

YANKEE GAS SERVICES, DBA EVERSOURCE
INCOME STATEMENT
12 MONTHS ENDED December 31, 2018
(Whole Dollars & Sales MMCF)

	REVENUES AND INCOME	SALES MMCF	AVERAGE NUMBER of CUSTOMERS
SALES OF GAS:			
RESIDENTIAL SERVICE	\$ 247,533,143	16,253	206,485
COMMERCIAL FIRM SERVICE	188,219,088	22,590	25,723
INDUSTRIAL FIRM SERVICE	68,180,159	15,139	1,566
SEASONAL SERVICE	-	-	23
INTERRUPTIBLE SERVICE	7,542,281	3,798	5
SALES FOR RESALE	<u>5,997,947</u>	<u> </u>	<u> </u>
TOTAL SALES OF GAS	517,472,618	57,780	233,802
OTHER GAS REVENUES	(1,111,090)	-	-
TOTAL GAS REVENUES	<u>516,361,528</u>	<u>57,780</u>	<u>233,802</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	336,773,193		
DEPRECIATION EXPENSE	37,245,139		
TAXES OTHER THAN INCOME	53,377,554		
INCOME TAXES	19,151,008		
INCOME TAXES DEFERRED - NET	(4,366,480)		
INVESTMENT TAX CREDIT	(124,032)		
AMORTIZATION OF REGULATORY ASSETS	(3,733,583)		
DISPOSITION OF UTILITY PLANT	<u>-</u>		
TOTAL OPERATING EXPENSES	<u>438,322,799</u>		
OPERATING INCOME	78,038,729		
OTHER INCOME AND DEDUCTIONS -NET AFUDC	1,868,829		
	<u>-</u>		
TOTAL INCOME	79,907,558		
INTEREST ON LONG-TERM DEBT	25,564,172		
AMORT. DEBT DISC.,PREM & EXPENSE	294,760		
OTHER INTEREST EXPENSE	(413,027)		
AFUDC - CREDIT	<u>(1,385,001)</u>		
NET INTEREST CHARGES	<u>24,060,904</u>		
INCOME BEFORE PREFERRED DIVIDENDS	55,846,654		
PREFERRED DIVIDENDS	<u>-</u>		
BALANCE FOR COMMON	<u>\$ 55,846,654</u>		

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Rate of Return on Rate Base
December 31, 2018
(Thousands of Dollars)

	Average *
Total Utility Plant In Service	1,863,940
Less: Reserve for Depreciation	465,491
Net Utility Plant	1,398,449
Plus:	
Materials & Supplies, ex. fuel	3,023
Fuel Reserve (13 Month Average)	17,237
Working Capital Allowance	(4,214)
Prepayments	1,112
Regulatory Asset - FAS 109	(137,113)
Regulatory Assets, Net of Tax**	4,472
Less:	
Accumulated Provision for Deferred Income Tax	340,165
Regulatory Liability - FAS 109	(137,113)
Reserves, Net of Tax	10,497
Customer Advances for Construction	100
Customer Deposits	4,335
Rate Base	1,064,982
Operating Income	78,039
Rate of Return	7.33

* 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
December 31, 2018
(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	-		0.00%	
Long-Term Debt	517,392		46.77%	
Common Equity	<u>588,781</u>		<u>53.23%</u>	
Total	<u><u>1,106,173</u></u>		<u><u>100.00%</u></u>	
	<u>Average</u>			
	<u>Embedded</u>	<u>Capitalization</u>	<u>Weighted</u>	
	<u>Cost</u>	<u>Ratio</u>	<u>Cost</u>	
Short-Term Debt	0.00%	0.00%	0.00%	
Long-Term Debt	4.89%	46.77%	<u>2.29%</u>	
Weighted Costs			<u><u>2.29%</u></u>	
Rate of Return on Rate Base			7.33%	
Less: Weighted Costs			<u>2.29%</u>	
Common Equity Component			5.04%	
Percentage of Common Equity to Total Capitalization			<u>53.23%</u>	
Return on Common Equity			<u><u>9.468%</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 9.130%.

YANKEE GAS SERVICES, DBA EVERSOURCE ENERGY
Return on Equity Reflecting Adjustments For
Retained Interruptible, Capacity Release, Off-System Sales Margins, ILEP and Weather Normalization
December 31, 2018

<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>
December 2017	8.83% (a)	7.41%	0.03% (b)	7.38%	-0.40%	6.98%
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	9.474% (c)	9.468% (d)	0.021% (b)	9.447%	0.186%	9.633%

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% calculated as follows:

<u>Date</u>	<u>ROE Before ESM</u>
Current through November 14, 2018	9.500%
November 15, 2018 through December 31, 2018	9.300%
Overall 2018 ROE before ESM (Line 11 * 318/365 days) + (Line 12 * 47/365 days)	<u>9.474%</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 9.130%.