

YANKEE GAS SERVICES
INCOME STATEMENT
12 MONTHS ENDED DECEMBER 31 , 2014
(THOUSANDS OF DOLLARS)

	REVENUES AND <u>INCOME</u>	SALES MCF	CUSTOMERS AVERAGE
SALES OF GAS:			
RESIDENTIAL SERVICE	251,261	16,153	193,053
COMMERCIAL FIRM SERVICE	175,992	20,723	24,668
INDUSTRIAL FIRM SERVICE	69,757	16,285	1,605
SEASONAL SERVICE		0	21
INTERRUPTIBLE SERVICE	6,327	3,877	15
SALES FOR RESALE	<u>15,474</u>		<u>0</u>
TOTAL SALES OF GAS	518,811	57,038	219,362
OTHER GAS REVENUES	2,508		0
TOTAL GAS REVENUES	<u>521,319</u>	<u>57,038</u>	<u>219,362</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	347,513		
DEPRECIATION EXPENSE	31,522		
TAXES OTHER THAN INCOME	44,874		
INCOME TAXES	-1,681		
INCOME TAXES DEFERRED - NET	30,602		
INVESTMENT TAX CREDIT	-368		
AMORTIZATION OF REGULATORY ASSETS	196		
DISPOSITION OF UTILITY PLANT			
TOTAL OPERATING EXPENSES	<u>452,657</u>		
OPERATING INCOME	68,661		
OTHER INCOME AND DEDUCTIONS -NET AFUDC	-109		
TOTAL INCOME	68,552		
INTEREST ON LONG-TERM DEBT	21,310		
AMORT. DEBT DISC.,PREM & EXPENSE	189		
OTHER INTEREST EXPENSE	521		
AFUDC - CREDIT	<u>-93</u>		
NET INTEREST CHARGES	<u>21,927</u>		
INCOME BEFORE PREFERRED DIVIDENDS	46,625		
PREFERRED DIVIDENDS			
BALANCE FOR COMMON	<u>46,625</u>		

YANKEE GAS SERVICES COMPANY
Rate of Return on Rate Base
December 31, 2014
(Thousands of Dollars)

	Average *
Total Utility Plant In Service	1,458,214
Less: Reserve for Depreciation	414,152
Net Utility Plant	1,044,062
 Plus:	
Materials & Supplies, ex. fuel	2,908
Fuel Reserve (13 Month Average)	38,098
Working Capital Allowance	(5,381)
Prepayments	1,021
Other - additions	
Regulatory Asset - FAS 109	30,819
Deferred Hardship Charges, Net of Tax	4,610
Other Deferred Regulatory Assets, Net of Tax	1,497
 Less:	
Accumulated Provision for Deferred Income Tax	238,091
Regulatory Liability - FAS 109	30,818
Reserves, Net of Tax	7,229
Non-Firm Margin Credit CES, Net of Tax	555
Other - deductions	
Customer Advances for Construction	184
Customer Deposits	2,832
 Rate Base	 837,925
 Operating Income	 68,661
 Rate of Return	 8.19

* 5 Quarter Average Rate Base

**Rate of Return on Common Equity
Cost of Capital Method
December 31, 2014
(Thousands of Dollars)**

	Amount	Capitalization
	5-Q Average	5-Q Average
Short-Term Debt NOTE (a)	-	0.00%
Long-Term Debt	361,482	46.98%
Common Equity	407,965	53.02%
Total	769,447	100.00%
	Average	
	Embedded	Capitalization
	Cost	Ratio
		Weighted
		Cost
Short-Term Debt	0.00%	0.00%
Long-Term Debt	5.98%	46.98%
Weighted Costs		2.81%
Rate of Return on Rate Base		8.19%
Less: Weighted Costs		2.81%
Common Equity Component		5.38%
Percentage of Common Equity to Total Capitalization		53.02%
Return on Common Equity		10.15%

Notes:

(a) Beginning with the 3/31/05 Filing Short-Term Debt will no longer be included in the YGS capitalization.

**Return on Equity Reflecting Adjustments For
Retained Interruptible, ILEP, Capacity Release and Off-System Sales Margins and Weather Normalization
December 31, 2014**

<u>Month</u>	<u>Allowed Return on Equity (a)</u>	<u>Calculated Return on Equity</u>	<u>Less Margins Over Target</u>	<u>Balance Adjusted For Margins</u>	<u>Weather Normalization Adjustment</u>	<u>Balance Comparable to Rate Case Return on Equity</u>
December 2013	8.83%	9.05%	0.04%	9.01%	0.02%	9.03%
March 2014	8.83%	10.45%	0.02%	10.43%	-0.93%	9.50%
June 2014	8.83%	9.94%	0.02%	9.92%	-0.80%	9.12%
September 2014	8.83%	9.99%	0.02%	9.97%	-0.78%	9.19%
December 2014	8.83%	10.15%	0.02% (b)	10.13%	-0.30%	9.83%

Notes:

- (a) Per the Final Decision to the YGS Rate Case in Docket No. 10-12-02.
- (b) Beginning January 2014 100% of the Non-Firm Margin credit will be applied toward CES rate base and to offset CES expansion costs costs per Docket No. 13-06-02 PURA Investigation of Connecticut's Local Distribution Companies' Proposed Expansion Plans to Comply with Connecticut's Comprehensive Energy Strategy. Yankee will no longer be allocated the 1% share of the excess margins as was previously reported above.