

Appendix C

NEP and National Grid USA Financial Statements



NEW ENGLAND POWER COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)
EXTRACTED FROM MARCH 2014, 2013 and 2012 AUDITED FINANCIAL STATEMENTS

	Years Ended March 31,		
	2014	2013	2012
Operating activities:			
Net income	\$ 92,773	\$ 83,954	\$ 73,539
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	41,648	41,822	39,755
Provision for deferred income taxes	20,646	32,850	51,531
Income from equity investments	(96)	(152)	(70)
Allowance for equity funds used during construction	(5,550)	(8,662)	(7,942)
Net postretirement benefit contributions	(894)	(2,596)	396
Net environmental remediation payments	34	4,900	(23)
Changes in operating assets and liabilities:			
Accounts receivable, net, and unbilled revenues	(68,876)	(7,874)	(3,033)
Accounts receivable from/payable to affiliates, net	-	23,972	(15,832)
Inventory	1,242	(58)	188
Regulatory assets and liabilities, net	82,959	(11,379)	23,388
Prepaid and accrued taxes	46,261	17,373	11,847
Accounts payable and other liabilities	(10,005)	(6,427)	(16,624)
Accrued Yankee nuclear plant costs	9,286	(5,200)	(58,567)
Other, net	(42)	575	(1,471)
Net cash provided by operating activities	<u>209,386</u>	<u>163,098</u>	<u>97,082</u>
Investing activities:			
A Capital expenditures	(154,344)	(183,899)	(173,572)
Affiliated money pool investing and receivables/payables, net	(238,718)	-	107,038
Cost of removal and other	(12,576)	(11,195)	(8,713)
Net cash used in investing activities	<u>(405,638)</u>	<u>(195,094)</u>	<u>(75,247)</u>
Financing activities:			
Dividends paid to National Grid USA	-	(95,000)	(60,000)
Dividends paid on preferred stock	(67)	(67)	(67)
Parent loss tax allocation	-	3,169	1,358
Affiliated money pool borrowing and receivables/payables, net	(180,712)	102,933	48,987
Advance from affiliate	375,000	-	-
Net cash provided by financing activities	<u>194,221</u>	<u>11,035</u>	<u>(9,722)</u>
Net increase in cash and cash equivalents	(2,031)	(20,961)	12,113
Cash and cash equivalents, beginning of period	2,746	23,707	11,594
Cash and cash equivalents, end of period	<u>\$ 715</u>	<u>\$ 2,746</u>	<u>\$ 23,707</u>
Supplemental disclosures:			
Interest paid	\$ 2,312	\$ 3,282	\$ 3,912
Income taxes (refunded) paid	(462)	7,730	(344)
State income taxes paid	327	2,145	1,372
Significant non-cash item:			
Capital-related accruals included in accounts payable	15,988	12,935	18,828

A Sum of Capital expenditures from 2012 through 2014:	\$ (511,815)
Presentation Format	\$ (512)



New England Power Company

Financial Statements

For the years ended March 31, 2013 and March 31, 2012



Independent Auditor's Report

To the Shareholders and Board of Directors of New England Power Company:

We have audited the accompanying financial statements of New England Power Company, which comprise the balance sheets as of March 31, 2013 and March 31, 2012, and the related statements of income, comprehensive income, cash flows, capitalization and changes in shareholders' equity for the years then ended.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England Power Company at March 31, 2013 and March 31, 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Company engages in significant transactions with Massachusetts Electric Company and The Narragansett Electric Company, related parties.

A handwritten signature in black ink that reads "Eric Waterhouse Coopers, LPA". The signature is written in a cursive style.

October 17, 2013

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

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

	March 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,746	\$ 23,707
Accounts receivable	49,406	41,532
Accounts receivable from affiliates	25,542	10,803
Materials and supplies	4,364	4,306
Regulatory assets	15,418	15,006
Current portion of deferred income tax assets	1,103	-
Prepaid taxes	248	9,749
Other current assets	100	470
Total current assets	98,927	105,573
Equity investments	1,870	2,088
Property, plant, and equipment, net	1,685,132	1,543,387
Deferred charges and other assets:		
Regulatory assets	156,745	155,772
Goodwill	337,614	337,614
Other deferred charges	11,368	9,667
Total deferred charges and other assets	505,727	503,053
Total assets	\$ 2,291,656	\$ 2,154,101

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

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

	March 31,	
	2013	2012
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 34,619	\$ 39,005
Accounts payable to affiliates	58,625	16,204
Taxes accrued	7,872	-
Customer deposits	729	729
Interest accrued	159	99
Regulatory liabilities	3,642	-
Intercompany money pool	147,629	48,987
Current portion of accrued Yankee nuclear plant costs	12,808	12,486
Current portion of purchased power obligations	2,521	2,521
Current portion of deferred income tax liabilities	-	1,338
Other current liabilities	7,408	6,180
Total current liabilities	276,012	127,549
Deferred credits and other liabilities:		
Regulatory liabilities	67,927	81,170
Deferred income tax liabilities	385,846	352,485
Postretirement benefits	10,056	14,273
Accrued Yankee nuclear plant costs	10,820	16,342
Purchased power obligations	614	3,015
Environmental remediation costs	8,238	3,338
Other deferred liabilities	22,797	38,797
Total deferred credits and other liabilities	506,298	509,420
Capitalization:		
Shareholders' equity	1,098,996	1,106,799
Long-term debt	410,350	410,333
Total capitalization	1,509,346	1,517,132
Total liabilities and capitalization	\$ 2,291,656	\$ 2,154,101

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

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

	Years Ended March 31,	
	2013	2012
Operating revenues	\$ 381,668	\$ 362,538
Operating expenses:		
Purchased electricity	61,968	62,130
Contract termination and nuclear shutdown charges	16,695	16,419
Operations and maintenance	99,398	92,366
Depreciation and amortization	41,822	39,755
Other taxes	30,335	28,164
Total operating expenses	250,218	238,834
Operating income	131,450	123,704
Other income and (deductions):		
Interest on long-term debt	(2,899)	(4,301)
Other interest, including affiliate interest	784	(3,990)
Other income, net	8,637	6,920
Total other income and (deductions), net	6,522	(1,371)
Income before income taxes	137,972	122,333
Income taxes:		
Current	21,168	(2,737)
Deferred	32,850	51,531
Income tax expense	54,018	48,794
Net income	\$ 83,954	\$ 73,539

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

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

	Years Ended March 31.	
	2013	2012
Operating revenue:		
Net income	\$ 83,954	\$ 73,539
Other comprehensive income (loss):		
Unrealized gains on securities, net of \$164 and \$297 tax expense	254	460
Reclassification of gains into net income, net of \$73 and \$136 tax benefit	(113)	(211)
Other comprehensive income	141	249
Comprehensive income	\$ 84,095	\$ 73,788

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

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

	Year Ended March 31,	
	2013	2012
Operating activities:		
Net income	\$ 83,954	\$ 73,539
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,822	39,755
Provision for deferred income taxes	32,850	51,531
Income from equity investments	(152)	(70)
Allowance for funds used during construction	(8,662)	(7,942)
Pension and other postretirement expense	5,023	4,023
Pension and other postretirement contributions	(7,619)	(3,627)
Amortization of debt issuance costs	930	754
Changes in operating assets and liabilities:		
Accounts receivable	(7,874)	(3,033)
Materials and supplies	(58)	188
Accounts payable and accrued expenses	8,609	(845)
Prepaid taxes and taxes accrued	17,373	11,847
Accounts receivable from/payable to affiliates, net	23,972	(15,832)
Accrued Yankee nuclear plant costs	(5,200)	(58,567)
Other liabilities	(15,036)	(15,779)
Regulatory assets and liabilities, net	(11,379)	23,388
Environmental remediation costs	4,900	(23)
Other, net	(355)	(2,225)
Net cash provided by operating activities	<u>163,098</u>	<u>97,082</u>
Investing activities:		
Capital expenditures	(183,899)	(173,572)
Changes in intercompany money pool	-	107,038
Cost of removal and other	(11,195)	(8,713)
Net cash used in investing activities	<u>(195,094)</u>	<u>(75,247)</u>
Financing activities:		
Dividends to National Grid USA	(95,000)	(60,000)
Dividends paid on preferred stock	(67)	(67)
Parent loss tax allocation	3,169	1,358
Affiliated money pool borrowing and receivables/payables, net	102,933	48,987
Net cash provided by (used in) financing activities	<u>11,035</u>	<u>(9,722)</u>
Net (decrease) increase in cash and cash equivalents	(20,961)	12,113
Cash and cash equivalents, beginning of period	23,707	11,594
Cash and cash equivalents, end of period	<u>\$ 2,746</u>	<u>\$ 23,707</u>
Supplemental disclosures:		
Interest paid	\$ 3,282	\$ 3,912
Income taxes paid to (refunded from) Parent	7,730	(344)
State income taxes paid	2,145	1,372
Significant non-cash items:		
Capital-related accruals included in accounts payable	12,935	18,828

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

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

			March 31,	
			2013	2012
Total shareholders' equity			<u>\$ 1,098,996</u>	<u>\$ 1,106,799</u>
Long-term debt:				
	<u>Interest Rate</u>	<u>Maturity Date</u>		
Pollution control revenue bonds				
Connecticut Development Authority	Variable	October 15, 2015	38,500	38,500
Massachusetts Development Finance Agency 1	Variable	March 1, 2018	79,250	79,250
Business Finance Authority of the State of New Hampshire	Variable	November 1, 2020	135,850	135,850
Business Finance Authority of the State of New Hampshire	Variable	November 1, 2020	50,600	50,600
Massachusetts Development Finance Agency 2	Variable	October 1, 2022	106,150	106,150
Unamortized discount			-	(17)
Total long-term debt			<u>410,350</u>	<u>410,333</u>
Total capitalization			<u>\$ 1,509,346</u>	<u>\$ 1,517,132</u>

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

New England Power Company

Financial Statements

For the years ended March 31, 2014 and 2013

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

	<u>Years Ended March 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating revenues	<u>\$ 383,258</u>	<u>\$ 381,668</u>
Operating expenses:		
Purchased electricity	55,442	78,663
Operations and maintenance	96,909	99,398
Depreciation and amortization	41,648	41,822
Other taxes	35,056	30,335
Total operating expenses	<u>229,055</u>	<u>250,218</u>
Operating income	154,203	131,450
Other income and (deductions):		
Interest on long-term debt	(2,593)	(2,899)
Other interest, including affiliate interest	(4,581)	784
Other income, net	6,935	8,637
Total other (deductions) income, net	<u>(239)</u>	<u>6,522</u>
Income before income taxes	153,964	137,972
Income tax expense	<u>61,191</u>	<u>54,018</u>
Net income	<u>\$ 92,773</u>	<u>\$ 83,954</u>

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

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

	Years Ended March 31,	
	2014	2013
Operating activities:		
Net income	\$ 92,773	\$ 83,954
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,648	41,822
Provision for deferred income taxes	20,646	32,850
Income from equity investments	(96)	(152)
Allowance for equity funds used during construction	(5,550)	(8,662)
Net postretirement benefit contributions	(894)	(2,596)
Net environmental remediation payments	34	4,900
Changes in operating assets and liabilities:		
Accounts receivable, net, and unbilled revenues	(68,876)	(7,874)
Accounts receivable from/payable to affiliates, net	-	23,972
Inventory	1,242	(58)
Regulatory assets and liabilities, net	82,959	(11,379)
Prepaid and accrued taxes	46,261	17,373
Accounts payable and other liabilities	(10,005)	(6,427)
Accrued Yankee nuclear plant costs	9,286	(5,200)
Other, net	(42)	575
Net cash provided by operating activities	209,386	163,098
Investing activities:		
Capital expenditures	(154,344)	(183,899)
Affiliated money pool investing and receivables/payables, net	(238,718)	-
Cost of removal and other	(12,576)	(11,195)
Net cash used in investing activities	(405,638)	(195,094)
Financing activities:		
Dividends paid to National Grid USA	-	(95,000)
Dividends paid on preferred stock	(67)	(67)
Parent loss tax allocation	-	3,169
Affiliated money pool borrowing and receivables/payables, net	(180,712)	102,933
Advance from affiliate	375,000	-
Net cash provided by financing activities	194,221	11,035
Net increase in cash and cash equivalents	(2,031)	(20,961)
Cash and cash equivalents, beginning of period	2,746	23,707
Cash and cash equivalents, end of period	\$ 715	\$ 2,746
Supplemental disclosures:		
Interest paid	\$ 2,312	\$ 3,282
Income taxes (refunded) paid	(462)	7,730
State income taxes paid	327	2,145
Significant non-cash item:		
Capital-related accruals included in accounts payable	15,988	12,935

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

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

	March 31,	
	2014	2013
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 33,302	\$ 34,619
Accounts payable to affiliates	37,085	58,625
Advance from affiliate	375,000	-
Taxes accrued	57,199	7,872
Regulatory liabilities	57,851	-
Intercompany money pool	-	147,629
Other	16,590	23,625
Total current liabilities	577,027	272,370
Other non-current liabilities:		
Regulatory liabilities	57,362	71,569
Accrued Yankee nuclear plant costs	31,323	10,820
Purchased power obligations	-	614
Deferred income tax liabilities	433,764	385,846
Postretirement benefits	-	10,056
Environmental remediation costs	8,377	8,238
Other	10,434	22,797
Total other non-current liabilities	541,260	509,940
Commitments and contingencies (Note 12)		
Capitalization:		
Shareholders' equity	1,191,817	1,098,996
Long-term debt	410,350	410,350
Total capitalization	1,602,167	1,509,346
Total liabilities and capitalization	\$ 2,720,454	\$ 2,291,656

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

NEW ENGLAND POWER COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars, except per share and number of shares data)

	Common Stock, \$	Cumulative Preferred Stock, \$	Additional Paid-in Capital \$	Accumulated Other Comprehensive Income (Loss)			Total
				Unrealized Gain (Loss) on Available for Sale Securities \$	Total Accumulated Other Comprehensive Income (Loss) \$	Retained Earnings \$	
Balance as of March 31, 2012	\$ 72,398	\$ 1,112	\$ 734,903	\$ 582	\$ 582	\$ 297,804	\$ 1,106,799
Net income	-	-	-	-	-	83,954	83,954
Other comprehensive income (loss):							
Unrealized gains on securities, net of \$164 tax expense	-	-	-	254	254	-	254
Reclassification of gains into net income, income, net of \$73 tax expense	-	-	-	(113)	(113)	-	(113)
Total comprehensive income	-	-	-	-	-	-	84,095
Parent loss tax allocation	-	-	3,169	-	-	-	3,169
Dividends on common stock	-	-	-	-	-	(95,000)	(95,000)
Dividends on preferred stock	-	-	-	-	-	(67)	(67)
Balance as of March 31, 2013	72,398	1,112	738,072	723	723	286,691	1,098,996
Net income	-	-	-	-	-	92,773	92,773
Other comprehensive income (loss):							
Unrealized gains on securities, net of \$351 tax expense	-	-	-	526	526	-	526
Reclassification of gains into net income, net of \$274 tax expense	-	-	-	(411)	(411)	-	(411)
Total comprehensive income	-	-	-	-	-	-	92,888
Dividends on preferred stock	-	-	-	-	-	(67)	(67)
Balance as of March 31, 2014	\$ 72,398	\$ 1,112	\$ 738,072	\$ 838	\$ 838	\$ 379,397	\$ 1,191,817

The Company had 3,619,896 shares of common stock authorized, issued and outstanding, with a par value of \$20 per share and 11,117 shares of preferred stock authorized, issued and outstanding, with a par value of \$100 per share at March 31, 2014 and 2013.

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of dollars)

EXTRACTED FROM MARCH 2014, 2013 and 2012 AUDITED FINANCIAL STATEMENTS

	Years Ended March 31,		
	2014	2013	2012
Operating activities:			
Net income	\$ 619	\$ 402	\$ 549
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	896	854	801
Regulatory amortizations	50	265	503
Provision for deferred income taxes	255	427	397
Bad debt expense	136	59	123
Equity income in unconsolidated subsidiaries, net of dividends received	(10)	(13)	15
Allowance for equity funds used during construction	(27)	(21)	
Amortization of debt discount and issuance costs	10	12	
Net pension and other postretirement expense (contributions)	113	(48)	485
Net environmental remediation payments	(136)	(125)	(89)
Changes in operating assets and liabilities:			
Accounts receivable and other receivable, net, and unbilled revenues	(718)	(821)	434
Accounts receivable from/payable to affiliates, net	(49)	245	(112)
Inventory	45	101	(99)
Regulatory assets and liabilities, net	45	118	(683)
Derivative contracts	22	(98)	149
Prepaid and accrued taxes	(33)	(166)	91
Accounts payable and other liabilities	-	(16)	(569)
Other, net	7	93	4
Net cash provided by operating activities	<u>1,225</u>	<u>1,268</u>	<u>1,999</u>
Investing activities:			
Capital expenditures	(1,960)	(1,806)	(1,783)
Net proceeds from disposal of subsidiary assets	-	294	183
Changes in restricted cash and special deposits	53	(41)	(19)
Cost of removal and other	(206)	(201)	(137)
Net cash used in investing activities	<u>(2,113)</u>	<u>(1,754)</u>	<u>(1,756)</u>
Financing activities:			
Dividends paid on common and preferred stock	(597)	(578)	(283)
Payments on long-term debt	(304)	(95)	(517)
Proceeds from long-term debt	-	1,047	1,213
Commercial paper (paid) issued	(204)	625	(735)
Advances from affiliates	2,171	(500)	(577)
Equity infusion from Parent	1,000	-	
Other	34	62	(1)
Net cash provided by financing activities	<u>2,100</u>	<u>561</u>	<u>(900)</u>
Net increase in cash and cash equivalents	1,212	75	(657)
Net cashflow from discontinued operations - operating	(352)	(168)	(47)
Net cashflow from discontinued operations - investing	28	(18)	7
Cash and cash equivalents, beginning of year	683	794	1,491
Cash and cash equivalents, end of year	<u>\$ 1,571</u>	<u>\$ 683</u>	<u>\$ 794</u>
Supplemental disclosures:			
Interest paid	\$ (457)	\$ (365)	\$ (280)
Income taxes paid	(108)	(94)	175
Significant non-cash items:			
Capital-related accruals included in accounts payable	161	84	100
Long Island Power Authority settlement	371	-	-

A Sum of Capital expenditures from 2012 through 2014:	(5,549)
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National Grid USA and Subsidiaries

Consolidated Financial Statements

For the years ended March 31, 2013 and March 31, 2012



Independent Auditor's Report

To the Shareholder and Board of Directors of National Grid USA and Subsidiaries:

We have audited the accompanying consolidated financial statements of National Grid USA and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2013 and March 31, 2012, and the related consolidated statements of income, comprehensive income, cash flows, capitalization and shareholders' equity for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Grid USA and Subsidiaries at March 31, 2013 and March 31, 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a light blue horizontal line.

October 23, 2013

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us

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

	March 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 684	\$ 794
Restricted cash	149	108
Accounts receivable	2,303	1,731
Allowance for doubtful accounts	(310)	(367)
Other receivable	67	-
Accounts receivable from affiliates	13	135
Unbilled revenues	942	554
Materials, supplies, and gas in storage	348	459
Derivative contracts	61	52
Regulatory assets	537	703
Current portion of deferred income tax assets	125	208
Prepaid taxes	205	4
Prepaid and other current assets	241	330
Current assets held for sale	-	72
Total current assets	5,365	4,783
Equity investments	184	171
Property, plant, and equipment, net	22,522	21,321
Property, plant, and equipment, net, held for sale	-	350
Total	22,522	21,671
Deferred charges and other assets:		
Regulatory assets	4,507	4,454
Goodwill	7,151	7,133
Derivative contracts	14	42
Financial investments	427	405
Other deferred charges	143	159
Postretirement benefits asset	297	248
Deferred assets held for sale	-	105
Total deferred charges and other assets	12,539	12,546
Total assets	\$ 40,610	\$ 39,171

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

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

	March 31,	
	2013	2012
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 1,519	\$ 1,187
Accounts payable to affiliates	123	-
Commercial paper	625	-
Other tax liabilities	34	34
Current portion of long-term debt	263	195
Taxes accrued	112	114
Customer deposits	108	123
Interest accrued	160	183
Regulatory liabilities	459	398
Derivative contracts	11	135
Payroll and benefits accruals	272	274
Other current liabilities	188	190
Current liabilities held for sale	-	34
Total current liabilities	3,874	2,867
Deferred credits and other liabilities:		
Regulatory liabilities	2,592	2,526
Asset retirement obligations	105	119
Deferred income tax liabilities	4,257	3,779
Postretirement benefits	3,643	3,675
Environmental remediation costs	1,370	1,386
Derivative contracts	64	57
Other deferred liabilities	948	1,165
Deferred liabilities held for sale	-	200
Total deferred credits and other liabilities	12,979	12,907
Capitalization:		
Shareholders' equity	14,787	14,814
Long-term debt	8,970	8,583
Total capitalization	23,757	23,397
Total liabilities and capitalization	\$ 40,610	\$ 39,171

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

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

	Years Ended March 31,	
	2013	2012
Operating revenues:		
Electric services	\$ 7,776	\$ 7,334
Gas distribution	4,797	4,925
Other	28	30
Total operating revenues	<u>12,601</u>	<u>12,289</u>
Operating expenses:		
Purchased electricity	2,049	2,139
Purchased gas	2,013	2,213
Contract termination charges and nuclear shutdown charges	10	16
Operations and maintenance	5,249	4,319
Depreciation and amortization	859	801
Impairment of intangible assets and property, plant and equipment	-	102
Decommissioning charges	2	45
Amortization of regulatory assets	269	503
Other taxes	1,052	1,001
Total operating expenses	<u>11,503</u>	<u>11,139</u>
Operating income	1,098	1,150
Other income and (deductions):		
Interest on long-term debt	(389)	(332)
Other interest expense	(27)	(122)
Equity income in unconsolidated subsidiaries	36	27
Gain on sale of investments	-	9
Other (deductions) income, net	(14)	45
Total deductions	<u>(394)</u>	<u>(373)</u>
Income before income taxes	704	777
Income taxes:		
Current	(187)	(64)
Deferred	474	397
Income tax expense	<u>287</u>	<u>333</u>
Income from continuing operations	417	444
Net (loss) income from discontinued operations, net of taxes	(7)	105
Net income	<u>410</u>	<u>549</u>
Net loss (income) attributable to non-controlling interest	1	(2)
Dividends paid on preferred stock	(578)	(283)
Net (loss) income attributable to common shares	<u><u>\$ (167)</u></u>	<u><u>\$ 264</u></u>

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

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

	Years Ended March 31,	
	2013	2012
Net income	\$ 410	\$ 549
Other comprehensive income (loss):		
Unrealized gains on securities, net of \$0 and \$1 tax expense	1	6
Unrealized (losses) gains on hedges, net of \$1 tax benefit and \$3 tax expense	(2)	7
Changes in pension and other postretirement obligations, net of \$73 and \$124 tax benefit	(118)	(186)
Adjustment for establishment of Narragansett pension tracker, net of \$54 tax expense	91	-
Reclassification of gains (losses) into net income, net of \$61 tax expense and \$23 tax benefit	87	(34)
Other comprehensive income (loss)	<u>59</u>	<u>(207)</u>
Comprehensive income	<u>469</u>	<u>342</u>
Less: comprehensive loss (income) attributable to non-controlling interest	<u>1</u>	<u>(2)</u>
Comprehensive income attributable to National Grid USA	<u>\$ 470</u>	<u>\$ 340</u>

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

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

	Years Ended March 31,	
	2013	2012
Operating activities:		
Net income	\$ 410	\$ 549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	859	801
Amortization of regulatory assets	269	503
Provision for deferred income taxes	474	397
Bad debt expense	74	123
Equity (income) loss in unconsolidated subsidiaries, net of dividends received	(4)	15
Gain on sale of investments	-	(108)
Decommissioning charges	-	45
Impairment of intangible assets and property, plant and equipment	-	102
Regulatory deferrals	32	36
Net prepayments and other amortizations	12	5
Pension and other postretirement contributions	(761)	(662)
Pension and other postretirement expense	713	1,147
Net environmental payments	(125)	(89)
Changes in operating assets and liabilities:		
Accounts receivable and other receivable, net, and unbilled revenue	(1,146)	434
Materials, supplies, and gas in storage	111	(99)
Accounts payable and accrued expenses	311	(195)
Prepaid and accrued taxes	(197)	91
Accounts receivable from/accounts payable to affiliates, net	245	(112)
Other liabilities	(219)	(374)
Regulatory assets and liabilities, net	71	(683)
Derivatives, net	(98)	149
Other, net	69	(76)
Net cash provided by continuing operating activities	1,100	1,999
Investing activities:		
Capital expenditures	(1,800)	(1,783)
Net proceeds from disposal of discontinued operations and subsidiary assets	294	183
Equity investments in unconsolidated subsidiaries	(9)	(6)
Restricted cash	(41)	(19)
Cost of removal and other	(214)	(131)
Net cash used in continuing investing activities	(1,770)	(1,756)
Financing activities:		
Preferred stock dividends paid to parent	(578)	(283)
Payments of long-term debt	(95)	(517)
Proceeds from long-term debt	1,047	1,213
Commercial paper issued (paid)	625	(735)
Changes in loans from affiliates	(500)	(577)
Other	62	(1)
Net cash provided by (used in) continuing financing activities	561	(900)
Net decrease in cash and cash equivalents from continuing operations	(109)	(657)
Net cashflow from discontinued operations - operating	4	(47)
Net cashflow from discontinued operations - investing	(5)	7
Cash and cash equivalents, beginning of year	794	1,491
Cash and cash equivalents, end of year	\$ 684	\$ 794
Supplemental disclosures:		
Interest paid	\$ (365)	\$ (280)
Income taxes paid	(94)	(175)
Supplemental non-cash item:		
Capital-related accruals included in accounts payable	84	100

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

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

			March 31,	
			2013	2012
Shareholders' equity attributable to common and preferred shares			\$ 14,761	\$ 14,805
Non-controlling interest in subsidiaries			26	9
Long-term debt:				
	Interest Rate	Maturity Date		
European Medium Term Note	Variable	December 2013 - January 2016	876	845
Notes Payable	3.30% - 9.75%	April 2013 - December 2042	6,113	5,179
Gas Facilities Revenue Bonds	Variable	December 2020 - July 2026	230	230
Gas Facilities Revenue Bonds	4.7% - 6.95%	April 2020 - July 2026	411	411
Pollution Control Revenue Bonds	5.15%	March 2016	108	108
Electric Facility Revenue Bonds	5.30%	November 2023 - August 2025	47	47
First Mortgage Bonds	6.34% - 9.63%	April 2018 - April 2028	128	129
State Authority Financing Bonds	Variable	October 2013 - August 2042	1,199	1,200
Industrial Development Revenue Bonds	5.25%	June 2027	128	128
Intercompany Notes	Variable	November 2012 - November 2015	-	500
Total debt			9,240	8,777
Other			(7)	1
Current maturities			(263)	(195)
Total long-term debt			8,970	8,583
Total capitalization			\$ 23,757	\$ 23,397

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions of dollars, except per share and number of shares data)

	Common Stock, Par Value \$0.10 per share		Preferred Stock, Par Value \$0.10 per share		Cumulative Preferred Stock, Par Value \$100 and \$50 per share		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income			Non-controlling interest	Total	
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount			Unrealized Gain (Loss) on Available for Sale Securities	Pension and Postretirement Benefit Plans	Hedging Activity			Total Accumulated Other Comprehensive Income
Balance as of March 31, 2011	1,289	\$ -	267	\$ -	372,638	\$ 35	\$ 13,043	\$ 2,383	\$ (9)	\$ (702)	\$ (5)	\$ (716)	\$ 10	\$ 14,755
Net income	-	-	-	-	-	-	-	549	-	-	-	-	-	549
Comprehensive income (loss):														
Unrealized gains on securities, net of \$1 tax expense	-	-	-	-	-	-	-	-	6	-	-	6	-	6
Unrealized gains on hedges, net of \$3 tax expense	-	-	-	-	-	-	-	-	-	7	-	7	-	7
Changes in pension and other postretirement obligations, net of \$124 tax benefit	-	-	-	-	-	-	-	-	-	(186)	-	(186)	-	(186)
Reclassification adjustment for gains included in net income, net of \$23 tax benefit	-	-	-	-	-	-	-	-	-	(34)	-	(34)	-	(34)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	342
Net earnings attributable to non-controlling interest	-	-	-	-	-	-	-	(2)	-	-	-	-	(1)	(3)
Parent loss tax allocation	-	-	-	-	-	-	3	-	-	-	-	-	-	3
Issuance of Golden Shares (par value \$1 per share)	-	-	-	-	3	-	-	-	-	-	-	-	-	-
Conversion of common stock to preferred stock	(648)	-	648	-	-	-	-	-	-	-	-	-	-	-
Dividend on preferred stock	-	-	-	-	-	-	-	(283)	-	-	-	-	-	(283)
Balance as of March 31, 2012	641	\$ -	915	\$ -	372,641	\$ 35	\$ 13,046	\$ 2,647	\$ (3)	\$ (922)	\$ 2	\$ (923)	\$ 9	\$ 14,814
Net income	-	-	-	-	-	-	-	411	-	-	-	-	(1)	410
Comprehensive income (loss):														
Unrealized gains on securities, net of \$0 tax expense	-	-	-	-	-	-	-	-	1	-	-	1	-	1
Unrealized losses on hedges, net of \$1 tax benefit	-	-	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Changes in pension and other postretirement obligations, net of \$73 tax benefit	-	-	-	-	-	-	-	-	-	(118)	-	(118)	-	(118)
Adjustment for establishment of Narragansett pension tracker, net of \$54 tax expense	-	-	-	-	-	-	-	-	-	91	-	91	-	91
Reclassification adjustment for gains included in net income, net of \$61 tax expense	-	-	-	-	-	-	-	-	-	87	-	87	-	87
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	469
Consolidation of variable interest entity	-	-	-	-	-	-	-	-	-	-	-	-	22	22
Other equity transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Share based compensation	-	-	-	-	-	-	64	-	-	-	-	-	-	64
Dividend on preferred stock	-	-	-	-	-	-	-	(578)	-	-	-	-	-	(578)
Balance at March 31, 2013	641	\$ -	915	\$ -	372,641	\$ 35	\$ 13,110	\$ 2,480	\$ (2)	\$ (862)	\$ -	\$ (864)	\$ 26	\$ 14,787

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



National Grid USA and Subsidiaries

Consolidated Financial Statements

For the years ended March 31, 2014 and 2013



Independent Auditor's Report

To the Shareholders and Board of Directors
of National Grid USA

We have audited the accompanying consolidated financial statements of National Grid USA (the "Company"), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, cash flows, capitalization, and changes in shareholders' equity for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Grid USA at March 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

October 24, 2014

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

	Years Ended March 31,	
	2014	2013
Operating revenues:		
Electric services	\$ 7,177	\$ 6,525
Gas distribution	5,355	4,784
Other	24	28
Total operating revenues	12,556	11,337
Operating expenses:		
Purchased electricity	2,503	2,059
Purchased gas	2,360	2,013
Operations and maintenance	4,541	4,280
Depreciation and amortization	896	854
Other taxes	1,063	1,055
Total operating expenses	11,363	10,261
Operating income	1,193	1,076
Other income and (deductions):		
Interest on long-term debt	(400)	(389)
Other interest, including affiliate interest	(47)	(25)
Equity income in unconsolidated subsidiaries	35	36
Other deductions, net	(18)	(10)
Total other deductions, net	(430)	(388)
Income before income taxes	763	688
Income tax expense	277	272
Income from continuing operations	486	416
Net income (loss) from discontinued operations, net of taxes	133	(14)
Net income	619	402
Net loss attributable to non-controlling interest	20	1
Dividends paid on preferred stock	(597)	(578)
Net income (loss) attributable to common shares	\$ 42	\$ (175)

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

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

	Years Ended March 31,	
	2014	2013
Net income	\$ 619	\$ 402
Other comprehensive income (loss):		
Unrealized gains on securities, net of \$3 and \$0 tax expense	4	1
Unrealized losses on hedges, net of \$1 and \$1 tax benefit	(2)	(2)
Change in pension and other postretirement obligations, net of \$103 tax expense and \$73 tax benefit	145	(117)
Adjustment for establishment of Narragansett pension tracker, net of \$0 \$54 tax expense	-	91
Reclassification of gains into net income, net of \$45 and \$61 tax expense	67	87
Other comprehensive income	214	60
Comprehensive income	833	462
Less: comprehensive loss attributable to non-controlling interest	20	1
Comprehensive income attributable to National Grid USA	\$ 853	\$ 463

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

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

	Years Ended March 31,	
	2014	2013
Operating activities:		
Net income	\$ 619	\$ 402
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	896	854
Regulatory amortizations	50	265
Provision for deferred income taxes	255	427
Bad debt expense	136	59
Equity income in unconsolidated subsidiaries, net of dividends received	(10)	(13)
Allowance for equity funds used during construction	(27)	(21)
Amortization of debt discount and issuance costs	10	12
Net pension and other postretirement expense (contributions)	113	(48)
Net environmental remediation payments	(136)	(125)
Changes in operating assets and liabilities:		
Accounts receivable and other receivable, net, and unbilled revenues	(718)	(821)
Accounts receivable from/payable to affiliates, net	(49)	245
Inventory	45	101
Regulatory assets and liabilities, net	45	118
Derivative contracts	22	(98)
Prepaid and accrued taxes	(33)	(166)
Accounts payable and other liabilities	-	(16)
Other, net	7	93
Net cash provided by operating activities	1,225	1,268
Investing activities:		
Capital expenditures	(1,960)	(1,806)
Net proceeds from disposal of subsidiary assets	-	294
Changes in restricted cash and special deposits	53	(41)
Cost of removal and other	(206)	(201)
Net cash used in investing activities	(2,113)	(1,754)
Financing activities:		
Dividends paid on common and preferred stock	(597)	(578)
Payments on long-term debt	(304)	(95)
Proceeds from long-term debt	-	1,047
Commercial paper (paid) issued	(204)	625
Advances from affiliates	2,171	(500)
Equity infusion from Parent	1,000	-
Other	34	62
Net cash provided by financing activities	2,100	561
Net increase in cash and cash equivalents	1,212	75
Net cashflow from discontinued operations - operating	(352)	(168)
Net cashflow from discontinued operations - investing	28	(18)
Cash and cash equivalents, beginning of year	683	794
Cash and cash equivalents, end of year	\$ 1,571	\$ 683
Supplemental disclosures:		
Interest paid	\$ (457)	\$ (365)
Income taxes paid	(108)	(94)
Significant non-cash items:		
Capital-related accruals included in accounts payable	161	84
Long Island Power Authority settlement	371	-

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

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

	March 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,571	\$ 683
Restricted cash and special deposits	168	221
Accounts receivable	2,761	2,206
Allowance for doubtful accounts	(300)	(296)
Other receivable	58	67
Accounts receivable from affiliates	2	13
Unbilled revenues	620	592
Inventory	344	355
Regulatory assets	571	313
Derivative contracts	70	61
Current portion of deferred income tax assets	171	193
Prepaid taxes	145	177
Prepaid and other current assets	125	142
Current assets related to discontinued operations	153	423
Total current assets	6,459	5,150
Equity investments	194	184
Property, plant, and equipment, net		
Property, plant, and equipment, net	23,875	22,499
Property, plant, and equipment, net related to discontinued operations	-	28
Total property, plant, and equipment, net	23,875	22,527
Other non-current assets:		
Regulatory assets	4,322	4,590
Goodwill	7,151	7,151
Derivative contracts	26	14
Postretirement benefits asset	305	297
Financial investments	476	427
Other	141	124
Other non-current assets related to discontinued operations	29	28
Total other non-current assets	12,450	12,631
Total assets	\$ 42,978	\$ 40,492

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

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

	March 31,	
	2014	2013
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 1,339	\$ 1,372
Accounts payable to affiliates	63	123
Advances from affiliates	2,171	-
Other tax liabilities	35	34
Commercial paper	421	625
Current portion of long-term debt	633	263
Taxes accrued	21	102
Customer deposits	98	104
Interest accrued	134	160
Regulatory liabilities	524	412
Derivative contracts	43	11
Payroll and benefits accruals	228	272
Other	279	171
Current liabilities related to discontinued operations	37	173
Total current liabilities	6,026	3,822
Other non-current liabilities:		
Regulatory liabilities	2,688	2,605
Asset retirement obligations	87	105
Deferred income tax liabilities	4,850	4,238
Postretirement benefits	2,872	3,639
Environmental remediation costs	1,341	1,370
Derivative contracts	14	64
Other	892	948
Other non-current liabilities related to discontinued operations	-	155
Total other non-current liabilities	12,744	13,124
Commitments and contingencies (Note 13)		
Capitalization:		
Shareholders' equity	16,000	14,731
Long-term debt	8,208	8,815
Total capitalization	24,208	23,546
Total liabilities and capitalization	\$ 42,978	\$ 40,492

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

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

			<u>March 31,</u>	
			<u>2014</u>	<u>2013</u>
Shareholders' equity attributable to common and preferred shares			<u>\$ 15,988</u>	<u>\$ 14,705</u>
Non-controlling interest in subsidiaries			12	26
Long-term debt:	<u>Interest Rate</u>	<u>Maturity Date</u>		
European Medium Term Note	Variable	June 2014 - January 2016	842	876
Notes Payable	3.30% - 9.75%	October 2014 - December 2042	5,948	6,113
Gas Facilities Revenue Bonds	Variable	December 2020 - July 2026	230	230
Gas Facilities Revenue Bonds	4.7% - 6.95%	April 2020 - July 2026	411	411
First Mortgage Bonds	6.34% - 9.63%	April 2018 - April 2028	127	128
State Authority Financing Bonds	Variable	October 2015 - August 2042	1,153	1,199
Industrial Development Revenue Bonds	5.25%	June 2027	128	128
Total debt			<u>8,839</u>	<u>9,085</u>
Unamortized debt premium (discount)			2	(7)
Current portion of long-term debt			<u>(633)</u>	<u>(263)</u>
Long-term debt			<u>8,208</u>	<u>8,815</u>
Total capitalization			<u><u>\$ 24,208</u></u>	<u><u>\$ 23,546</u></u>

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

NATIONAL GRID USA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions of dollars, except per share and number of shares data)

	Common Stock	Preferred Stock	Cumulative Preferred Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)				Retained Earnings	Non-controlling Interest	Total
					Unrealized Gain (Loss) on Available for Sale Securities	Pension and Postretirement Benefits	Hedging Activity	Total Accumulated Other Comprehensive Income (Loss)			
Balance as of March 31, 2012	\$ -	\$ -	\$ 35	\$ 13,046	\$ (3)	\$ (925)	\$ 2	\$ (926)	\$ 2,601	\$ 9	\$ 14,765
Net income	-	-	-	-	-	-	-	-	403	(1)	402
Other comprehensive income (loss):											
Unrealized gains on securities, net of \$0 tax expense	-	-	-	-	1	-	-	1	-	-	1
Unrealized losses on hedges, net of \$1 tax benefit	-	-	-	-	-	-	(2)	(2)	-	-	(2)
Change in pension and other postretirement obligations, net of \$73 tax benefit	-	-	-	-	-	(117)	-	(117)	-	-	(117)
Adjustment for establishment of Narragansett pension tracker, net of \$54 tax expense	-	-	-	-	-	91	-	91	-	-	91
Reclassification of gains into net income, net of \$61 tax expense	-	-	-	-	-	87	-	87	-	-	87
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	462
Consolidation of variable interest entity	-	-	-	-	-	-	-	-	-	22	22
Other equity transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	(4)	(4)
Share based compensation	-	-	-	64	-	-	-	-	-	-	64
Dividends on preferred stock	-	-	-	-	-	-	-	-	(578)	-	(578)
Balance as of March 31, 2013	\$ -	\$ -	\$ 35	\$ 13,110	\$ (2)	\$ (864)	\$ -	\$ (866)	\$ 2,426	\$ 26	\$ 14,731
Net income	-	-	-	-	-	-	-	-	639	(20)	619
Other comprehensive income (loss):											
Unrealized gains on securities, net of \$3 tax expense	-	-	-	-	4	-	-	4	-	-	4
Unrealized losses on hedges, net of \$1 tax benefit	-	-	-	-	-	-	(2)	(2)	-	-	(2)
Change in pension and other postretirement obligations, net of \$103 tax expense	-	-	-	-	-	145	-	145	-	-	145
Reclassification of gains into net income, net of \$45 tax expense	-	-	-	-	-	67	-	67	-	-	67
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	833
Other equity transactions with non-controlling interest	-	-	-	(7)	-	-	-	-	-	6	(1)
Equity infusion from Parent	-	-	-	1,000	-	-	-	-	-	-	1,000
Parent tax allocation	-	-	-	1	-	-	-	-	-	-	1
Share based compensation	-	-	-	33	-	-	-	-	-	-	33
Dividends on preferred stock	-	-	-	-	-	-	-	-	(597)	-	(597)
Balance as of March 31, 2014	\$ -	\$ -	\$ 35	\$ 14,137	\$ 2	\$ (652)	\$ (2)	\$ (652)	\$ 2,468	\$ 12	\$ 16,000

The Company had 641 shares of common stock authorized, issued and outstanding, with a par value of \$0.10 per share, 915 shares of preferred stock authorized, issued and outstanding, with a par value of \$0.10 per share and 372,641 shares of cumulative preferred stock authorized, issued and outstanding, with par values of \$100 and \$50 per share at March 31, 2014 and 2013.

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