years ended March 31, 2024, 2023, or 2022.

The Company had gas in storage of $82.3 million and $132.2 million and materials and supplies of $22.8 million and $21.5 million as of March 31, 2024 and 2023, respectively.

Derivative Instruments

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

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

Fair Value Measurements

The Company measures derivative instruments and pension and postretirement benefit other than pension 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 NYPSC. The average composite rates for the years ended March 31, 2024, 2023, and 2022 were 1.9%, 1.9%, and 1.9%, 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. See Note 5, "*Regulatory Assets and Liabilities*" for additional details.

Allowance for Funds Used During Construction

The Company records AFUDC, which represents the debt and equity costs of financing the construction of new property, plant and equipment. The equity component of AFUDC is reported in the accompanying consolidated 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 $17.8 million, $20.6 million, and $18.8 million, and AFUDC related to debt of $10.9 million, $8.8 million, and $7.9 million, for the years ended March 31, 2024, 2023, and 2022, respectively. The average AFUDC rates for the years ended March 31, 2024, 2023, and 2022 were 6.5%, 6.3%, and 6.4%, 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, 2024, 2023, and 2022, there were no impairment losses recognized for long-lived assets.

Goodwill

The Company tests goodwill for impairment annually on October 1, or more frequently if events occur or circumstances exist that indicate it is more likely than not that the fair value of the Company is below its' carrying amount. The goodwill impairment test requires a recoverability test based on the comparison of the Company's estimated fair value with its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, the Company is required to recognize an impairment charge for such excess, limited to the carrying amount of goodwill.

The Company applies two valuation methodologies to estimate its fair value, 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, 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. The Company applied a 50/50 weighting for each valuation methodology, as it believes that each approach provides equally valuable and reliable information regarding the Company's estimated fair value.

The Company performed its latest annual goodwill impairment test as of October 1, 2023, at which time the Company's estimated fair value significantly exceeded the carrying value. The Company did not recognize any goodwill impairment during the years ending March 31, 2024 or 2023.

Asset Retirement Obligations

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

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

The Company does not recognize liabilities for asset retirement obligations for which the fair value cannot be reasonably estimated. Due to the indeterminate removal date, the fair value of the associated liabilities on certain transmission, distribution and other assets cannot currently be estimated, and no amounts are recognized on the consolidated financial statements other than those included in the cost of removal regulatory liability established via approved depreciation rates in accordance with accepted regulatory practices.

Employee Benefits

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

Leases

The Company has various operating leases, primarily related to buildings and land. Right-of-use ("ROU") assets consist of the lease liability, together with any payments made to the lessor prior to commencement of the lease (less any lease incentives) and any initial direct costs. ROU assets are amortized over the lease term. Lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. For any leases that do not provide an implicit rate, the Company uses an estimate of its collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. In measuring lease liabilities, the Company excludes variable lease payments, other than those that depend on an index or a rate, or are in substance fixed payments, and includes lease payments made at or before the commencement date. Variable lease payments were not material for the years ended March 31, 2024, 2023 and 2022.

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

Financial Instruments – Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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, "F*inancial 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 adopted this new guidance on April 1, 2023. See Note 4, "*Allowance for Doubtful Accounts*" for further information.

Accounting Guidance Not Yet Adopted

Income Taxes (Topic 740): Income Tax Disclosures

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

The Company will early adopt this standard for annual periods effective April 1, 2025. The Company is currently assessing the application of the new guidance but does not expect the adoption to have a material impact.

Reclassifications

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

3. REVENUE

The following table presents, for the years ended March 31, 2024, 2023 and 2022, 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,		
	2024	2023	2022
		(in thousands of dollars)	
Revenue from contracts with customers:			
Gas distribution	**$ 1,975,575**	$ 2,196,826	$ 1,934,595
Off system sales	**64,470**	213,656	137,716
Total revenue from contracts with customers	**2,040,045**	2,410,482	2,072,311
Revenue from alternative revenue programs	**(15,679)**	(43,225)	13,376
Other revenue	**1,670**	320	313
Total operating revenues	**$ 2,026,036**	$ 2,367,577	$ 2,086,000

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

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

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

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

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

Revenue from Alternative Revenue Programs: The Company records revenues in accordance with accounting principles for rate-regulated operations for arrangements between the Company and the regulator, which are not accounted for as contracts with customers. These primarily include programs that qualify as Alternative Revenue Programs ("ARPs"). ARPs enable the Company to adjust rates in the future, in response to past activities or completed events. The Company's gas distribution rates have a revenue decoupling mechanism ("RDM") which allows for annual adjustments to the Company's delivery rates as a result of the reconciliation between allowed revenue and billed and unbilled revenue. The Company also has other positive revenue adjustment mechanisms, such as earnings adjustment mechanisms towards meeting clean energy goals, demand side management initiatives, gas safety and reliability and certain other performance standards. The Company recognizes revenue from ARPs with a corresponding offset to a regulatory asset or liability account when the regulatory specified events or conditions have been met, when the amounts are determinable, and are probable of recovery (or payment) through future rate adjustments within 24-months from the end of the annual reporting period.

Other Revenues: Includes lease income and other transactions that are not considered contracts with customers.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables are recorded at amortized cost, net of a credit loss allowance for doubtful accounts. The allowance primarily relates to trade receivables from utility customers (both billed and unbilled), as well as amounts receivable from various other counterparties such as governmental agencies, municipalities, and other utilities. The Company had a total allowance for doubtful accounts of $100.9 million and $89.0 million, of which $82.3 million and $89.0 million relates to Accounts receivable, $3.1 million and zero relates to Unbilled revenues, and $15.5 million and zero relates to certain other non-current assets as of the years ended March 31, 2024 and 2023, respectively. The activity in the allowance for doubtful accounts for the year ended March 31, 2024 is as follows:

	Year Ended March 31, 2024 *(in thousands of dollars)*		
	Utility Accounts Receivables	Non-Utility Accounts Receivables	Total Allowance
Beginning balance as of April 1, 2023	$ 78,170	$ 10,846	$ 89,016
Impact of adoption of ASC Topic 326 on April 1, 2023	5,053	15,355	20,408
Credit loss expense	19,316	312	19,628
Write-offs	(36,454)	(367)	(36,821)
Recoveries	8,620	96	8,716
Ending balance as of March 31, 2024	$ 74,705	$ 26,242	$ 100,947

5. REGULATORY ASSETS AND LIABILITIES

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

	March 31,	
	2024	2023
	(in thousands of dollars)	
Regulatory assets		
Current:		
Capital tracker	**$ 17,156**	$ -
Demand capacity surcharge mechanism	**8,240**	16,094
Derivative instruments	**7,071**	16,985
Facilities system surcharge	**3,553**	5,962
Rate adjustment mechanisms	**1,060**	3,707
Other	**700**	452
Total	**37,780**	43,200
Non-current:		
Arrears reduction	**97,963**	114,571
Cost of removal	**18,526**	20,584
Environmental response costs	**2,785,152**	2,026,007
Exogenous costs	**101,801**	101,499
Postretirement benefits	**187,006**	193,332
Other	**222,399**	122,115
Total	**3,412,847**	2,578,108
Regulatory liabilities		
Current:		
Energy efficiency	**10,790**	21,206
Gas costs adjustment	**39,796**	68,802
Revenue decoupling mechanism	**33,628**	44,756
Other	**3,142**	858
Total	**87,356**	135,622
Non-current:		
Carrying charges	**81,266**	76,089
Environmental response costs	**100,811**	52,411
Postretirement benefits	**142,065**	142,166
Regulatory tax liability, net	**283,843**	323,538
Other	**196,710**	150,260
Total	**$ 804,695**	$ 744,464

Regulatory assets associated with future financial obligations that were deferred in accordance with orders issued by the NYPSC do not earn a return until such time a cash outlay has been made. As of March 31, 2024, regulatory assets of $2.8 billion ($186.0 million for Postretirement benefits, $2.6 billion for Environmental response costs, $7.1 million for Derivative instruments and $13.0 million for Asset retirement obligations) did not earn a return. The recovery period of these regulatory assets is to be determined in future rate plans or other orders issued by the NYPSC.

The Company recovers carrying charges related to regulatory assets where there has been a cash outlay. These carrying charges include an interest component, recognized as a component of regulatory assets, associated with the portion of the regulatory assets deemed to be financed with debt. These carrying charges also include an equity return component, which

is an allowance for earnings on shareholders' investment. This equity return component will be recovered through future rates, but is not recognized for financial reporting purposes. The equity return component not recognized in the financial statements as of March 31, 2024 and 2023 was $136.8 million and $110.6 million, respectively.

Arrears reduction: This regulatory balance represents the deferral, net of recoveries, of the Arrears Reduction Program ("ARP") Phase 1 and Phase 2. On June 16, 2022, the NYPSC approved the Order Authorizing Phase 1 ARP for Energy Affordability Program ("EAP") customers to provide the novel coronavirus ("COVID-19") related relief through a one-time bill credit that eliminates accrued arrears through May 1, 2022, including authorization for utility recovery of arrears reduction program costs not otherwise covered by funds provided through Utility Arrears Relief Program ("UARP") or programs administered by the Office of Temporary and Disability Assistance ("OTDA"). The Phase 1 Order authorized recovery of the Phase 1 EAP ARP ratepayer funded portion and associated carrying charges over three and half years for the amount capitalized as a regulatory asset via a surcharge effectuated by a tariff filing effective August 1, 2022. On January 19, 2023, the NYPSC approved the Order Authorizing Phase 2 ARP for non-EAP residential and certain qualifying small business customers. The Phase 2 Order authorized recovery of the Phase 2 ARP ratepayer funded portion and associated carrying charges over eleven years for the amount capitalized as a regulatory asset via a surcharge effectuated by a tariff filing effective March 1, 2023.

Capital tracker: Beginning April 1, 2023, the Company began the Stayout Period. The rate case includes a provision that allows for the deferral of incremental revenue requirement over the allowance in base rates for the net utility plant and depreciation expense reconciliation mechanism (capped at forecast levels) for the twelve months ended March 31, 2024. The NYPSC approved the recovery of the Stayout Period incremental capital tracker revenue requirement via a surcharge over the twelve months beginning September 1, 2023, subject to not earning over an 8.8% return on equity ("ROE"). Under the current three-year rate plan, the Company defers as a regulatory liability the revenue requirement impact of the amount, if any, by which actual average net utility plant balances are less than amounts reflected in rates.

Carrying charges: 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 NYPSC. Carrying charges are not recorded on items for which expenditures have not yet been made.

Cost of removal: Represents cumulative removal amounts spent, but not yet collected, to dispose of property, plant and equipment.

Demand capacity surcharge mechanism: The Company recovers costs associated with incremental NYPSC approved demand response, energy efficiency, and Long-Term Capacity Projects through the demand capacity surcharge mechanism.

Derivative instruments: The Company evaluates open commodity derivative instruments for regulatory deferral by determining if they are probable of recovery from, or refund to, customers through future rates. Derivative instruments that qualify for recovery are recorded at fair value, with changes in fair value recorded as regulatory assets or regulatory liabilities in the period in which the change occurs.

Energy efficiency: Under the current rate plan the Company will defer any under expenditures of NYPSC approved energy efficiency programs that are included in base rates. After the term of the rate plan the balance will be subject to future disposition by the NYPSC. In the period following the rate plan (twelve months ended March 31, 2024) the Company is allowed to defer Commission approved energy efficiency expenditures not recovered in base rates to achieve energy efficiency targets (capped at the authorized budget).

Environmental response costs: The regulatory asset represents deferred costs associated with the Company's share of the estimated costs to investigate and perform certain remediation activities at former manufactured gas plant ("MGP") sites and related facilities. The regulatory liability represents the excess of amounts received in rates over the Company's actual site investigation and remediation ("SIR") costs.

Exogenous costs: Under the latest rate plan, the Company was authorized to seek deferral treatment of certain exogenous costs, which are defined as incremental expenses that result from any legislative, court or regulatory change that imposes

new obligations that exceed 3% of pre-tax income in any given rate year. Effective April 2017, the City of New York set significant new regulations on utilities for incremental municipal permitting and paving requirements which caused the utility to meet the threshold of exogenous costs. The Exogenous costs deferral includes incremental paving costs and inside service line inspection costs for future recovery from the customer.

Facilities system surcharge: On May 1, 2018, the Company entered the New York Facilities Agreement ("NYFA") with KeySpan Gas East Corporation and Consolidated Edison Company of New York, Inc. to design, maintain and operate their respective constructed portion of a system of gas mains and associated facilities for receiving and distributing natural gas. On October 18, 2018, the NYPSC issued an order to allow the Company to recover or refund NYFA costs as compared to the amount reflected in base rates. The facilities system surcharge was implemented on November 1, 2018. The surcharge is reconciled on an annual basis and any difference is refunded to, or recovered from, customers over the following fiscal year, effective July 1.

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

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

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"). Under the current rate plan, the protected excess deferred income taxes are amortized using the Average Rate Assumption Method ("ARAM") and the unprotected excess deferred income taxes are amortized over a 5-year amortization period. The revenue requirement reflects the amortization of $28.3 million in each rate year.

Revenue decoupling mechanism: As approved by the NYPSC, the gas RDM allows for an annual adjustment to the Company's delivery rates as a result of the reconciliation between allowed revenues and billed and unbilled revenues. Any difference is recorded as a regulatory asset or regulatory liability.

6. RATE MATTERS

Rate Case Filing

On April 28, 2023, the Company and KeySpan Gas East Corporation (the "New York Gas Companies" or the "Companies") filed to increase revenues by $414 million and $228 million, respectively for the twelve months ending March 31, 2025 ("Rate Year 1"). While the Companies' filings propose new rates for Rate Year 1 only, cost data for three additional years have been included to facilitate a potential multi-year settlement. On June 30, 2023, the New York Gas Companies filed Corrections and Updates to their April 2023 filing. The net impact of the Corrections and Updates is an increase of $36 million to the Company's revenue requirement and an increase of $44 million to KeySpan Gas East Corporation's revenue requirement. In September 2023, the Companies submitted a notice of impending settlement negotiations along with a request to extend the suspension period (with a make whole provision) to facilitate those negotiations.

On April 9, 2024, the Department of Public Service Staff ("DPS"), the New York Gas Companies and other parties to the settlement filed a Joint Proposal ("JP") for a three-year rate plan beginning April 1, 2024 and ending March 31, 2027. To reduce rate volatility to customers over the term of the rate plan, the rate increases will be implemented on a levelized percentage basis, estimated to be an annual total bill increase of 10.5% for the Company and 9.4% for KeySpan Gas East Corporation.

The JP supports the goals of the Climate Leadership and Community Protection Act ("CLCPA") and includes provisions for a ramp-up of energy efficiency, demand response, geothermal, and electrification options to meet customers' energy needs while minimizing the need for additional gas infrastructure. In addition, the JP provides additional resources to promote the New York Gas Companies energy affordability programs and enhanced customer protections for financially vulnerable customers. The JP proposes a 9.35% ROE and a ratemaking capital structure that reflects a common equity component of 48% for the New York Gas Companies. The rate plans propose that customers will share earnings in excess of 9.85% with earnings above 10.35% applied to the Environmental response costs deferral.

The JP proposes a Make Whole provision to permit the New York Gas Companies to recover the revenue shortfall resulting from the extension of the suspension period compared to if rates had gone into effect on April 1, 2024. The New York Gas Companies expect an order from the NYPSC on its rate case filing in the second quarter of fiscal year 2025.

General Rate Case

On May 14, 2021, the DPS Staff and the New York Gas Companies filed a JP for a three-year rate plan beginning April 1, 2020 and ending March 31, 2023. The total revenue increases are 0% in Rate Year 1 for both Companies and 2% and 1.8% in Rate Year 2 and Rate Year 3 for the Company and KeySpan Gas East Corporation, respectively. To mitigate the potential bill impacts on customers, the settlement applies nearly $100 million of credits over the three years of the rate plan. In addition, the revenue requirements include amounts from the amortization of excess federal Accumulated Deferred Income Taxes ("ADIT"), which was also used to benefit customers by mitigating rates.

The JP addresses the goals of the CLCPA and includes provisions that promote energy efficiency, demand response, geothermal, and electrification options to meet customers' energy needs while minimizing the need for additional gas infrastructure. The settlement is based upon an 8.8% ROE and 48% common equity ratio and includes an earnings sharing mechanism with customers when the Company's ROE is in excess of 9.3%. In addition, the JP also includes a mechanism that would allow the Company to extend the rate plan by twelve months ("Stayout Period"), such that new rates would become effective April 1, 2024. On August 12, 2021, the NYPSC approved and adopted the JP and supporting schedules with limited additional requirements. Pursuant to the JP, the Company recorded the Make Whole provision during the fiscal year ended March 31, 2022, the impact of this provision for Rate Year 1 did not result in a material impact on the Company's financial position, results of operations or cash flows.

Beginning April 1, 2023, the Company began the Stayout Period which continued the provisions of the current rate plan with some modifications, including the deferral of incremental revenue requirement over the allowance in base rates for the net utility plant and depreciation expense reconciliation mechanism (capped at forecast levels) and Commission-approved energy efficiency costs not recovered in base rates to achieve energy efficiency targets (not to exceed the authorized budget) for the twelve months ended March 31, 2024. On June 22, 2023, the NYPSC approved the New York Gas Companies gas tariff amendments to become effective on a permanent basis to effectuate the Stayout period rates, which provides annual revenue increases of 3.9% and 0.5% for the Company and KeySpan Gas East Corporation, respectively.

Proceeding on Energy Affordability Programs and Effects of COVID-19 on Utility Service

COVID-19 Recovery

On December 16, 2021, the Company notified the NYPSC that under its current rate plan provisions the Company has met the requirements during Rate Year 1 to defer, for ratemaking purposes, the unbilled fees (late payment charges and other waived fees, net of related savings) resulting from New York State's COVID-19 related orders and legislation. On February 7,

2022, the downstate New York Gas Companies jointly petitioned for approval of an alternative recovery mechanism for the COVID-19 related unbilled fees that are deferred during the term of the rate plans. On June 16, 2022, the NYPSC approved the New York Gas Companies petition for alternative recovery mechanism of COVID-19 unbilled fees, whereby, the Company will collect its deferral for Rate Year 1 of $13.0 million through a surcharge effective July 1, 2022, through June 30, 2023. In addition, the NYPSC authorizes the New York Gas Companies to surcharge or credit the deferred COVID-19 unbilled fees, net of related savings, for Rate Years 2 and 3 under its rate plan during the periods from July 1, 2023, through June 30, 2024, and July 1, 2024, through June 30, 2025, respectively. In June 2022, the Company met the requirements under U.S. GAAP to recognize the revenues for the COVID-19 unbilled fees for the amounts deferred through June 30, 2022. Accordingly, the Company recorded the revenue related to the COVID-19 unbilled fees deferral, in fiscal year 2023, of $20.8 million to revenue from ARPs and the associated interest income of $1.6 million on the deferral to other income, net.

Energy Affordability Programs

Phase 1 Arrears Reduction Program

In May 2022, the EAP Working Group issued an Arrears Report recommending, among other matters, to implement an arrears reduction program in two phases. The first phase ("Phase 1") would target low-income customers to provide much needed COVID-19 related relief through a one-time bill credit that eliminates accrued arrears through May 1, 2022, with portions above the $250 million 2022-2023 New York State appropriation (UARP) being funded from a combination of sources including ratepayers. The second phase ("Phase 2") would allow the EAP Working Group to develop a program designed to reduce arrears for customers who were not eligible for arrears relief under the Phase 1 program.

On June 16, 2022, the NYPSC approved the recommendations made in the Phase 1 Arrears Report discussed above. The order authorized the implementation of the Phase 1 Arrears Reduction Program, whereby, the Company's total EAP arrears reduction one-time bill credits are to be funded by approximately $10.1 million from the New York State budget allocation, a shareholder contribution of $1.2 million under the Company's approved petition for alternative recovery mechanism of COVID-19 unbilled fees, with the remaining balance to be recovered from customers through a surcharge over a three and a half year recovery period effective on August 1, 2022. The Company issued a total of approximately $50.1 million of Phase 1 EAP one-time bill credits to its gas customers for the program.

Phase 2 Arrears Reduction Program

On December 23, 2022, the EAP Working Group filed the Phase 2 Arrears Report recommending that the NYPSC adopt a second phase of relief for COVID-19 related arrears through May 1, 2022 for residential non-EAP customers who did not receive relief under Phase 1 and for small commercial customers' arrears.

On January 19, 2023, the NYPSC approved the EAP Working Group's Phase 2 proposal ("Phase 2 Order"). The Phase 2 relief will include a one-time bill credit to resolve arrears through May 1, 2022 for approximately 75 percent of residential non-EAP and small business customers, and partially resolve arrears for approximately 25 percent of remaining customers. In total, the Phase 2 program provided approximately $82.2 million of one-time bill credits, to eligible customers who did not receive relief under the Phase 1 program. The cost of the Phase 2 program bill credits and carrying costs will be funded by customers through a customer surcharge over an eleven-year period. On February 21, 2023, in accordance with the Phase 2 Order, National Grid submitted a compliance filing and requested a proposed uncollectible expense reconciliation mechanism in exchange for a future adjustment of the Phase 2 program customer surcharge, which the Company does not expect will have a material impact to the financial statements. It is uncertain as to when the NYPSC will respond to this proposal.

New York Energy Bill Credit

On February 15, 2024, the NYPSC adopted most of the recommendations in the EAP Working Group's New York State Energy Bill Credit Report filed on November 21, 2023 to provide immediate and automatic relief for all residential and non-residential utility customers that pay into the utilities' EAPs. Customers that do not pay into the EAP would not receive a bill credit. The NYPSC authorized the DPS Staff to distribute the $200 million 2023/2024 New York State budget appropriation in accordance with allocations consistent with the calendar year 2022 EAP expenditures. On April 5, 2024, based upon the share of the

calendar year 2022 EAP expenditures, National Grid received $51.3 million of the $200 million New York State budget appropriation in the amounts of: $23.6 million for the Company, $5.2 million for KeySpan Gas East Corporation and $22.5 million for Niagara Mohawk Power Corporation. The Company received an extension, until September 3, 2024, to issue the bill credits under this program on customer's gas and/or electric bills. The distribution to customers of the funding received under this New York State program will not have any impact on the Company's results of operations or financial position.

7. 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,	
	2024	2023
	(in thousands of dollars)	
Plant and machinery	**$ 8,985,776**	$ 8,470,317
Motor vehicles and equipment	**5,051**	6,722
Land and buildings	**254,678**	205,421
Assets in construction	**694,061**	465,839
Software and other intangibles	**132,013**	132,013
Operating leases ROU assets	**57,403**	58,147
Total property, plant and equipment	**10,128,982**	9,338,459
Accumulated depreciation and amortization	**(1,593,444)**	(1,515,242)
Accumulated amortization – Operating lease ROU assets	**(1,207)**	(775)
Property, plant and equipment, net	**$ 8,534,331**	$ 7,822,442

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.

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

Pension Plans

The Qualified Pension Plans are defined benefit pension plans which provide union employees, as well as nonunion 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, 2024, 2023 and 2022, the Company made contributions of approximately $1.8 million, $9.5 million, and $4.5 million, respectively, to the Qualified Pension Plans.

The Company expects to contribute approximately $3.9 million to the Qualified Pension Plans during the year ending March 31, 2025.

Benefit payments to Pension Plan participants for the years ended March 31, 2024, 2023, and 2022 were approximately $60.0 million, $70.6 million, and $41.2 million, respectively. Benefit payments for the years ended March 31, 2024 and 2023 included payments for an annuity contract purchase.

PBOP Plans

The PBOP plans provide health care and life insurance coverage to eligible retired employees. Eligibility is based on age and length of service requirements, and in most cases retirees must contribute to the cost of their healthcare coverage. During the years ended March 31, 2024, 2023, and 2022, the Company made contributions of approximately $0.6 million, $0.8 million, and zero, respectively, to the PBOP Plans. The Company expects to contribute approximately $2.9 million to the PBOP Plans during the year ending March 31, 2025.

Gross benefit payments to PBOP plan participants for the years ended March 31, 2024, 2023, and 2022 were $13.3 million, $11.7 million, and $14.1 million, respectively.

Net Periodic Benefit Costs

The Company's net periodic pension cost for the years ended March 31, 2024, 2023, and 2022 were $7.1 million, $5.1 million, and $10.0 million, respectively. This included non-service pension costs (benefits) for the year ended March 31, 2024 of ($1.0) million.

The Company's net periodic PBOP benefit for the years ended March 31, 2024, 2023, and 2022 were $(7.5) million, $(6.6) million, and $(5.7) million, respectively. This included non-service PBOP costs (benefits) for the year ended March 31, 2024 of ($9.8) million.

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, 2024, 2023, and 2022:

	Pension Plans		
	March 31,		
	2024	2023	2022
		(in thousands of dollars)	
Net actuarial (gain) loss	**$ 4,415**	$ 76,541	$ (72,841)
Amortization of net actuarial loss	**(13,194)**	(10,737)	(20,262)
Amortization of prior service cost, net	**-**	(9)	(19)
Total	**$ (8,779)**	$ 65,795	$ (93,122)
Change in regulatory assets or liabilities	**(8,779)**	65,795	(93,122)
Total	**$ (8,779)**	$ 65,795	$ (93,122)

	PBOP Plans		
	March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial (gain) loss	**$ 2,826**	$ 12,729	$ (18,898)
Amortization of net actuarial gain	**5,702**	4,584	3,720
Total	**$ 8,528**	$ 17,313	$ (15,178)
Change in regulatory assets or liabilities	**8,528**	17,313	(15,178)
Total	**$ 8,528**	$ 17,313	$ (15,178)

Amounts Recognized in Regulatory Assets/Liabilities – not yet recognized as components of net actuarial gain/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 gain/loss as of March 31, 2024, 2023, and 2022:

	Pension Plans		
	March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial (gain) loss	**$ 22,669**	$ 31,448	$ (34,356)
Prior service cost	**3**	3	12
Total	**$ 22,672**	$ 31,451	$ (34,344)
Included in regulatory assets (liabilities)	**22,672**	31,451	(34,344)
Total	**$ 22,672**	$ 31,451	$ (34,344)

	PBOP Plans		
	March 31,		
	2024	2023	2022
	(in thousands of dollars)		
Net actuarial gain	**$ (38,191)**	$ (46,719)	$ (64,032)
Prior service cost	**(4)**	(4)	(4)
Total	**$ (38,195)**	$ (46,723)	$ (64,036)
Included in regulatory liabilities	**(38,195)**	(46,723)	(64,036)
Total	**$ (38,195)**	$ (46,723)	$ (64,036)

Amounts Recognized on the Balance Sheet

The following table summarizes the portion of the funded status that is recognized on the Company's balance sheet as of March 31, 2024 and 2023:

	Pension Plans		PBOP Plans	
	March 31,		March 31,	
	2024	2023	**2024**	2023
	(in thousands of dollars)			
Projected benefit obligation	**$ (688,811)**	$ (734,470)	**$ (216,423)**	$ (212,167)
Allocated fair value of assets	**699,240**	741,401	**312,198**	308,445
Funded status	**$ 10,429**	$ 6,931	**$ 95,775**	$ 96,278
Non-current assets	**$ 10,429**	$ 6,931	**$ 95,775**	$ 96,278
Total	**$ 10,429**	$ 6,931	**$ 95,775**	$ 96,278

For the year ended March 31, 2024, the net actuarial loss for Pension was primarily driven by actual asset performance less than expected, as well as demographic census data losses related to compensation, partially offset by an increase in discount rate and slight changes in the retirement assumption tables resulting from a recent experience study. The net actuarial loss for the PBOP was driven by actual asset performance less than expected, as well as losses related to actual post-65 prescription drug claims experience, partially offset by an increase in discount rate and savings recognized from a Pharmacy Benefit Manager market check completed for the Company's contract. For the year ended March 31, 2023, the net actuarial loss for the Pension and PBOP plans were primarily driven by asset losses due to returns that were less than expected. These losses were partially offset by the increase in the discount rate, slight changes to the withdrawal assumption resulting from the recent experience study, and savings resulting from a new Medicare Advantage contract for PBOP. 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.

Expected Benefit Payments

Based on current assumptions, the Company expects to make the following benefit payments subsequent to March 31, 2024 (amounts for PBOP Plans are shown net of employer group waiver plan subsidies expected):

(in thousands of dollars) Years Ended March 31,	Pension Plans	PBOP Plans
2025	$ 43,649	$ 10,736
2026	43,575	11,313
2027	45,365	11,679
2028	46,982	11,985
2029	48,107	12,282
2030-2034	252,523	63,885
Total	$ 480,201	$ 121,880

Assumptions Used for Employee Benefits Accounting

	Pension Plans		
	Years Ended March 31,		
	2024	2023	2022
Benefit Obligations:			
Discount rate	**5.15%**	4.85%	3.65%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.30%
Rate of compensation increase (union)	**5.20%**	5.20%	5.20%
Weighted average cash balance interest crediting rate	**4.28%**	4.40%	3.75%
Net Periodic Benefit Costs:			
Discount rate	**4.85%**	3.65%	3.25%
Rate of compensation increase (nonunion)	**4.30%**	4.30%	4.10%
Rate of compensation increase (union)	**5.20%**	5.20%	5.00%
Expected return on plan assets	**6.50%**	5.00%	5.50%
Weighted average cash balance interest crediting rate	**4.40%**	3.75%	3.75%

	PBOP Plans		
	Years Ended March 31,		
	2024	2023	2022
Benefit Obligations:			
Discount rate	**5.15%**	4.85%	3.65%
Net Periodic Benefit Costs:			
Discount rate	**4.85%**	3.65%	3.25%
Expected return on plan assets	**6.25%-6.75%**	5.00%-5.50%	5.00%-5.50%

The Company selects its discount rate assumption based upon rates of return on highly rated corporate bond yields in the marketplace as of each measurement date. 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 premium is added for active management of both equity and fixed income securities. The long-term rates of return for each asset class are then weighted in accordance with the target asset allocation, resulting in the expected return on plan assets for each plan.

Assumed Health Cost Trend Rate

	Years Ended March 31,	
	2024	2023
Health care cost trend rate assumed for next year		
Pre 65	**6.20%**	6.40%
Post 65	**5.10%**	5.20%
Prescription	**8.00%**	7.10%
Rate to which the cost trend is assumed to decline (ultimate)	**4.50%**	4.50%
Year that rate reaches ultimate trend		
Pre 65	**2031**	2031+
Post 65	**2031**	2031+
Prescription	**2033**	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 their funds across asset classes, investment styles and fund managers. An asset/liability study is conducted periodically to determine whether the current strategic asset allocation continues to represent the appropriate balance of expected risk and reward for the plan to meet expected liabilities. Each study considers the investment risk of the asset allocation and determines the optimal mix of assets for the plan. The target asset allocation for fiscal year-end 2024 reflects the results of such a pension study conducted and implemented in fiscal year 2024. As a result of that asset liability analysis, the asset mix for the Pension Plans were changed to further reduce investment risk given the increased funded status of the plans and to better hedge the respective plan liabilities. The Non-Union PBOP Plan asset liability study was conducted in fiscal year 2024. As a result of that study, the RPC approved changes to the KeySpan and Niagara Mohawk Non-Union PBOP asset allocation effective in fiscal year 2024. The last Union PBOP study was conducted in fiscal year 2023. As a result of that asset liability analysis, the asset mix was changed to further reduce investment risk given the increased funded status of the plans and to better hedge the respective plan liabilities. Those change took effect during fiscal year 2023.

Individual fund managers operate under written guidelines provided by the RPC, which cover such areas as investment objectives, performance measurement, permissible investments, investment restrictions, trading and execution, and communication and reporting requirements. National Grid management in conjunction with a third party investment advisor, regularly monitors, and reviews asset class performance, total fund performance, and compliance with asset allocation

guidelines. This information is reported to the RPC at quarterly meetings. The RPC changes fund managers and rebalances the portfolio as appropriate.

Equity investments are broadly diversified across U.S. and non-U.S. stocks, as well as across growth, value, and small and large capitalization stocks. Likewise, the fixed income portfolio is broadly diversified across market segments and is mainly invested in investment grade securities. Where investments are made in non-investment grade assets the higher volatility is carefully judged and balanced against the expected higher returns. While the majority of plan assets are invested in equities and fixed income other asset classes are utilized to further diversify the investments. These asset classes include private equity, real estate, and diversified alternatives. The objectives 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, 2024 and 2023 are as follows:

	Pension Plans		**Union PBOP Plans**		**Nonunion PBOP Plans**	
	March 31,		**March 31,**		**March 31,**	
	2024	2023	**2024**	2023	**2024**	2023
Equity	**13%**	24%	**15%**	15%	**65%**	70%
Diversified alternatives	**4%**	7%	**5%**	5%	**0%**	0%
Fixed income securities	**60%**	60%	**80%**	80%	**35%**	30%
Private equity	**12%**	4%	**0%**	0%	**0%**	0%
Real estate	**5%**	3%	**0%**	0%	**0%**	0%
Infrastructure	**6%**	2%	**0%**	0%	**0%**	0%
	100%	100%	**100%**	100%	**100%**	100%

Fair Value Measurements

During the year ended March 31, 2024, certain PBOP plans and trusts were consolidated. The following tables provide the fair value measurements amounts for the pension and PBOP assets at the trust level (includes all trusts applicable to Plans the Company participates in):

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

	March 31, 2023			
	Level 1	Level 2	Not categorized	Total
	(in thousands of dollars)			
Pension assets:				
Equity	$ 131,388	$ -	$ 594,806	$ 726,194
Diversified alternatives	71,059	-	206,311	277,370
Corporate bonds	-	1,598,998	368,071	1,967,069
Government securities	5,098	390,055	439,850	835,003
Infrastructure	-	-	187,713	187,713
Private equity	-	-	420,274	420,274
Real estate	-	-	213,449	213,449
Total assets	$ 207,545	$ 1,989,053	$ 2,430,474	$ 4,627,072
Pending transactions				(82,364)
Total net assets				$ 4,544,708

	Level 1	Level 2	Not categorized	Total
PBOP assets:				
Equity	$ 5,905	$ -	$ 185,250	$ 191,155
Diversified alternatives	49,138	-	4,711	53,849
Corporate bonds	-	690,632	-	690,632
Government securities	33,578	127,733	-	161,311
Private equity	-	-	279	279
Insurance contracts	-	-	142,459	142,459
Total assets	$ 88,621	$ 818,365	$ 332,699	$ 1,239,685
Pending transactions				11,112
Total net assets				$ 1,250,797

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.

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

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

Defined Contribution Plan

NGUSA has defined contribution retirement plans that covers substantially all employees. For the years ended March 31, 2024, 2023, and 2022, the Company recognized an expense in the accompanying statements of income of $3.3 million, $3.1 million, and $2.7 million, respectively, for matching contributions.

9. CAPITALIZATION

Total capitalization for the Company at March 31, 2024 and 2023 is as follows:

	Interest Rate	Maturity Date	March 31, 2024	March 31, 2023
Total shareholders' equity			**$ 5,627,285**	$ 5,386,977
Long-term debt:	Interest Rate	Maturity Date		
Unsecured Notes:				
Senior Note	3.41%	March 10, 2026	**500,000**	500,000
Senior Note	4.63%	August 5, 2027	**400,000**	400,000
Senior Note	3.87%	March 4, 2029	**550,000**	550,000
Senior Note	4.87%	August 5, 2032	**400,000**	400,000
Senior Note	6.39%	September 15, 2033	**400,000**	-
Senior Note	4.50%	March 10, 2046	**500,000**	500,000
Senior Note	4.27%	March 15, 2048	**650,000**	650,000
Senior Note	4.49%	March 4, 2049	**450,000**	450,000
Total debt			**3,850,000**	3,450,000
Unamortized debt issuance costs			**(16,046)**	(15,561)
Long-term debt			**3,833,954**	3,434,439
Total capitalization			**$ 9,461,239**	$ 8,821,416

The aggregate maturities of long-term debt for the years subsequent to March 31, 2024 are as follows:

(in thousands of dollars) **March 31,**	**Maturities of Long-Term Debt**
2025	$ -
2026	500,000
2027	-
2028	400,000
2029	550,000
Thereafter	2,400,000
Total	$ 3,850,000

The Company’s debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity. 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, 2024, and 2023, the Company was in compliance with all such covenants.

Debt Authorizations

On June 17, 2022, the NYPSC authorized the Company to issue up to $1.8 billion of new long-term debt securities, with the authorization valid for a period beginning on the effective date of the commission's order and ending on March 31, 2025. Under this authorization, on August 5, 2022, the Company issued $400 million 10-year and $400 million 5-year unsecured long-term debt with fixed rates of 4.866% and 4.632%, respectively. On September 15, 2023, the Company issued $400 million 10-year long-term debt with a fixed rate of 6.388%.

Dividend Restrictions

Pursuant to the NYPSC's orders, the ability of the Company to pay dividends to NGUSA is conditioned upon maintenance of a utility capital structure with debt not exceeding 56% of total utility capitalization less goodwill. As of March 31, 2024, and 2023, the Company was in compliance with the utility capital structure required by the NYPSC. In accordance with the NYPSC order approving the acquisition of KeySpan Corporation, the Company is permitted to declare dividends in an amount not to exceed retained earnings accumulated since the date of acquisition plus unappropriated retained earnings, unappropriated undistributed earnings and accumulated other comprehensive income existing immediately prior to the date of acquisition.

Preferred Stock

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

10. INCOME TAXES

Components of Income Tax Expense

	Years Ended March 31,		
	2024	2023	2022
		(in thousands of dollars)	
Current tax expense (benefit):			
Federal	**$ (5,302)**	$ (203,063)	$ (14,633)
State	**(20,868)**	(67,364)	(16,116)
Total current tax benefit	**(26,170)**	(270,427)	(30,749)
Deferred tax expense (benefit):			
Federal	**33,659**	242,365	(5,956)
State	**48,941**	101,787	38,386
Total deferred tax expense	**82,600**	344,152	32,430
Total income tax expense	**$ 56,430**	$ 73,725	$ 1,681

Statutory Rate Reconciliation

The Company's effective tax rates for the years ended March 31, 2024, 2023, and 2022 are 18.1%, 19.7%, and 0.8%, respectively. The following table presents a reconciliation of income tax expense (benefit) at the federal statutory tax rate of 21.0% to the actual tax expense:

	Years Ended March 31,		
	2024	2023	2022
		(in thousands of dollars)	
Computed tax	**$ 65,415**	$ 78,704	$ 45,755
Change in computed taxes resulting from:			
State income tax, net of federal benefit	**22,177**	27,194	17,594
Amortization of regulatory tax liability, net	**(31,562)**	(32,232)	(60,220)
Audit and related reserve movements	**329**	394	(373)
Other items	**71**	(335)	(1,075)
Total changes	**(8,985)**	(4,979)	(44,074)
Total income tax expense	**$ 56,430**	$ 73,725	$ 1,681

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

Inflation Reduction Act

On August 16, 2022, President Biden signed into law the Inflation Reduction Act ("IRA"), which may impact how the U.S. taxes certain large corporations. The IRA imposes a 15% CAMT on the "adjusted financial statement income" of certain large corporations for tax years beginning after December 31, 2022. National Grid is subject to the new CAMT on its federal income tax return for the tax year ending March 31, 2024. Any CAMT amount paid will generate a CAMT credit carryforward that has no expiration period and can be claimed against regular income tax in the future.

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

Deferred Tax Components

	March 31,	
	2024	2023
	(in thousands of dollars)	
Deferred tax assets:		
Corporate alternative minimum tax credit	**$ 25,565**	$ -
Environmental remediation costs	**723,385**	514,063
Net operating losses	**32,623**	17,756
Regulatory liabilities	**243,709**	249,265
Other items	**85,063**	75,001
Total deferred tax assets	**1,110,345**	856,085
Deferred tax liabilities:		
Property-related differences	**1,573,051**	1,432,492
Regulatory assets	**954,978**	725,461
Other items	**29,392**	28,562
Total deferred tax liabilities	**2,557,421**	2,186,515
Deferred income tax liabilities, net	**$ 1,447,076**	$ 1,330,430

Net Operating Losses

The amounts and expiration dates of the Company's net operating losses carryforward as of March 31, 2024 are as follows:

	Carryforward Amount	Expiration Period
	(in thousands of dollars)	
Federal	$ 61,516	Indefinite
New York State	594,796	2035-2044

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

Status of Income Tax Examinations

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

Jurisdiction	Tax Year
Federal	March 31, 2021
New York	March 31, 2016

Uncertain Tax Positions

The Company recognizes interest related to unrecognized tax benefits in other interest, including affiliate interest and related penalties, if applicable, in other income, net, in the accompanying statements of income. As of March 31, 2024 and 2023, the Company has accrued for interest related to unrecognized tax benefits of $8.4 million and $3.3 million, respectively. During the years ended March 31, 2024, 2023 and 2022, the Company recorded interest income of $5.1 million, $0.7 million and interest expense of $1.5 million, respectively. No tax penalties were recognized during the years ended March 31, 2024, 2023 and 2022.

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

11. ENVIRONMENTAL MATTERS

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

The Company has identified numerous MGP sites and related facilities, which were owned or operated by the Company or its predecessors. These former sites, some of which are no longer owned by the Company, have been identified to the NYPSC and the New York State Department of Environmental Conservation ("DEC") for inclusion on appropriate site inventories. Administrative Orders on Consent ("AOC") or Voluntary Cleanup Agreements have been executed with the DEC to address the investigation and remediation activities associated with certain sites. Expenditures incurred for the years ended March 31, 2024, 2023, and 2022 were $85.3 million, $71.8 million, and $72.8 million, respectively.

The Company estimated the remaining costs of environmental remediation activities were $2.6 billion and $1.9 billion as of March 31, 2024 and 2023, respectively. These costs are expected to be incurred over approximately 46 years, and these undiscounted amounts have been recorded as estimated liabilities on the consolidated balance sheets. However, remediation costs for each site may be materially higher or lower than estimated, depending on changing technologies and regulatory standards, selected end use for each site, and actual environmental conditions encountered.

Through rate orders, the NYPSC has provided for the recovery of SIR costs. Accordingly, as of March 31, 2024 and 2023, the Company has recorded net environmental regulatory assets of $2.7 billion and $2.0 billion, respectively.

During the year ended March 31, 2024, the Company received new information from environmental regulators concerning the design and remediation work required at several sites. Through ongoing technical scope discussions with the regulators concerning their expectations for these sites, the Company revised the anticipated scope of remediation work to be performed. Accordingly, the Company recorded an increase to the environmental obligation for these sites of $794.0 million, reflecting estimates prepared by third-party engineers for the revised scope of remediation work to be performed. After recording an offsetting increase in regulatory assets relating to environmental remediation, there was no impact to the net assets of the Company. Discussions with regulators will continue and final selection of technologies and remedial actions required will be made based on the results of field studies. Depending on the final selection of technologies and remedial actions required, there could be a material change to the reserve, which would have a corresponding offsetting change in regulatory assets due to regulatory recovery of environmental remediation costs.

The Company has recovered amounts from certain insurers and potentially responsible parties, and, where appropriate, the Company may seek additional recovery from other insurers and from other potentially responsible parties, but it is uncertain whether, and to what extent, such efforts will be successful. The Company is pursuing environmental insurance recoveries in connection with several legal proceedings that are ongoing between the Company and insurance companies who have provided historic coverage over environmentally impacted sites. Following any favorable resolution of these claims, the Company is expected to return insurance recoveries to customers through the Company's regulatory mechanisms. However, legal proceedings in each case still have a number of stages to complete, any of which could modify the amount of any eventual claim. As such it is not currently practicable to provide a reliable estimate of the amount of likely eventual recoveries.

The Company has a grantor interest in an environmental remediation trust established to manage and administer funds contributed towards the cleanup effort for environmental remediation. The Company has a controlling financial interest in this trust and therefore consolidates the assets and liabilities of the trust, which mainly consists of cash held by the trust, which usage is restricted for the purpose of remediation efforts, and a lease asset and liability related to a property the trust leases for site staging requirements as part of the remediation efforts.

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

12. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

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

The Company's commitments under these long-term contracts for the years subsequent to March 31, 2024 are summarized in the table below:

(in thousands of dollars) **March 31,**	**Gas Purchases**	**Capital Expenditures**
2025	$ 298,865	$ 28,262
2026	272,433	23,089
2027	247,348	10,322
2028	199,987	-
2029	167,102	-
Thereafter	555,579	-
Total	$ 1,741,314	$ 61,673

Financial Guarantees

The Company is a guarantor of a lease agreement as part of its participation in a grantor trust established to manage and administer funds contributed towards cleanup efforts for environmental remediation. The trust maintains all obligations for the payment of rent, insurance and property taxes for the leased property. In the unlikely event that the trust was to default on required payments or be dissolved, the Company would become responsible for those lease obligations. Total lease obligations (undiscounted) over the remaining 13 years are approximately $73.8 million.

Legal Matters

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 and have been sentenced. NGUSA was deemed a victim of the crimes. On June 23, 2021, based on the US Attorney's announcement, the NYPSC issued an order commencing a proceeding to examine certain programs and related capital and operations and maintenance ("O&M") expenditures of NGUSA, and the New York Gas Companies. National Grid has fully cooperated with the NYPSC's inquiries regarding the alleged misconduct. The Company does not expect this matter will have a materially adverse effect on its results of operations, financial position, or cash flows.

Energy Efficiency Programs Investigation

National Grid has concluded its internal investigation but continues to participate in regulatory proceedings in Massachusetts and Rhode Island regarding certain conduct associated with energy efficiency programs at the Company's affiliates. At this time, it is not possible to predict the outcome of the investigation or determine the amount, if any, of any liabilities that may be incurred in connection with it by the Company or its affiliates. However, the Company does not expect this matter will have a material adverse effect on its results of operations, financial position or cash flows.

Other Litigation

In addition to the matters described above, 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.

13. LEASES

The Company has various operating leases, primarily related to buildings and land used to support its gas operations, with lease terms ranging between 3 and 55 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, 2024, the Company does not have any finance leases.

The Company entered into an operating lease agreement for property leased by an environmental remediation trust the Company consolidates. The agreement commenced in September 2022 with a lease term of 15 years. The annual base rent is $4 million and increases 3% annually with a discount rate of 3.5%.

Expense related to operating leases was $3.1 million and $2.6 million for the years ended March 31, 2024 and 2023, respectively.

As of March 31, 2024, 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,	
	2024	2023
(In thousands of dollars)		
Cash paid for amounts included in lease liabilities		
Operating cash flows from operating leases	**$ 3,114**	$ 2,594
ROU assets obtained in exchange for new operating lease liabilities	**$ -**	$ 56,588
Weighted-average remaining lease term – operating leases	**13 years**	14 years
Weighted-average discount rate – operating leases	**3.46%**	3.46%

The following contains the Company's maturity analysis of its operating lease liabilities as of March 31, 2024, showing the undiscounted cash flows on an annual basis reconciled to the discounted operating lease liabilities recognized in the comparative balance sheet:

	Operating Leases
Year Ending March 31,	*(in thousands of dollars)*
2025	**$ 4,666**
2026	**4,510**
2027	**4,649**
2028	**4,784**
2029	**4,923**
Thereafter	**48,071**
Total future minimum lease payments	**71,603**
Less: imputed interest	**(15,407)**
Total	**$ 56,196**
Reported as of March 31, 2024:	
Current lease liability	**$ 5,385**
Non-current lease liability	**50,811**
Total	**$ 56,196**

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

14. RELATED PARTY TRANSACTIONS

Accounts Receivable from and Accounts Payable to Affiliates

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

The Company records short-term receivables 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,	
	2024	2023	**2024**	2023
	(in thousands of dollars)			
Boston Gas Company	**$ 853**	$ 4,888	**$ 901**	$ 5,203
KeySpan Gas East Corporation	**90**	2,199	**4,059**	4,976
NGUSA	**5,432**	1,760	**54,893**	74,057
NGUSA Service Company	**16,730**	11,589	**28,068**	29,403
Other	**259**	907	**590**	1,285
Total	**$ 23,364**	$ 21,343	**$ 88,511**	$ 114,924

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, except for North East Transmission Co., Inc. ("NETCO"), a subsidiary of the Company, which participates in the Unregulated Money Pool, and can both borrow and invest funds. Borrowings from the Regulated Money Pool and investments in Unregulated Money Pool bear interest in accordance with the terms of the Regulated and Unregulated Money Pool Agreements. As the Company fully participates in the Regulated and Unregulated Money Pools 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 consolidated statements of cash flows. For the purpose of presentation in the consolidated statements of cash flows, it is assumed all amounts settled through the intercompany money pool are constructive cash receipts and payments, and therefore are presented as such.

The Regulated and Unregulated Money Pools are funded by operating funds from participants in the applicable pool. NGUSA has the ability to borrow up to $3 billion from National Grid plc for working capital needs including funding of the Money Pools, if necessary. As of March 31, 2024, the Company had short-term regulated intercompany money pool investment of $538.5 million, including NETCO unregulated short-term intercompany money pool investment of $290.8 million. As of March 31, 2023, the Company had short-term intercompany money pool borrowing of $21.0 million and NETCO unregulated short-term intercompany money pool investment of $279.2 million. The average interest rates for the intercompany money pool were 5.2%, 2.9%, and 0.4% for the years ended March 31, 2024, 2023, and 2022, respectively. Additionally, NGUSA had committed revolving credit facilities of approximately $6.7 billion, all of which have expiry dates beyond March 31, 2026, with two one-year extensions. As of March 31, 2024 these facilities have not been drawn against and can be used to fund the money pool.

Service Company Charges

The affiliated service companies of NGUSA provide certain services to the Company at cost without a 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, 2024, 2023, and 2022, costs allocated to the Company were $629.0 million, $594.1 million, and $512.8 million, respectively.