

YANKEE GAS SERVICES, DBA EVERSOURCE
 INCOME STATEMENT
 12 MONTHS ENDED June 30, 2019
 (Whole Dollars & Sales MMCF)

	<u>REVENUES AND INCOME</u>	<u>SALES MMCF</u>	<u>AVERAGE NUMBER of CUSTOMERS</u>
SALES OF GAS:			
RESIDENTIAL SERVICE	263,604,863	16,622	208,274
COMMERCIAL FIRM SERVICE	200,251,055	22,657	26,208
INDUSTRIAL FIRM SERVICE	70,176,915	14,714	1,600
SEASONAL SERVICE	-	-	21
INTERRUPTIBLE SERVICE	7,884,900	3,826	7
SALES FOR RESALE	4,532,924		
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TOTAL SALES OF GAS	546,450,657	57,819	236,110
OTHER GAS REVENUES	5,090,013	-	0
TOTAL GAS REVENUES	<u>551,540,670</u>	<u>57,819</u>	<u>236,110</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	369,473,261		
DEPRECIATION EXPENSE	39,161,639		
TAXES OTHER THAN INCOME	57,164,350		
INCOME TAXES	25,551,820		
INCOME TAXES DEFERRED - NET	(10,667,887)		
INVESTMENT TAX CREDIT	(117,528)		
AMORTIZATION OF REGULATORY ASSETS	(14,274,907)		
DISPOSITION OF UTILITY PLANT	-		
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TOTAL OPERATING EXPENSES	<u>466,290,748</u>		
OPERATING INCOME	85,249,922		
OTHER INCOME AND DEDUCTIONS -NET AFUDC	2,165,574		
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TOTAL INCOME	87,415,496		
INTEREST ON LONG-TERM DEBT	25,253,107		
AMORT. DEBT DISC.,PREM & EXPENSE	263,996		
OTHER INTEREST EXPENSE	(283,903)		
AFUDC - CREDIT	(1,624,055)		
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NET INTEREST CHARGES	<u>23,609,145</u>		
INCOME BEFORE PREFERRED DIVIDENDS	63,806,351		
PREFERRED DIVIDENDS	<hr/>		
BALANCE FOR COMMON	<u>63,806,351</u>		

Exhibit 1(B) Docket 76-03-07

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Rate of Return on Rate Base
June 30, 2019
(Thousands of Dollars)

	<u>Average *</u>
Total Utility Plant In Service	1,938,506
Less: Reserve for Depreciation	470,488
Net Utility Plant	<u>1,468,018</u>
Plus:	
Materials & Supplies, ex. fuel	3,063
Fuel Reserve (13 Month Average)	17,775
Working Capital Allowance	324
Prepayments	1,334
Regulatory Assets - FAS 109	(130,442)
Regulatory Assets, Net of Tax**	2,456
Less:	
Accumulated Provision for Deferred Income Tax	341,473
Regulatory Liability - FAS 109	(130,442)
Reserves, Net of Tax	12,591
Customer Advances for Construction	72
Customer Deposits	4,168
Rate Base	<u>1,134,666</u>
Operating Income	<u>85,250</u>
Rate of Return	<u>7.51</u>

* 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
June 30, 2019
(Thousands of Dollars)

	<u>Amount</u>	<u>Capitalization</u>
	<u>5-Q Average</u>	<u>Ratios</u>
		<u>5-Q Average</u>
Short-Term Debt NOTE (a)	-	0.00%
Long-Term Debt	497,478	44.98%
Common Equity	<u>608,399</u>	<u>55.02%</u>
Total	<u><u>1,105,877</u></u>	<u><u>100.00%</u></u>
	Average	
	<u>Embedded</u>	<u>Capitalization</u>
	<u>Cost</u>	<u>Ratio</u>
		<u>Weighted</u>
		<u>Cost</u>
Short-Term Debt	0.00%	0.00%
Long-Term Debt	4.58%	44.98%
Weighted Costs		<u><u>2.06%</u></u>
Rate of Return on Rate Base		7.51%
Less: Weighted Costs		<u>2.06%</u>
Common Equity Component		5.45%
Percentage of Common Equity to Total Capitalization		<u>55.02%</u>
Return on Common Equity		<u><u>9.905%</u></u> NOTE (b)

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 9.597%.

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Return on Equity Reflecting Adjustments For
Retained Interruptible, Capacity Release, Off-System Sales Margins, ILEP and Weather Normalization
June 30, 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>
June 2018	(a) 8.83%	8.89%	0.02% (b)	8.87%	0.02%	8.89%
September 2018	(a) 8.83%	7.80%	0.02% (b)	7.78%	0.04%	7.82%
December 2018	(c) 9.474%	9.468%	0.021% (b)	9.447%	0.186%	9.633%
March 2019	(c) 9.425%	11.652%	0.018% (b)	11.634%	0.476%	12.110%
June 2019	(c) 9.376%	9.905% (d)	0.015% (b)	9.890%	0.169%	10.059%

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 subsequent Quarters' ROEs, the company calculated the following blended ROE:

<u>March 31, 2019</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 (9.50% * 228/365 days) + (9.30% * 137/365 days)	<u>9.425%</u>
<u>June 30, 2019</u>	<u>ROE Before ESM</u>
Current through November 14, 2018	9.500%
November 15, 2018 through June 30, 2019	9.300%
Overall 2018 ROE before ESM (9.50% * 138/365 days) + (9.30% * 227/365 days)	<u>9.376%</u>

- (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 9.597%.