

YANKEE GAS SERVICES, DBA EVERSOURCE
 INCOME STATEMENT
 12 MONTHS ENDED December 31, 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	265,528,350	16,740	210,142
COMMERCIAL FIRM SERVICE	201,480,211	22,611	26,483
INDUSTRIAL FIRM SERVICE	69,946,422	14,570	1,599
SEASONAL SERVICE	-	-	21
INTERRUPTIBLE SERVICE	7,746,654	3,621	5
SALES FOR RESALE	3,515,662		
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TOTAL SALES OF GAS	548,217,299	57,542	238,250
OTHER GAS REVENUES	12,514,593	-	-
TOTAL GAS REVENUES	<u>560,731,892</u>	<u>57,542</u>	<u>238,250</u>
OPERATING EXPENSES:			
OPERATION & MAINTENANCE EXPENSE	370,052,755		
DEPRECIATION EXPENSE	41,600,837		
TAXES OTHER THAN INCOME	57,940,643		
INCOME TAXES	12,291,758		
INCOME TAXES DEFERRED - NET	837,567		
INVESTMENT TAX CREDIT	(111,024)		
AMORTIZATION OF REGULATORY ASSETS	(4,126,760)		
DISPOSITION OF UTILITY PLANT	-		
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TOTAL OPERATING EXPENSES	<u>478,485,776</u>		
OPERATING INCOME	82,246,116		
OTHER INCOME AND DEDUCTIONS -NET AFUDC	436,954		
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TOTAL INCOME	82,683,070		
INTEREST ON LONG-TERM DEBT	25,997,143		
AMORT. DEBT DISC.,PREM & EXPENSE	250,142		
OTHER INTEREST EXPENSE	144,106		
AFUDC - CREDIT	(1,669,801)		
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NET INTEREST CHARGES	<u>24,721,590</u>		
INCOME BEFORE PREFERRED DIVIDENDS	57,961,480		
PREFERRED DIVIDENDS	-		
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BALANCE FOR COMMON	<u>57,961,480</u>		

Exhibit 1(B) Docket 76-03-07

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

	<u>Average *</u>
Total Utility Plant In Service	\$ 2,034,488
Less: Reserve for Depreciation	474,306
Net Utility Plant	<u>1,560,182</u>
Plus:	
Materials & Supplies, ex. fuel	3,039
Fuel Reserve (13 Month Average)	17,424
Working Capital Allowance	4,114
Prepayments	1,315
Regulatory Assets - FAS 109	(124,709)
Regulatory Assets, Net of Tax**	510
Less:	
Accumulated Provision for Deferred Income Tax	343,256
Regulatory Liability - FAS 109	(124,709)
Reserves, Net of Tax	14,161
Customer Advances for Construction	57
Customer Deposits	4,264
Rate Base	<u>\$ 1,224,846</u>
Operating Income	<u>\$ 82,246</u>
Rate of Return	<u>6.71%</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
December 31, 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	-	0.00%
Long-Term Debt	537,363	46.02%
Common Equity	630,293	53.98%
Total	<u>1,167,656</u>	<u>100.00%</u>
	Embedded	Average
	Cost	Capitalization
		Ratio
		Weighted
		Cost
Short-Term Debt	0.00%	0.00%
Long-Term Debt	4.18%	46.02%
Weighted Costs		<u>1.92%</u>
Rate of Return on Rate Base		6.71%
Less: Weighted Costs		<u>1.92%</u>
Common Equity Component		4.79%
Percentage of Common Equity to Total Capitalization		<u>53.98%</u>
Return on Common Equity		<u>8.87%</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, DBA EVERSOURCE ENERGY
Return on Equity Reflecting Adjustments For
Retained Interruptible, Capacity Release, Off-System Sales Margins, ILEP and Weather Normalization
December 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>
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%	0.015% (b)	9.890%	0.169%	10.059%
September 2019	(c) 9.325%	9.957%	0.011% (b)	9.946%	0.137%	10.083%
December 2019	(a) 9.30%	8.87%	0.01% (b)	8.86%	-0.08%	8.78%

Notes:

- (a) Per the Final Decision to the YGS Rate Case Docket No. 18-05-10 established an earnings sharing mechanism for calendar year 2019 and thereafter until the Company's next Rate Case such that Yankee Gas Services Company and its customers will share equally 50%-50% any earnings above an actual return on equity that exceeds 9.30% 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 3/31/2019 ROE before ESM	
$(9.50\% * 228/365 \text{ days}) + (9.30\% * 137/365 \text{ days})$	<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 6/30/2019 ROE before ESM	
$(9.50\% * 138/365 \text{ days}) + (9.30\% * 227/365 \text{ days})$	<u>9.376%</u>
<u>September 30, 2019</u>	<u>ROE Before ESM</u>
Current through November 14, 2018	9.500%
November 15, 2018 through September 30, 2019	9.300%
Overall 9/30/2019 ROE before ESM	
$(9.50\% * 45/365 \text{ days}) + (9.30\% * 320/365 \text{ days})$	<u>9.325%</u>