Eversource Gas Company of Massachusetts

Financial Statements as of and for the
Years Ended December 31, 2023 and 2022,
Together With Independent Auditor's Report

Eversource Gas Company of Massachusetts

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

Eversource Gas Company of Massachusetts
The Board of Directors of Eversource Gas Company of Massachusetts
Berlin, CT

Opinion

We have audited the financial statements of Eversource Gas Company of Massachusetts (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, common stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

March 27, 2024

EVERSOURCE GAS COMPANY OF MASSACHUSETTS
BALANCE SHEETS

(Thousands of Dollars)	As of December 31, 2023	2022
ASSETS		
Current Assets:		
Cash	$ 1,872	$ —
Receivables, Net (net of allowance for uncollectible accounts of $43,213 and $42,624 as of December 31, 2023 and 2022, respectively)	63,421	84,162
Accounts Receivable from Affiliated Companies	9,416	12,092
Unbilled Revenues	18,571	20,889
Natural Gas, Materials and Supplies Inventory	29,529	31,382
Taxes Receivable	21,051	—
Regulatory Assets	160,063	173,716
Restricted Cash	20,000	20,000
Prepayments	1,462	2,001
Total Current Assets	325,385	344,242
Property, Plant and Equipment, Net	1,825,764	1,611,750
Deferred Debits and Other Assets:		
Regulatory Assets	69,492	60,600
Goodwill	51,932	51,932
Prepaid Pension	37,291	39,672
Restricted Cash	14,115	16,362
Other Long-Term Assets	43,508	53,242
Total Deferred Debits and Other Assets	216,338	221,808
Total Assets	$ 2,367,487	$ 2,177,800
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Eversource Parent	$ 47,700	$ 109,200
Accounts Payable	75,508	101,942
Accounts Payable to Affiliated Companies	37,381	36,271
Regulatory Liabilities	34,169	17,640
Energy Relief Fund Obligations	20,000	20,000
Other Current Liabilities	24,977	32,012
Total Current Liabilities	239,735	317,065
Deferred Credits and Other Liabilities:		
Regulatory Liabilities	126,923	129,110
Accumulated Deferred Income Taxes	129,490	96,924
Finance Lease Obligations	42,629	45,371
Other Long-Term Liabilities	67,728	83,679
Total Deferred Credits and Other Liabilities	366,770	355,084
Long-Term Debt	705,923	648,108
Common Stockholder's Equity:		
Common Stock	—	—
Capital Surplus, Paid In	922,382	762,382
Retained Earnings	132,677	95,161
Common Stockholder's Equity	1,055,059	857,543
Total Liabilities and Capitalization	$ 2,367,487	$ 2,177,800

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

EVERSOURCE GAS COMPANY OF MASSACHUSETTS
STATEMENTS OF INCOME

(Thousands of Dollars)	For the Years Ended December 31, 2023	2022
Operating Revenues	$ 749,547	$ 780,063
Operating Expenses:		
Cost of Natural Gas	298,866	351,164
Operations and Maintenance	148,195	151,179
Depreciation	76,014	55,905
Amortization of Regulatory Assets, Net	11,842	959
Energy Efficiency Programs	91,189	82,478
Taxes Other Than Income Taxes	37,590	39,861
Total Operating Expenses	663,696	681,546
Operating Income	85,851	98,517
Interest Expense	21,440	19,152
Other Income, Net	16,696	16,518
Income Before Income Tax Expense	81,107	95,883
Income Tax Expense	22,391	26,073
Net Income	$ 58,716	$ 69,810

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

EVERSOURCE GAS COMPANY OF MASSACHUSETTS
STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(Thousands of Dollars, Except Stock Information)	Common Stock Stock	Common Stock Amount	Capital Surplus, Paid In	Retained Earnings	Total Common Stockholder's Equity
Balance as of January 1, 2022	100	$ —	$ 667,382	$ 51,351	$ 718,733
Net Income				69,810	69,810
Dividends on Common Stock				(26,000)	(26,000)
Capital Contributions from Parent			95,000		95,000
Balance as of December 31, 2022	100	—	762,382	95,161	857,543
Net Income				58,716	58,716
Dividends on Common Stock				(21,200)	(21,200)
Capital Contributions from Parent			160,000		160,000
Balance as of December 31, 2023	100	$ —	$ 922,382	$ 132,677	$ 1,055,059

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

EVERSOURCE GAS COMPANY OF MASSACHUSETTS
STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	For the Years Ended December 31, 2023	2022
Operating Activities:		
Net Income	$ 58,716	$ 69,810
Adjustments to Reconcile Net Income to Net Cash Flows Provided by Operating Activities:		
Depreciation	76,014	55,905
Deferred Income Taxes	34,297	49,317
Pension and PBOP Income, Net	(2,340)	(3,634)
PBOP Plan Assets Acquired from NSTAR Gas	(5,000)	—
Amortization of Regulatory Assets, Net	11,842	959
Regulatory Over/(Under) Recoveries, Net	25,237	(8,459)
Uncollectible Expense	21,639	5,840
Cost of Removal Expenditures	(29,034)	(38,937)
Other	(605)	1,568
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	11,426	(32,720)
Taxes Receivable/Accrued, Net	(30,276)	21,510
Accounts Payable	(35,595)	1,108
Other Current Assets and Liabilities, Net	4,225	(12,582)
Net Cash Flows Provided by Operating Activities	140,546	109,685
Investing Activities:		
Investments in Property, Plant and Equipment	(273,221)	(253,396)
Net Cash Flows Used In Investing Activities	(273,221)	(253,396)
Financing Activities:		
Cash Dividends on Common Stock	(21,200)	(26,000)
Capital Contributions from Parent	160,000	95,000
Issuance of Long-Term Debt	58,000	100,000
Decrease in Notes Payable to Eversource Parent	(61,500)	(27,200)
Other Financing Activities	(3,000)	(3,277)
Net Cash Flows Provided by Financing Activities	132,300	138,523
Net Decrease in Cash and Restricted Cash	(375)	(5,188)
Cash and Restricted Cash - Beginning of Period	36,362	41,550
Cash and Restricted Cash - End of Period	$ 35,987	$ 36,362

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

EVERSOURCE GAS COMPANY OF MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. About Eversource Gas Company of Massachusetts

Eversource Gas Company of Massachusetts (EGMA or the Company) is a regulated public utility company engaged in the distribution and sale of natural gas to customers throughout Massachusetts. EGMA distributes natural gas to approximately 336,000 customers in 66 communities throughout Massachusetts. The Company is subject to regulation of the rates it charges its customers, accounting and other matters by the Massachusetts Department of Public Utilities (DPU). EGMA is a wholly-owned subsidiary of Yankee Energy System, Inc., a holding company that is a wholly-owned subsidiary of Eversource Energy (Eversource). EGMA is doing business as Eversource Energy.

EGMA's natural gas business provides firm natural gas sales and transportation service to eligible retail customers who require a continuous natural gas supply throughout the year, and to customers who choose to purchase natural gas from EGMA. EGMA offers firm transportation service to all customers who purchase natural gas from sources other than EGMA. In addition, EGMA has the ability to offer interruptible transportation and interruptible natural gas sales service to high volume commercial and industrial customers. EGMA can interrupt service to these customers during peak demand periods or at any other time to maintain distribution system integrity.

A portion of the storage of natural gas supply for EGMA during the winter heating season is provided by Hopkinton LNG Corp. (Hopkinton), another wholly-owned subsidiary of Yankee Energy System, Inc. EGMA has access to Hopkinton's storage facilities, including liquefaction and vaporization plants, propane peak shaving plants, and above ground storage tanks in Massachusetts.

B. Basis of Presentation

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EGMA is subject to rate-regulation that is based on cost recovery and meets the criteria for application of accounting guidance for entities with rate-regulated operations, which considers the effect of regulation on the differences in the timing of the recognition of certain revenues and expenses from those of other businesses and industries. See Note 2, "Regulatory Accounting," for further information.

EGMA and NSTAR Gas Company (NSTAR Gas) each have a DPU-approved gas service agreement with Hopkinton for firm underground storage and storage capacity entitlements. NSTAR Gas and EGMA are Hopkinton's only two customers and bear the risk of financial losses to which Hopkinton could be exposed. Operating costs and commodity costs are incurred by Hopkinton on an aggregated basis for NSTAR Gas and EGMA and allocated to each customer on a volumetric basis; 3.5 BcF facilities serve NSTAR Gas and 1.9 BcF facilities serve EGMA. Collectively, NSTAR Gas and EGMA are entitled to 100 percent of the aggregate capacity of the Hopkinton facilities, and are charged for the costs associated with planned capital expenditures at the Hopkinton facilities. As a related party group, NSTAR Gas and EGMA together meet the characteristics of a primary beneficiary, as the power to direct the activities of Hopkinton that most significantly impact its economic performance is shared. In accordance with the consolidation accounting guidance, the party within a related party group that is most closely associated with the VIE is the primary beneficiary. As NSTAR Gas incurs more of the costs of Hopkinton's facilities and receives more of the facilities' output, its activities with Hopkinton are more significant and therefore NSTAR Gas is the primary beneficiary and not EGMA. EGMA recorded these affiliate costs related to its contract with Hopkinton of $19.7 million and $16.2 million for the years ended December 31, 2023 and 2022, respectively. These costs are classified as Cost of Natural Gas on the statements of income.

EGMA evaluates events and transactions that occur after the balance sheet date but before financial statements are available to be issued and recognizes in the financial statements the effects of all subsequent events that provide additional information about conditions that existed as of the balance sheet date. EGMA discloses, but does not recognize, in the financial statements subsequent events that provide information about the conditions that arose after the balance sheet date but before the financial statements are available to be issued. In preparing the financial statements, EGMA has evaluated events subsequent to December 31, 2023 through the date the financial statements were available to be issued, March 27, 2024, and did not identify any such events that required recognition or disclosure under this guidance.

C. Cash

Cash includes cash on hand. At the end of each reporting period, any overdraft amounts are reclassified from Cash to Accounts Payable on the balance sheets.

D. Allowance for Uncollectible Accounts

Receivables, Net on the balance sheets primarily includes trade receivables from retail customers, wholesale market sales, and other miscellaneous receivables. There is no material concentration of receivables.

Receivables are recorded at amortized cost, net of a credit loss provision (or allowance for uncollectible accounts). The current expected credit loss (CECL) model is applied to receivables for purposes of calculating the allowance for uncollectible accounts. This model is based on expected losses and results in the recognition of estimated expected credit losses, including uncollectible amounts for both billed and unbilled revenues, over the life of the receivable at the time a receivable is recorded.

The allowance for uncollectible accounts is determined based upon a variety of judgments and factors, including an aging-based quantitative assessment that applies an estimated uncollectible percentage to each receivable aging category. Factors in determining credit loss include historical collection, write-off experience, analysis of delinquency statistics, and management's assessment of collectability from customers, including current economic conditions, customer payment trends, the impact on customer bills because of energy usage trends and changes in rates, flexible payment plans and financial hardship arrearage management programs offered to customers, reasonable forecasts, and expectations of future collectability and collection efforts. Management continuously assesses the collectability of receivables and adjusts estimates based on actual experience and future expectations based on economic conditions, collection efforts and other factors. Management also monitors the aging analysis of receivables to determine if there are changes in the collections of accounts receivable. Receivable balances are written off against the allowance for uncollectible accounts when the customer accounts are no longer in service and these balances are deemed to be uncollectible. Management concluded that the reserve balance as of December 31, 2023 adequately reflected the collection risk and net realizable value for its receivables.

The DPU allows EGMA to recover in rates amounts associated with certain uncollectible hardship accounts receivable. These uncollectible hardship customer account balances are included in Regulatory Assets or Other Long-Term Assets on the balance sheets. Hardship customers are protected from shut-off in certain circumstances, and historical collection experience has reflected a higher default risk as compared to the rest of the receivable population. Management uses a higher credit risk profile for this pool of trade receivables as compared to non-hardship receivables. The allowance for uncollectible hardship accounts is included in the total uncollectible allowance balance.

The total allowance for uncollectible accounts is included in Receivables, Net on the balance sheets. The activity in the allowance for uncollectible accounts by portfolio segment is as follows:

	As of December 31, 2023			As of December 31, 2022		
(Millions of Dollars)	Hardship Accounts	Retail (Non-Hardship), Wholesale, and Other	Total Allowance	Hardship Accounts	Retail (Non-Hardship), Wholesale, and Other	Total Allowance
Beginning Balance	$ 1.3	$ 41.3	$ 42.6	$ 2.0	$ 20.3	$ 22.3
Uncollectible Expense	—	21.6	21.6	—	5.8	5.8
Uncollectible Costs Deferred [(1)]	1.5	(0.4)	1.1	(0.7)	15.2	14.5
Write-Offs	—	(23.4)	(23.4)	—	—	—
Recoveries Collected	—	1.3	1.3	—	—	—
Ending Balance	$ 2.8	$ 40.4	$ 43.2	$ 1.3	$ 41.3	$ 42.6

(1) These expected credit losses are deferred as regulatory costs on the balance sheets, as these amounts are ultimately recovered in rates. Amounts include uncollectible costs for hardship accounts and other customer receivables, including uncollectible amounts related to uncollectible natural gas supply costs and COVID-19.

E. Natural Gas, Materials and Supplies Inventory

Natural Gas, Materials and Supplies Inventory include natural gas purchased for delivery to customers and materials and supplies purchased primarily for construction or operation and maintenance purposes. Included in Natural Gas, Materials and Supplies Inventory on the balance sheets as of December 31, 2023 and 2022 were $19.1 million and $26.1 million, respectively, of natural gas inventory, and $10.4 million and $5.3 million, respectively, of materials and supplies. Inventory is valued at the lower of cost or net realizable value.

F. Fair Value Measurements

Fair value measurement guidance is applied to valuations of the investments used to calculate the funded status of pension and postretirement benefits other than pension (PBOP) plans, the nonrecurring fair value measurements of nonfinancial assets such as goodwill and asset retirement obligations (AROs), and the estimated fair value of long-term debt.

Fair Value Hierarchy: In measuring fair value, the Company uses observable market data when available in order to minimize the use of unobservable inputs. Inputs used in fair value measurements are categorized into three fair value hierarchy levels for disclosure purposes. The entire fair value measurement is categorized based on the lowest level of input that is significant to the fair value measurement. The Company evaluates the classification of assets and liabilities measured at fair value on a quarterly basis. The levels of the fair value hierarchy are described below:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable.

Level 3 - Quoted market prices are not available. Fair value is derived from valuation techniques in which one or more significant inputs or assumptions are unobservable. Where possible, valuation techniques incorporate observable market inputs that can be validated to external sources such as industry exchanges.

Uncategorized - Investments that are measured at net asset value are not categorized within the fair value hierarchy.

Determination of Fair Value: The valuation techniques and inputs used in the Company's fair value measurements are described in Note 4, "Asset Retirement Obligations," Note 11, "Fair Value of Financial Instruments," and Note 14, "Goodwill," to the financial statements.

G. Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the cost of borrowed and equity funds used to finance construction and is included in the cost of plant on the balance sheets. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of Interest Expense, and the AFUDC related to equity funds is recorded as Other Income, Net on the statements of income. AFUDC costs are recovered from customers over the service life of the related plant in the form of increased revenue collected as a result of higher depreciation expense. For the year ended December 31, 2023, AFUDC costs included borrowed funds of $2.5 million and equity funds of $0.8 million. For the year ended December 31, 2022, AFUDC costs included borrowed funds of $0.8 million and equity funds of $1.7 million.

EGMA's average AFUDC rate is based on a Federal Energy Regulatory Commission prescribed formula using the cost of a company's short-term financings and capitalization (long-term debt and common equity), as appropriate. The average rate is applied to average eligible construction work in progress amounts to calculate AFUDC. The average AFUDC rates for the years ended December 31, 2023 and 2022 were 4.2 percent and 2.3 percent, respectively.

H. Other Income, Net

Items included within Other Income, Net on the statements of income primarily consist of the non-service related components of pension and PBOP benefit plan income/expense, interest income, AFUDC related to equity funds and investment loss/income. For further information on AFUDC related to equity funds, see Note 1G, "Summary of Significant Accounting Policies - Allowance for Funds Used During Construction," to the financial statements.

I. Supplemental Cash Flow Information

	As of and For the Years Ended December 31,	
(Millions of Dollars)	2023	2022
Cash Paid/(Received) During the Year For:		
Interest, Net of Amounts Capitalized	$ 20.8	$ 18.7
Income Taxes	17.9	(45.2)
Non-Cash Investing Activities:		
Plant Additions Included in Accounts Payable (As of)	21.5	19.6

The following table reconciles cash as reported on the balance sheets to the cash and restricted cash balance as reported on the statements of cash flows:

	As of December 31,	
(Millions of Dollars)	2023	2022
Cash as reported on the Balance Sheets	$ 1.9	$ —
Restricted Cash - Current	20.0	20.0
Restricted Cash - Long-Term	14.1	16.4
Cash and Restricted Cash as reported on the Statements of Cash Flows	$ 36.0	$ 36.4

Restricted cash relates to an Energy Relief Fund for energy efficiency and clean energy measures in the Merrimack Valley established under the terms of an EGMA 2020 rate settlement agreement. This restricted cash is held in escrow accounts and is recorded in current and long-term assets on the balance sheets. EGMA established a corresponding current and long-term liability for the funding of this obligation on the balance sheets.

J. Related Parties

Eversource Energy Service Company (Eversource Service), a service company subsidiary of Eversource, provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, tax, and other services to EGMA. In addition, EGMA incurs costs associated with leases entered into by affiliated Eversource subsidiaries, including Eversource Service, The Rocky River Realty Company and NSTAR Electric Company, for the use of office space, service centers, vehicles, information technology and office equipment. All of the aforementioned costs incurred by EGMA are in the ordinary course of business.

Also in the ordinary course of business, EGMA purchases natural gas transmission services from the Enbridge, Inc. natural gas pipeline project, in which Eversource parent holds an equity ownership interest. These affiliate transaction costs total $15.1 million annually and are classified as Cost of Natural Gas on the statements of income.

Included in the balance sheets as of December 31, 2023 and 2022 were Accounts Receivable from Affiliated Companies and Accounts Payable to Affiliated Companies related to transactions between EGMA and other subsidiaries that are wholly-owned by Eversource.

2. REGULATORY ACCOUNTING

EGMA is subject to rate regulation that is based on cost recovery and meets the criteria for application of accounting guidance for rate-regulated operations, which considers the effect of regulation on the timing of the recognition of certain revenues and expenses. EGMA's financial statements reflect the effects of the rate-making process. The rates charged to customers are designed to collect the Company's costs to provide service, plus a return on investment.

The application of accounting guidance for rate-regulated enterprises results in recording regulatory assets and liabilities. Regulatory assets represent the deferral of incurred costs that are probable of future recovery in customer rates. Regulatory assets are amortized as the incurred costs are recovered through customer rates. Regulatory liabilities represent either revenues received from customers to fund expected costs that have not yet been incurred or probable future refunds to customers.

Management believes it is probable that the Company will recover its investment in long-lived assets and the regulatory assets that have been recorded. If management were to determine that it could no longer apply the accounting guidance applicable to rate-regulated enterprises, or if management could not conclude it is probable that costs would be recovered from customers in future rates, the applicable costs would be charged to net income in the period in which the determination is made.

Regulatory Assets: The components of regulatory assets were as follows:

	As of December 31,	
(Millions of Dollars)	**2023**	**2022**
Regulatory Tracking Mechanisms	$ 151.5	$ 163.6
Environmental Remediation Costs	28.6	30.2
Cost of Removal	19.0	9.1
Benefit Costs	14.4	7.9
Other Regulatory Assets	16.1	23.5
Total Regulatory Assets	229.6	234.3
Less: Current Portion	160.1	173.7
Total Long-Term Regulatory Assets	$ 69.5	$ 60.6

Regulatory Tracking Mechanisms: EGMA's approved rates are designed to recover its costs incurred to provide service to customers. EGMA recovers certain of its costs on a fully-reconciling basis through DPU-approved tracking mechanisms. The difference between the costs incurred (or the rate recovery allowed) and the actual revenues are recorded as regulatory assets (for undercollections) or as regulatory liabilities (for overcollections) to be included in future customer rates each year. Carrying charges are recovered in rates on all material regulatory tracking mechanisms. EGMA recovers, on a fully-reconciling basis, the costs associated with the procurement of natural gas for its firm and seasonal customers, infrastructure improvements, energy efficiency programs, low income assistance programs, certain uncollectible accounts receivable, and qualified pension and PBOP expenses through rate reconciling mechanisms.

EGMA has a DPU-approved revenue decoupling mechanism. Distribution revenues are decoupled from customer sales volumes, where applicable, which breaks the relationship between sales volumes and revenues. EGMA reconciles its annual base distribution rate recovery amount to the pre-established level of baseline distribution delivery service revenues. Any difference between the allowed level of distribution revenue and the actual amount realized during the reconciliation period is adjusted through rates in the following period.

Environmental Remediation Costs: Recoverable costs associated with the remediation of environmental sites are recorded as regulatory assets in accordance with DPU regulation. These costs do not earn a return. For further information, see Note 9A, "Commitments and Contingencies - Environmental Matters," to the financial statements.

Cost of Removal: EGMA currently recovers amounts in rates for future costs of removal of plant assets over the lives of the assets. The estimated cost to remove utility assets from service is recognized as a component of depreciation expense. Expended removal costs that exceed amounts collected from customers are recognized as regulatory assets, as they are probable of recovery in future rates.

Benefit Costs: Deferred benefit costs represent unrecognized actuarial losses and gains and unrecognized prior service costs and credits attributable to EGMA's participation in Eversource's Pension and PBOP Plans. EGMA records actuarial losses and gains and prior service costs and credits arising at the December 31st remeasurement date of the funded status of the benefit plans as a regulatory asset or regulatory liability in lieu of a charge to Accumulated Other Comprehensive Income/(Loss), reflecting ultimate recovery from customers through rates. The regulatory asset or regulatory liability is amortized with the recognition of actuarial losses and gains and prior service costs and credits to net periodic benefit expense/income over the estimated average future employee service period using the corridor approach. As these regulatory assets or regulatory liabilities do not represent a cash outlay for EGMA, no carrying charge is recovered from customers.

Other Regulatory Assets: Other Regulatory Assets primarily include certain exogenous property taxes and certain uncollectible accounts receivable for hardship customers allowed for recovery, asset retirement obligations and income tax regulatory assets.

Regulatory Costs in Other Long-Term Assets: EGMA had $30.6 million and $32.8 million of additional regulatory costs not yet specifically approved as of December 31, 2023 and 2022, respectively, that were included in Other Long-Term Assets on the balance sheets. These amounts will be reclassified to Regulatory Assets upon approval by the DPU. Based on regulatory policies or past precedent on similar costs, management believes it is probable that these costs will ultimately be approved and recovered from customers in rates.

Regulatory Liabilities: The components of regulatory liabilities were as follows:

	As of December 31,	
(Millions of Dollars)	**2023**	**2022**
Acquired Regulatory Liabilities	$ 113.1	$ 116.9
Regulatory Tracking Mechanisms	30.4	13.8
Benefit Costs	12.8	12.9
Other Regulatory Liabilities	4.8	3.1
Total Regulatory Liabilities	161.1	146.7
Less: Current Portion	34.2	17.6
Total Long-Term Regulatory Liabilities	$ 126.9	$ 129.1

Acquired Regulatory Liabilities: As a result of an October 7, 2020 EGMA rate settlement agreement approved by the DPU and the October 9, 2020 asset acquisition of Columbia Gas of Massachusetts (CMA), EGMA established a regulatory liability to continue to refund the same amount to customers post-acquisition that CMA was previously refunding to customers prior to acquisition.

Regulatory Developments:

2022 Distribution Rates: As established in the October 7, 2020 EGMA rate settlement agreement approved by the DPU, on September 16, 2022 EGMA filed for its second base distribution rate increase and on October 31, 2022, the DPU approved a $6.7 million increase to base distribution rates and a $3.3 million increase to the Tax Act Credit Factor for effect on November 1, 2022. The DPU also approved the recovery of historical exogenous property taxes incurred from November 1, 2020 through October 31, 2022 of $8.6 million over a two-year period through a separate reconciling mechanism effective November 1, 2022. EGMA will request recovery of incremental property taxes incurred after October 31, 2022 in future exogenous filings. As a result of this decision, these deferred property taxes were reclassified from Other Long-Term Assets to Regulatory Assets on the December 31, 2022 balance sheet.

3. PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION

Property, plant and equipment is recorded at original cost. Original cost includes materials, labor, construction overheads and AFUDC. The cost of repairs and maintenance is charged to Operations and Maintenance expense as incurred.

The following table summarizes property, plant and equipment:

	As of December 31,	
(Millions of Dollars)	**2023**	**2022**
Natural Gas Distribution, Gross	$ 2,483.5	$ 2,203.1
Less: Accumulated Depreciation	(743.4)	(688.1)
Property, Plant and Equipment, Net	1,740.1	1,515.0
Construction Work in Progress	85.7	96.8
Total Property, Plant and Equipment, Net	$ 1,825.8	$ 1,611.8

Depreciation of assets is calculated on a straight-line basis using composite rates based on the estimated remaining useful lives of the various classes of property. The composite rates, which are subject to approval by the DPU, include a cost of removal component, which is collected from customers over the lives of the plant assets and is recognized as a regulatory liability. Depreciation rates are applied to property from the time it is placed in service. Upon retirement from service, the cost of the asset is charged to the accumulated provision for depreciation. The actual incurred removal costs are applied against the related regulatory liability. The depreciation rates for the various classes of property, plant and equipment aggregate to a composite rate of 4.0 percent in 2023 and 3.4 percent in 2022. As of December 31, 2023, the average remaining useful life of EGMA's depreciable assets was 25.7 years.

4. ASSET RETIREMENT OBLIGATIONS

EGMA recognizes a liability for the fair value of an ARO on the obligation date if the liability's fair value can be reasonably estimated, even if it is conditional on a future event. Settlement dates and future costs are reasonably estimated when sufficient information becomes available. Management has identified AROs related to the removal of hazardous materials and the cutting and capping of natural gas mains, and has performed fair value calculations reflecting expected probabilities for settlement scenarios.

The fair value of an ARO is recorded as a long-term liability with a corresponding amount included in Property, Plant and Equipment, Net on the balance sheets. The ARO assets are depreciated, and the ARO liabilities are accreted over the estimated life of the obligation and the corresponding credits are recorded as accumulated depreciation and ARO liabilities, respectively. As EGMA is rate-regulated on a cost-of-service basis, it applies regulatory accounting guidance and both the depreciation and accretion costs associated with the AROs are recorded as increases to Regulatory Assets on the balance sheets.

A reconciliation of the beginning and ending carrying amounts of ARO liabilities is as follows:

	As of December 31,	
(Millions of Dollars)	2023	2022
Balance as of Beginning of Year	$ 19.3	$ 18.7
Accretion	0.6	0.6
Balance as of End of Year	$ 19.9	$ 19.3

5. SHORT-TERM DEBT

The Eversource Energy holding company (Eversource parent) has a $2.00 billion commercial paper program allowing Eversource parent to issue commercial paper as a form of short-term debt. Eversource parent and certain of its subsidiaries, including EGMA, are parties to a five-year $2.00 billion revolving credit facility, which terminates on October 13, 2028. The revolving credit facility serves to backstop Eversource parent's $2.00 billion commercial paper program. There were no borrowings outstanding on the revolving credit facility as of December 31, 2023 or 2022.

As of December 31, 2023 and 2022, there were intercompany loans from Eversource parent to EGMA of $47.7 million and $109.2 million, respectively, recorded as Notes Payable to Eversource Parent and classified in current liabilities on the balance sheets as all borrowings are outstanding for no more than 364 days at one time. The weighted-average interest rate on these borrowings as of December 31, 2023 and 2022 was 5.60 percent and 4.63 percent, respectively.

Under the credit facility, EGMA must comply with certain financial and non-financial covenants, including a debt to total capitalization ratio. As of December 31, 2023 and 2022, EGMA was in compliance with these covenants. If EGMA was not in compliance with these covenants, an event of default would occur requiring all outstanding borrowings by EGMA to be repaid, and additional borrowings would not be permitted under the credit facility.

EGMA is not required to obtain approval from any state or federal authority to incur short-term debt.

6. LONG-TERM DEBT

Details of EGMA's long-term debt outstanding are as follows:

		As of December 31,	
(Millions of Dollars)	Interest Rate	2023	2022
First Mortgage Bonds:			
2023 Series D due 2028 [(1)]	5.73 %	$ 58.0	$ —
2021 Series A due 2031	2.11 %	310.0	310.0
2021 Series B due 2051	2.92 %	240.0	240.0
2022 Series C due 2052	4.70 %	100.0	100.0
Total First Mortgage Bonds		708.0	650.0
Unamortized Debt Issuance Costs		(2.1)	(1.9)
EGMA Long-Term Debt		$ 705.9	$ 648.1

(1) The use of proceeds from the 2023 issuance repaid short-term debt, paid capital expenditures and working capital.

Long-Term Debt Provisions: The utility plant of EGMA is subject to the lien of its first mortgage bond indenture. Additionally, EGMA's long-term debt agreements contain cross-default provisions. The cross-default provisions on all series of EGMA's first mortgage bonds would be triggered if EGMA were to default on a payment due on indebtedness in excess of $10 million.

7. EMPLOYEE BENEFITS

A. Pension Benefits and Postretirement Benefits Other Than Pension

Eversource Service sponsors a defined benefit retirement plan (Pension Plan) that covers eligible employees and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006. Eversource Service's Employer Identification Number is 06-0810627. Eversource's policy is to annually fund the Pension Plan in an amount at least equal to an amount that will satisfy all federal funding requirements.

Eversource Service also sponsors a PBOP Plan that provides life insurance and a health reimbursement arrangement created for the purpose of reimbursing retirees and dependents for health insurance premiums and certain medical expenses to eligible employees that meet certain age and service eligibility requirements. The benefits provided under the PBOP Plan are not vested and Eversource has the right to modify any benefit provision subject to applicable laws at that time. Eversource annually funds postretirement costs through tax deductible contributions to external trusts.

Plan sponsor information is included in the Eversource 2023 Annual Report on Form 10-K filed on February 14, 2024 with the U.S. Securities and Exchange Commission (SEC).

EGMA is allowed to fully recover its allocated share of qualified pension and PBOP expenses through a DPU-approved reconciling rate mechanism tariff (pension adjustment mechanism or PAM) that is collected from customers. PAM-related costs are a part of EGMA's local distribution adjustment clause that is reset annually in a filing with the DPU.

The Pension and PBOP Plans cover eligible employees, including, among others, employees of EGMA. EGMA records actuarial losses and gains and prior service costs and credits arising at the December 31st remeasurement date of the funded status of the benefit plans as a regulatory asset or regulatory liability in lieu of a charge to Accumulated Other Comprehensive Income, reflecting ultimate recovery from customers through rates. For further information, see Note 2, "Regulatory Accounting," to the financial statements.

Funded Status: EGMA participates in the overall Eversource single-employer Pension and PBOP Plans accounted for under the multiple-employer approach, with its share of the funded status of the plans reflected on its balance sheets. The following table provides information on the plan benefit obligations, fair values of plan assets, and funded status attributable to EGMA in the Eversource single-employer Pension and PBOP Plans:

	Pension		PBOP	
	As of December 31,		As of December 31,	
(Millions of Dollars)	2023	2022	2023	2022
Benefit Obligation	$ (80.7)	$ (81.8)	$ (11.8)	$ (10.4)
Fair Value of Plan Assets	118.0	121.5	5.7	—
Funded Status	$ 37.3	$ 39.7	$ (6.1)	$ (10.4)
Benefits Paid	$ 3.7	$ 4.3	$ 0.2	$ 0.1
Benefits Paid - Lump Sum Payments	6.2	6.0	—	—

In January 2023, NSTAR Gas transferred $5.0 million of its PBOP prepaid asset to EGMA. EGMA reduced its PBOP liability upon the cash payment to NSTAR Gas.

EGMA's accumulated benefit obligation for the Pension Plan was $80.6 million and $81.8 million as of December 31, 2023 and 2022, respectively.

The following actuarial assumptions were used in calculating the Pension and PBOP Plans' year end funded status:

	Pension		PBOP	
	As of December 31,		As of December 31,	
	2023	2022	2023	2022
Discount Rate	5.0%	5.2%	5.2%	5.2%
Compensation/Progression Rate	4.0%	4.0%	N/A	N/A

Expense: Eversource charges net periodic benefit plan expense/(income) for the Pension and PBOP Plans to its subsidiaries based on the actual participant demographic data for each subsidiary's participants. The actual investment return in the trust is allocated to each of the subsidiaries annually in proportion to the investment return expected to be earned during the year. Eversource utilizes the spot rate methodology to estimate the discount rate for the service and interest cost components of benefit plan expense/(income), which provides a relatively precise measurement by matching projected cash flows to the corresponding spot rates on the yield curve.

EGMA's components of net periodic benefit plan expense/(income) for the Pension and PBOP Plans, prior to amounts capitalized as Property, Plant and Equipment or deferred as regulatory assets/(liabilities) for future recovery or refund, are shown below. The service cost component of net periodic benefit plan expense/(income), less the capitalized portion, is included in Operations and Maintenance expense on the statements of income. The remaining components of net periodic benefit plan expense/(income), less the deferred portion, are included in Other Income, Net on the statements of income. Pension and PBOP plan expense/(income) reflected in the statements of cash flows does not include intercompany allocations of net periodic benefit plan expense/(income), as these amounts are cash settled on a short-term basis.

	Pension		PBOP	
	For the Years Ended December 31,		For the Years Ended December 31,	
(Millions of Dollars)	2023	2022	2023	2022
Service Cost	$ 1.3	$ 1.8	$ 0.5	$ 0.9
Interest Cost	3.9	2.0	0.5	0.4
Expected Return on Plan Assets	(9.6)	(11.2)	(0.4)	—
Prior Service Cost	0.3	0.4	—	—
Total Net Periodic Benefit Plan (Income)/Expense	$ (4.1)	$ (7.0)	$ 0.6	$ 1.3
Intercompany Income Allocations	$ (0.5)	$ (1.7)	$ (0.4)	$ (0.6)

The following actuarial assumptions were used to calculate Pension and PBOP expense/(income) amounts:

	Pension		PBOP	
	For the Years Ended December 31,		For the Years Ended December 31,	
	2023	2022	2023	2022
Discount Rate	5.1% — 5.3%	2.4% — 3.2%	5.1% — 5.4%	2.3% — 3.3%
Expected Long-Term Rate of Return	8.25%	8.25%	8.25%	8.25%
Compensation/Progression Rate	4.0%	4.0%	N/A	N/A

Contributions: EGMA did not make Pension or PBOP contributions during the years ended December 31, 2023 and 2022. Based on the current status of the Pension Plan and federal pension funding requirements, there is no minimum funding requirement for our Eversource Service Pension Plan in 2024 and we do not expect to make pension contributions in 2024. We do not expect to make any contributions to the Eversource Service PBOP Plan in 2024.

B. Defined Contribution Plans

Eversource maintains defined contribution plans on behalf of eligible participants, including, among others, employees of EGMA. The Eversource 401k Plan provides for employee and employer contributions up to statutory limits. For eligible employees, the Eversource 401k Plan provides employer matching contributions of either 100 percent up to a maximum of three percent of eligible compensation or 50 percent up to a maximum of eight percent of eligible compensation. The Eversource 401k Plan also contains a K-Vantage feature for the benefit of eligible participants, which provides an additional annual employer contribution based on age and years of service. K-Vantage participants are not eligible to actively participate in the Eversource Pension Plan.

The total Eversource 401k Plan employer matching contributions, including the K-Vantage contributions, for EGMA were $4.0 million for each of the years ended December 31, 2023 and 2022.

8. INCOME TAXES

The components of income tax expense were as follows:

	For the Years Ended December 31,	
(Millions of Dollars)	2023	2022
Current Income Taxes:		
Federal	$ (8.4)	$ (16.4)
State	(3.5)	(6.8)
Total Current	(11.9)	(23.2)
Deferred Income Taxes, Net:		
Federal	24.3	34.8
State	10.0	14.5
Total Deferred	34.3	49.3
Income Tax Expense	$ 22.4	$ 26.1

A reconciliation between income tax expense and the expected tax expense at the statutory rate is as follows:

	For the Years Ended December 31,	
(Millions of Dollars, except percentages)	2023	2022
Income Before Income Tax Expense	$ 81.1	$ 95.9
Statutory Federal Income Tax Expense at 21%	17.0	20.1
Tax Effect of Differences:		
State Income Taxes, Net of Federal Impact	5.2	6.1
Depreciation Differences	(0.2)	(0.4)
Other, Net	0.4	0.3
Income Tax Expense	$ 22.4	$ 26.1
Effective Tax Rate	27.6 %	27.2 %

EGMA files a consolidated federal income tax return with Eversource and also files state income tax returns. EGMA is party to a tax allocation agreement with Eversource under which taxable subsidiaries do not pay any more taxes than they would have otherwise paid had they filed a separate company tax return, and subsidiaries generating tax losses, if any, are paid for their losses when utilized.

Deferred tax assets and liabilities are recognized for the future tax effects of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The tax effect of temporary differences is accounted for in accordance with the rate-making treatment of the DPU and relevant accounting authoritative literature. The tax effects of temporary differences that give rise to the net accumulated deferred income tax obligations were as follows:

	As of December 31,	
(Millions of Dollars)	2023	2022
Deferred Tax Assets:		
Purchase Accounting	$ 14.8	$ 16.1
Allowance for Uncollectible Accounts	12.4	13.1
Regulatory Deferrals - Liabilities	6.2	9.0
Environmental	5.9	5.4
Employee Benefits	6.4	2.7
ARO	5.4	0.9
Other	2.5	5.1
Total Deferred Tax Assets	$ 53.6	$ 52.3
Deferred Tax Liabilities:		
Accelerated Depreciation and Other Plant-Related Differences	$ 104.1	$ 69.0
Regulatory Amounts:		
Regulatory Deferrals - Assets	59.1	50.6
Employee Benefits	11.1	14.1
Other	8.8	15.5
Total Deferred Tax Liabilities	$ 183.1	$ 149.2

2022 Federal Legislation: On August 16, 2022, the Inflation Reduction Act of 2022 (IRA) was signed into law. This is a broad package of legislation that includes incentives and support for clean energy resource development, which do not pertain to EGMA. In addition, the IRA includes other tax provisions focused on implementing a 15 percent minimum tax on adjusted financial statement income and a one percent excise tax on corporate share repurchases. The Department of Treasury and the Internal Revenue Service issued some guidance during 2023; however, they are expected to issue additional needed guidance with respect to the application of the newly enacted IRA provisions in the future. We will continue to monitor and evaluate impacts; however the alternative minimum tax change is not expected to have a material impact on EGMA.

Open Tax Years: The following table summarizes EGMA's tax years that remain subject to examination by major tax jurisdictions as of December 31, 2023:

Description	Tax Years
Federal (Eversource consolidated)	2023
Massachusetts	2020-2023

9. COMMITMENTS AND CONTINGENCIES

A. Environmental Matters

EGMA is subject to environmental laws and regulations intended to mitigate or remove the effect of past operations and improve or maintain the quality of the environment. These laws and regulations require the removal or the remedy of the effect on the environment of the disposal or release of certain specified hazardous substances at current and former operating sites. EGMA has an active environmental auditing and training program, and believes that it is substantially in compliance with all enacted laws and regulations. The environmental sites are comprised of former manufactured gas plant (MGP) sites that were operated several decades ago and manufactured natural gas from coal and other processes, which resulted in certain by-products remaining in the environment that may pose a potential risk to human health and the environment, for which EGMA may have potential liability.

Environmental reserves are accrued when assessments indicate it is probable that a liability has been incurred and an amount can be reasonably estimated. The approach used estimates the liability based on the most likely action plan from a variety of available remediation options, including no action required or several different remedies ranging from establishing institutional controls to full site remediation and monitoring. These liabilities are estimated on an undiscounted basis and do not assume that the amounts are recoverable from insurance companies or other third parties. The environmental reserves include sites at different stages of discovery and remediation and do not include any unasserted claims.

These reserve estimates are subjective in nature as they take into consideration several different remediation options at each specific site. The reliability and precision of these estimates can be affected by several factors, including new information concerning either the level of contamination at the site, the extent of EGMA's responsibility for remediation or the extent of remediation required, recently enacted laws and regulations or changes in cost estimates due to certain economic factors. It is possible that new information or future developments could require a reassessment of the potential exposure to required environmental remediation. As this information becomes available, management will continue to assess the potential exposure and adjust the reserves accordingly.

The amounts recorded as environmental reserves are included in Other Current Liabilities and Other Long-Term Liabilities on the balance sheets and represent management's best estimate of the liability for environmental costs, and take into consideration site assessment, remediation and long-term monitoring costs. The environmental reserves also take into account recurring costs of managing hazardous substances and pollutants, mandated expenditures to remediate contaminated sites and any other infrequent and non-recurring clean-up costs. A reconciliation of the activity in the environmental reserves is as follows:

	As of December 31,	
(Millions of Dollars)	2023	2022
Balance as of Beginning of Year	$ 19.9	$ 20.8
Additions	1.6	0.8
Payments/Reductions	(2.2)	(1.7)
Balance as of End of Year	$ 19.3	$ 19.9

The Company has nine environmental sites as of December 31, 2023. As of December 31, 2023, for four environmental sites that are included in the Company's reserve for environmental costs, management cannot reasonably estimate the exposure to loss in excess of the reserve, or range of loss, as these sites are under investigation and/or there is significant uncertainty as to what remedial actions, if any, the Company may be required to undertake. As of December 31, 2023, $16.5 million has been accrued as a liability for these sites.

As of December 31, 2023, for the remaining five environmental sites that are included in the Company's reserve for environmental costs, the $2.8 million accrual represents management's best estimate of the probable liability and no additional loss is estimable at this time.

Environmental Rate Recovery: EGMA has a rate recovery mechanism for MGP related environmental costs, therefore, changes in environmental reserves do not impact Net Income.

B. Long-Term Contractual Arrangements

The estimated future annual costs of EGMA's significant executed, non-cancelable, long-term contractual arrangements in effect as of December 31, 2023 are as follows:

(Millions of Dollars)	2024	2025	2026	2027	2028	Thereafter	Total
Natural Gas Procurement	$ 150.1	$ 143.5	$ 123.5	$ 115.3	$ 97.7	$ 671.2	$ 1,301.3

In the normal course of business, EGMA has long-term contracts for the purchase, transportation and storage of natural gas as part of its portfolio of supplies. These contracts extend through 2045. The total cost incurred under these agreements was $243.8 million and $369.4 million in 2023 and 2022, respectively.

C. Litigation and Legal Proceedings

EGMA is involved in legal, tax and regulatory proceedings regarding matters arising in the ordinary course of business, which involve management's assessment to determine the probability of whether a loss will occur and, if probable, its best estimate of probable loss. The Company records and discloses losses when these losses are probable and reasonably estimable, and discloses matters when losses are probable but not estimable or when losses are reasonably possible. Legal costs related to the defense of loss contingencies are expensed as incurred.

10. LEASES

EGMA has entered into lease agreements as a lessee for the use of land, office space, service centers, and vehicles. These lease agreements are classified as either finance or operating leases and the liability and right-of-use asset are recognized on the balance sheet at lease commencement. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

EGMA determines whether or not a contract contains a lease based on whether or not it provides EGMA with the use of a specifically identified asset for a period of time, as well as both the right to direct the use of that asset and receive the significant economic benefits of the asset. EGMA has elected the practical expedient to not separate non-lease components from lease components and instead to account for both as a single lease component, with the exception of the information technology asset class where the lease and non-lease components are separated.

The provisions of EGMA lease agreements contain no renewal options. EGMA makes no material variable payments under its lease agreements.

For leases entered into or modified after the January 1, 2019 implementation date of the leases standard under Topic 842, the discount rate utilized for classification and measurement purposes as of the inception date of the lease is based on EGMA's collateralized incremental interest rate to borrow over a comparable term for an individual lease because the rate implicit in the lease is not determinable.

The components of lease cost, prior to amounts capitalized, are as follows:

(Millions of Dollars)	For the Years Ended December 31, 2023	2022
Financing Lease Cost:		
Amortization of Right-of-use-Assets	$ 3.2	$ 3.2
Interest on Lease Liabilities	1.2	1.3
Total Finance Lease Cost	4.4	4.5
Operating Lease Cost	4.3	4.8
Total Lease Cost	$ 8.7	$ 9.3

Operating lease cost, net of the capitalized portion, is included in Operations and Maintenance on the statements of income. Amortization of finance lease assets is included in Depreciation on the statements of income. Interest expense on finance leases is included in Interest Expense on the statements of income.

Supplemental balance sheet information related to leases is as follows:

(Millions of Dollars)	Balance Sheet Classification	As of December 31, 2023	2022
Operating Leases:			
Operating Lease Right-of-use-Assets, Net	Other Long-Term Assets	$ 7.4	$ 17.8
Operating Lease Liabilities			
Operating Lease Liabilities - Current Portion	Other Current Liabilities	$ 3.1	$ 4.4
Operating Lease Liabilities - Long-Term	Other Long-Term Liabilities	4.3	13.4
Total Operating Lease Liabilities		$ 7.4	$ 17.8
Finance Leases:			
Finance Lease Right-of-use-Assets, Net	Property, Plant and Equipment, Net	$ 43.0	$ 46.2
Finance Lease Liabilities			
Finance Lease Liabilities - Current Portion	Other Current Liabilities	$ 2.7	$ 2.7
Finance Lease Liabilities - Long-Term	Finance Lease Obligations (Long-Term)	42.6	45.4
Total Finance Lease Liabilities		$ 45.3	$ 48.1

Other information related to leases is as follows:

	As of December 31, 2023	2022
Weighted-Average Remaining Lease Term (Years):		
Operating Leases	4	5
Finance Leases	14	15
Weighted-Average Discount Rate (Percentage):		
Operating Leases	1.7 %	1.3 %
Finance Leases	2.7 %	2.7 %

(Millions of Dollars)	For the Years Ended December 31, 2023	2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 3.9	$ 4.6
Operating Cash Flows from Finance Leases	1.2	1.3
Financing Cash Flows from Finance Leases	2.7	2.6
Supplemental Non-Cash Information on Lease Liabilities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	0.1	6.9

In 2023, EGMA executed an early termination of an office space lease in connection with the purchase of the same facilities from the lessor, which reduced right-of-use assets for operating leases of EGMA by $7.5 million.

Future minimum lease payments, excluding variable costs, under long-term leases, as of December 31, 2023 are as follows:

(Millions of Dollars)	Operating Leases	Finance Leases
Year Ending December 31,		
2024	$ 3.2	$ 3.9
2025	1.5	3.9
2026	0.7	3.9
2027	0.7	3.9
2028	0.7	3.9
Thereafter	1.0	35.3
Future lease payments	7.8	54.8
Less amount representing interest	0.4	9.5
Present value of future minimum lease payments	$ 7.4	$ 45.3

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of EGMA's long-term debt securities is based upon pricing models that incorporate quoted market prices for those issues or similar issues adjusted for market conditions, credit ratings and treasury benchmark yields.

The carrying amount of EGMA's long-term debt was $705.9 million and $648.1 million as of December 31, 2023 and 2022, respectively. The estimated fair values of these financial instruments were $545.6 million and $477.9 million as of December 31, 2023 and 2022, respectively. These fair values were classified as Level 2 within the fair value hierarchy. See Note 1F, "Summary of Significant Accounting Policies - Fair Value Measurements," for the fair value measurement policy and the fair value hierarchy.

12. COMMON STOCK

EGMA had 1,000 shares of common stock authorized, of which 100 shares were issued and outstanding at a $1 per share par value as of December 31, 2023 and 2022.

13. REVENUES

Revenue is recognized when promised goods or services (referred to as performance obligations) are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. A five-step model is used for recognizing and measuring revenue from contracts with customers, which includes identifying the contract with the customer, identifying the performance obligations promised within the contract, determining the transaction price (the amount of consideration to which the Company expects to be entitled), allocating the transaction price to the performance obligations and recognizing revenue when (or as) the performance obligation is satisfied.

The following table presents operating revenues disaggregated by revenue source:

	For the Years Ended December 31,	
(Millions of Dollars)	2023	2022
Revenues from Contracts with Customers		
Retail Tariff Sales		
Residential	$ 439.4	$ 482.0
Commercial	149.8	152.0
Industrial	60.9	71.1
Total Retail Tariff Sales Revenues	650.1	705.1
Wholesale Market Sales Revenues	88.1	59.6
Other Revenues from Contracts with Customers	0.2	0.2
Total Revenues from Contracts with Customers	738.4	764.9
Alternative Revenue Programs	9.8	14.9
Other Revenues	1.3	0.3
Total Operating Revenues	$ 749.5	$ 780.1

Retail Tariff Sales: EGMA provides products and services to its regulated customers under rates, pricing, payment terms and conditions of service, regulated by the DPU. The arrangement whereby a utility provides commodity service to a customer for a price approved by its state regulatory commission is referred to as a tariff sale contract, and the tariff governs all aspects of the provision of regulated services by the utility. The majority of revenue for EGMA is derived from regulated retail tariff sales for the sale and distribution of natural gas to residential, commercial and industrial retail customers.

The utility's performance obligation for the regulated tariff sales is to provide natural gas to the customer as demanded. The promise to provide the commodity represents a single performance obligation, as it is a promise to transfer a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the utility, and the utility satisfies its performance obligation. Revenue is recognized based on the output method as there is a directly observable output to the customer (natural gas units delivered to the customer and immediately consumed). EGMA is entitled to be compensated for performance completed to date (service taken by the customer) until service is terminated.

In regulated tariff sales, the transaction prices are the rates approved by the state regulatory commission. In general, rates can only be changed through formal proceedings with the state regulatory commission. These rates are designed to recover the costs to provide service to customers and include a return on investment. Regulatory commission-approved tracking mechanisms are included in these rates and are also used to recover, on a fully-reconciling basis, certain costs, such as the procurement of natural gas, infrastructure improvement costs, energy efficiency programs, and qualified pension and PBOP expenses. These tracking mechanisms result in rates being changed periodically to ensure recovery of actual costs incurred and the refund of any overcollection of costs.

A significant portion of EGMA's retail revenues relate to the recovery of costs incurred for the sale of natural gas purchased on behalf of customers. These natural gas supply costs are recovered from customers in rates through a cost tracking mechanism. Natural gas purchases are recorded in Cost of Natural Gas, and the sale of natural gas associated with these purchases is recorded in Operating Revenues on the statements of income.

Certain eligible customers may elect to purchase natural gas from the Company or may contract separately with a gas supply operator. Revenue is not recorded for the sale of the natural gas commodity to customers who have contracted separately with these operators, only the delivery to a customer, as the utility is acting as an agent on behalf of the gas supply operator.

Wholesale Market Sales Revenues: Wholesale market sales transactions include sales of natural gas to third party marketers. For sales of natural gas, transportation, and natural gas pipeline capacity to third party marketers, revenue is recognized when the performance obligation is satisfied at the point in time the sale occurs and the natural gas or related product is transferred to the marketer.

Alternative Revenue Programs: In accordance with accounting guidance for rate-regulated operations, certain rate making mechanisms qualify as alternative revenue programs (ARPs) if they meet specified criteria, in which case revenues may be recognized prior to billing based on allowed levels of collection in rates. EGMA recognizes revenue and records a regulatory asset or liability once the condition or event allowing for the automatic adjustment of future rates occurs. ARP revenues include both the recognition of the deferral adjustment to ARP revenues, when the regulator-specified condition or event allowing for additional billing or refund has occurred, and an equal and offsetting reversal of the ARP deferral to revenues as those amounts are reflected in the price of service in subsequent periods.

EGMA's ARPs include a revenue decoupling mechanism. Decoupled distribution revenues are not directly based on sales volumes. EGMA reconciles its annual base distribution rate recovery to a pre-established level of baseline distribution delivery service revenues, with any difference between the allowed level of distribution revenue and the actual amount realized adjusted through subsequent rates.

Other Revenues: Other Revenues include certain fees charged to customers that are not considered revenue from contracts with customers. Other revenues also include lease revenues under lessor accounting guidance of $0.7 million for the year ended December 31, 2023.

Receivables: Receivables, Net on the balance sheets primarily includes trade receivables from retail customers and wholesale market sales of natural gas and capacity to marketers. In general, retail tariff customers are billed monthly and the payment terms are generally due and payable upon receipt of the bill.

Unbilled Revenues: Unbilled Revenues on the balance sheets represent estimated amounts due from retail customers for natural gas delivered to customers but not yet billed. The Company has satisfied its performance obligation and the customer has received and consumed the commodity as of the balance sheet date, and therefore, the Company records revenue for those services in the period the services were provided. Only the passage of time is required before the Company is entitled to payment for the satisfaction of the performance obligation. Payment from customers is due monthly as services are rendered and amounts are billed. Actual amounts billed to customers when meter readings become available may vary from the estimated amount.

Unbilled revenues are recognized by allocating estimated unbilled sales volumes to the respective customer classes, and then applying an estimated rate by customer class to those sales volumes. Unbilled revenue estimates reflect seasonality, weather, customer usage patterns, customer rates in effect for customer classes, and the timing of customer billing. EGMA records a regulatory deferral to reflect the actual allowed amount of revenue associated with its decoupled distribution rate design.

Practical Expedients: EGMA has elected practical expedients in the accounting guidance that allow the Company to record revenue in the amount that the Company has a right to invoice, if that amount corresponds directly with the value to the customer of the Company's performance to date, and not to disclose related unsatisfied performance obligations. Retail tariff sales fall into this category, as these sales are recognized as revenue in the period the utility provides the service and completes the performance obligation, which is the same as the monthly amount billed to customers. There are no other material revenue streams for which EGMA has unsatisfied performance obligations.

14. GOODWILL

EGMA recorded $51.9 million of goodwill on its balance sheets as a result of Eversource's October 9, 2020 acquisition of CMA. This goodwill is not being recovered from EGMA's customers. The goodwill amount recognized in the business combination was the excess of Eversource's purchase price of CMA over the estimated fair values of the CMA assets acquired and liabilities assumed.

Goodwill is evaluated for impairment at least annually and more frequently if indicators of impairment arise. In accordance with the accounting standards, if the fair value of a reporting unit is less than its carrying value (including goodwill), the goodwill is tested for impairment. Goodwill is not subject to amortization; however, it is subject to a fair value based assessment for impairment at least annually and whenever facts or circumstances indicate that there may be an impairment. A resulting write-down, if any, would be charged to Operating Expenses.

In assessing goodwill for impairment, an entity is permitted to first assess qualitatively whether it is more likely than not that goodwill impairment exists as of the annual impairment test date. A quantitative impairment test is required only if it is concluded that it is more likely than not that a reporting unit’s fair value is less than its carrying amount. EGMA completed its annual goodwill impairment assessment as of October 1, 2023 and determined that no impairment existed. There were no events subsequent to October 1, 2023 that indicated impairment of goodwill.