

YANKEE GAS SERVICES
INCOME STATEMENT
12 MONTHS ENDED JUNE 30 , 2015
(THOUSANDS OF DOLLARS)

	REVENUES AND INCOME	SALES MCF	CUSTOMERS AVERAGE
SALES OF GAS:			
RESIDENTIAL SERVICE	246,956	16,899	194,605
COMMERCIAL FIRM SERVICE	179,170	21,539	24,742
INDUSTRIAL FIRM SERVICE	68,668	16,021	1,627
SEASONAL SERVICE		0	25
INTERRUPTIBLE SERVICE	6,654	3,193	10
SALES FOR RESALE	<u>8,978</u>		<u>0</u>
'TOTAL SALES OF GAS	510,426	57,652	221,009
OTHER GAS REVENUES	4,775		0
TOTAL GAS REVENUES	<u>515,201</u>	<u>57,652</u>	<u>221,009</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	332,863		
DEPRECIATION EXPENSE	33,269		
TAXES OTHER THAN INCOME	46,733		
INCOME TAXES	6,734		
INCOME TAXES DEFERRED - NET	24,041		
INVESTMENT TAX CREDIT	-345		
AMORTIZATION OF REGULATORY ASSETS	1,145		
DISPOSITION OF UTILITY PLANT			
TOTAL OPERATING EXPENSES	<u>444,440</u>		
OPERATING INCOME	70,762		
OTHER INCOME AND DEDUCTIONS -NET	-118		
AFUDC			
TOTAL INCOME	70,644		
INTEREST ON LONG-TERM DEBT	21,588		
AMORT. DEBT DISC.,PREM & EXPENSE	196		
OTHER INTEREST EXPENSE	1,013		
AFUDC - CREDIT	<u>-111</u>		
NET INTEREST CHARGES	<u>22,686</u>		
INCOME BEFORE PREFERRED DIVIDENDS	47,958		
PREFERRED DIVIDENDS			
BALANCE FOR COMMON	<u>47,958</u>		

YANKEE GAS SERVICES COMPANY
Rate of Return on Rate Base
June 30, 2015
(Thousands of Dollars)

	Average *
Total Utility Plant In Service	1,496,322
Less: Reserve for Depreciation	420,565
Net Utility Plant	1,075,757
Plus:	
Materials & Supplies, ex. fuel	2,985
Fuel Reserve (13 Month Average)	35,064
Working Capital Allowance	(5,343)
Prepayments	986
Other - additions	
Regulatory Asset - FAS 109	26,729
Deferred Hardship Charges, Net of Tax	5,821
Other Deferred Regulatory Assets, Net of Tax	1,285
Less:	
Accumulated Provision for Deferred Income Tax	250,597
Regulatory Liability - FAS 109	26,729
Reserves, Net of Tax	7,270
Non-Firm Margin Credit CES, Net of Tax	2,156
Other - deductions	
Customer Advances for Construction	184
Customer Deposits	3,142
Rate Base	853,207
Operating Income	70,762
Rate of Return	8.29

* 5 Quarter Average Rate Base

YANKEE GAS SERVICES
Rate of Return on Common Equity
Cost of Capital Method
June 30, 2015
(Thousands of Dollars)

	<u>Amount</u> <u>5-Q Average</u>	<u>Capitalization</u> <u>Ratios</u> <u>5-Q Average</u>	
Short-Term Debt NOTE (a)	-	0.00%	
Long-Term Debt	366,585	46.03%	
Common Equity	<u>429,768</u>	<u>53.97%</u>	
Total	<u><u>796,353</u></u>	<u><u>100.00%</u></u>	
	<u>Embedded</u>	<u>Average</u>	<u>Weighted</u>
	<u>Cost</u>	<u>Capitalization</u>	<u>Cost</u>
	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
Short-Term Debt	0.00%	0.00%	0.00%
Long-Term Debt	5.90%	46.03%	<u>2.72%</u>
Weighted Costs			<u><u>2.72%</u></u>
Rate of Return on Rate Base			8.29%
Less: Weighted Costs			<u>2.72%</u>
Common Equity Component			5.57%
Percentage of Common Equity to Total Capitalization			<u>53.97%</u>
Return on Common Equity			<u><u>10.32%</u></u>

Notes:

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

YANKEE GAS SERVICES
Return on Equity Reflecting Adjustments For
Retained Interruptible, ILEP, Capacity Release and Off-System Sales Margins and Weather Normalization
June 30, 2015

<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>
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%	10.13%	-0.30%	9.83%
March 2015	8.83%	10.06%	0.02%	10.04%	-0.99%	9.05%
June 2015	8.83%	10.32%	0.02% (b)	10.30%	-0.99%	9.31%

Notes:

(a) Per the Final Decision to the YGS Rate Case in Docket No. 10-12-02.

(b) Reflects margins associated with the Interruptible Line Extension Policy (ILEP).