

YANKEE GAS SERVICES, DBA EVERSOURCE
INCOME STATEMENT
12 MONTHS ENDED March 31, 2019
(Whole Dollars & Sales MMCF)

	REVENUES AND INCOME	SALES MMCF	AVERAGE NUMBER of CUSTOMERS
SALES OF GAS:			
RESIDENTIAL SERVICE	260,390,018	16,746	207,348
COMMERCIAL FIRM SERVICE	197,749,652	23,000	26,020
INDUSTRIAL FIRM SERVICE	69,919,827	15,059	1,591
SEASONAL SERVICE	-	-	18
INTERRUPTIBLE SERVICE	7,710,466	3,883	10
SALES FOR RESALE	<u>4,926,527</u>	<u> </u>	<u> </u>
TOTAL SALES OF GAS	540,696,490	58,688	234,987
OTHER GAS REVENUES	1,854,339	-	-
TOTAL GAS REVENUES	<u>542,550,829</u>	<u>58,688</u>	<u>234,987</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	357,086,212		
DEPRECIATION EXPENSE	38,053,826		
TAXES OTHER THAN INCOME	55,982,000		
INCOME TAXES	28,204,015		
INCOME TAXES DEFERRED - NET	(9,541,933)		
INVESTMENT TAX CREDIT	(120,780)		
AMORTIZATION OF REGULATORY ASSETS	(20,330,283)		
DISPOSITION OF UTILITY PLANT	<u>-</u>		
TOTAL OPERATING EXPENSES	<u>449,333,057</u>		
OPERATING INCOME	93,217,772		
OTHER INCOME AND DEDUCTIONS -NET AFUDC	4,028,437		
	<u>-</u>		
TOTAL INCOME	97,246,209		
INTEREST ON LONG-TERM DEBT	25,488,653		
AMORT. DEBT DISC.,PREM & EXPENSE	279,363		
OTHER INTEREST EXPENSE	(414,744)		
AFUDC - CREDIT	<u>(1,465,322)</u>		
NET INTEREST CHARGES	<u>23,887,950</u>		
INCOME BEFORE PREFERRED DIVIDENDS	73,358,259		
PREFERRED DIVIDENDS	<u>-</u>		
BALANCE FOR COMMON	<u>73,358,259</u>		

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Rate of Return on Rate Base
March 31, 2019
(Thousands of Dollars)

	Average *
Total Utility Plant In Service	1,899,653
Less: Reserve for Depreciation	468,029
Net Utility Plant	1,431,624
Plus:	
Materials & Supplies, ex. fuel	3,058
Fuel Reserve (13 Month Average)	17,352
Working Capital Allowance	(2,061)
Prepayments	1,225
Regulatory Asset - FAS 109	(133,919)
Regulatory Assets, Net of Tax**	3,441
Less:	
Accumulated Provision for Deferred Income Tax	340,260
Regulatory Liability - FAS 109	(133,919)
Reserves, Net of Tax	11,813
Customer Advances for Construction	86
Customer Deposits	4,266
Rate Base	1,098,214
Operating Income	93,218
Rate of Return	8.49

* 5 Quarter Average Rate Base

**Includes Deferred Hardship Charges

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Rate of Return on Common Equity
Cost of Capital Method
March 31, 2019
(Thousands of Dollars)

	<u>Amount</u>	<u>Capitalization</u>
	<u>5-Q Average</u>	<u>5-Q Average</u>
Short-Term Debt NOTE (a)	-	0.00%
Long-Term Debt	507,439	45.76%
Common Equity	<u>601,471</u>	<u>54.24%</u>
Total	<u><u>1,108,910</u></u>	<u><u>100.00%</u></u>
	<u>Average</u>	
	<u>Embedded</u>	<u>Weighted</u>
	<u>Cost</u>	<u>Cost</u>
Short-Term Debt	0.00%	0.00%
Long-Term Debt	4.74%	<u>2.17%</u>
Weighted Costs		<u><u>2.17%</u></u>
Rate of Return on Rate Base		8.49%
Less: Weighted Costs		<u>2.17%</u>
Common Equity Component		6.32%
Percentage of Common Equity to Total Capitalization		<u>54.24%</u>
Return on Common Equity		<u><u>11.652% NOTE (b)</u></u>

Notes:

- (a) Beginning with the 3/31/05 Filing Short-Term Debt will no longer be included in the YGS capitalization.
- (b) Removing the impact of the recovery of the revenue requirement on 2018 DIMP additions as per the approved settlement agreement in Docket No. 18-05-10 reduces the ROE to 11.320%.

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Return on Equity Reflecting Adjustments For
Retained Interruptible, Capacity Release, Off-System Sales Margins, ILEP and Weather Normalization
March 31, 2019

<u>Month</u>	<u>Allowed Return on Equity</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>
March 2018	8.83% (a)	8.37%	0.02% (b)	8.35%	-0.30%	8.05%
June 2018	8.83% (a)	8.89%	0.02% (b)	8.87%	0.02%	8.89%
September 2018	8.83% (a)	7.80%	0.02% (b)	7.78%	0.04%	7.82%
December 2018	9.47% (c)	9.47%	0.02% (b)	9.45%	0.19%	9.63%
March 2019	9.425% (c)	11.652% (d)	0.018% (b)	11.634%	0.476%	12.110%

Notes:

- (a) Per the Final Decision to the YGS Rate Case in Docket No. 10-12-02. Subsequently, Docket Nos. 14-08-10 and 15-02-46 established an earnings sharing mechanism such that Yankee Gas Services Company and its customers will share equally 50%-50% any earnings above an actual return on equity that exceeds 9.50% in a 12-month period.
- (b) Reflects margins associated with the Interruptible Line Extension Policy (ILEP).
- (c) Per the Final Decision to YGS Rate Case in Docket No. 18-05-10, the earnings sharing mechanism for 2018 used a blended ROE of 9.30% and 9.50% for an overall 2018 ROE before earning sharing of 9.474%. Using the same methodology for the first Quarter ROE, the company used an overall blended ROE of 9.425% calculated as follows:

<u>Date</u>	<u>ROE Before ESM</u>
Current through November 14, 2018	9.500%
November 15, 2018 through March 31, 2019	9.300%
Overall 2018 ROE before ESM (Line 11 * 228/365 days) + (Line 12 * 137/365 days)	9.425%

- (d) Removing the impact of the recovery of the revenue requirement on 2018 DIMP additions as per the approved settlement agreement in Docket No. 18-05-10 reduces the ROE to 11.320%.