

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2016	December 31, 2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,911	\$ -
Receivables, Net	56,785	37,522
Accounts Receivable from Affiliated Companies	38,188	3,446
Unbilled Revenues	8,015	9,978
Taxes Receivable	30	16,566
Fuel, Materials and Supplies	21,738	33,733
Regulatory Assets	15,265	14,365
Prepayments	7,678	7,405
Total Current Assets	<u>149,610</u>	<u>123,015</u>
Property, Plant and Equipment, Net	<u>1,235,799</u>	<u>1,225,549</u>
Deferred Debits and Other Assets:		
Regulatory Assets	127,327	129,825
Goodwill	287,591	287,591
Other Long-Term Assets	4,519	4,593
Total Deferred Debits and Other Assets	<u>419,437</u>	<u>422,009</u>
Total Assets	<u>\$ 1,804,846</u>	<u>\$ 1,770,573</u>
<u>LIABILITIES AND CAPITALIZATION</u>		
Current Liabilities:		
Notes Payable to Eversource Parent	\$ -	\$ 25,900
Accounts Payable	26,227	37,288
Accounts Payable to Affiliated Companies	17,534	13,256
Accrued Taxes	7,455	4,080
Accrued Interest	7,883	7,788
Regulatory Liabilities	5,900	1,912
Security Deposits	3,884	3,947
Other Current Liabilities	4,581	6,277
Total Current Liabilities	<u>73,464</u>	<u>100,448</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	315,367	303,270
Regulatory Liabilities	50,920	49,899
Accrued Pension, SERP and PBOP	72,709	72,480
Other Long-Term Liabilities	37,298	45,278
Total Deferred Credits and Other Liabilities	<u>476,294</u>	<u>470,927</u>
Capitalization:		
Long-Term Debt	<u>443,777</u>	<u>443,746</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	707,169	667,169
Retained Earnings	105,063	89,238
Accumulated Other Comprehensive Loss	(926)	(960)
Common Stockholder's Equity	<u>811,311</u>	<u>755,452</u>
Total Capitalization	<u>1,255,088</u>	<u>1,199,198</u>
Total Liabilities and Capitalization	<u>\$ 1,804,846</u>	<u>\$ 1,770,573</u>

Note: In the opinion of the Company, all adjustments for a fair presentation of financial position for the periods shown have been made.

YANKEE GAS SERVICES COMPANY
 STATEMENTS OF INCOME
 (Unaudited)

(Thousands of Dollars)	For the Three Months Ended March 31,	
	2016	2015
Operating Revenues	\$ 154,613	\$ 221,957
Operating Expenses:		
Cost of Natural Gas	58,188	106,695
Operations and Maintenance	23,859	27,681
Depreciation	8,426	8,206
Amortization of Regulatory Assets, Net	1,776	600
Energy Efficiency Programs	7,250	9,682
Taxes Other Than Income Taxes	13,745	16,613
Total Operating Expenses	<u>113,244</u>	<u>169,477</u>
Operating Income	41,369	52,480
Interest Expense	6,020	5,988
Other Loss, Net	<u>(212)</u>	<u>(136)</u>
Income Before Income Tax Expense	35,137	46,356
Income Tax Expense	<u>12,911</u>	<u>17,760</u>
Net Income	<u>\$ 22,226</u>	<u>\$ 28,596</u>

Note: In the opinion of the Company, all adjustments for a fair presentation of financial position for the periods shown have been made.

STATEMENTS OF COMPREHENSIVE INCOME

Net Income	\$ 22,226	\$ 28,596
Other Comprehensive Income, Net of Tax:		
Qualified Cash Flow Hedging Instruments	23	23
Changes in Funded Status of SERP Benefit Plan	11	12
Other Comprehensive Income, Net of Tax	<u>34</u>	<u>35</u>
Comprehensive Income	<u>\$ 22,260</u>	<u>\$ 28,631</u>

Note: In the opinion of the Company, all adjustments for a fair presentation of financial position for the periods shown have been made.

YANKEE GAS SERVICES COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands of Dollars)	For the Three Months Ended March 31,	
	2016	2015
Operating Activities:		
Net Income	\$ 22,226	\$ 28,596
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	8,426	8,206
Deferred Income Taxes	2,887	8,154
Pension, SERP and PBOP Expense	884	1,777
Pension and PBOP Contributions	-	(6,628)
Regulatory Overrecoveries, Net	5,607	20,875
Amortization of Regulatory Assets, Net	1,776	600
Other	(222)	2,092
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(54,661)	(36,428)
Fuel, Materials and Supplies	11,995	31,127
Taxes Receivable/Accrued, Net	20,666	16,824
Accounts Payable	3,084	3,608
Other Current Assets and Liabilities, Net	(1,936)	(254)
Net Cash Flows Provided by Operating Activities	<u>20,732</u>	<u>78,549</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(26,517)	(18,465)
Other Investing Activities	-	106
Net Cash Flows Used in Investing Activities	<u>(26,517)</u>	<u>(18,359)</u>
Financing Activities:		
Cash Dividends on Common Stock	(6,400)	(6,000)
Decrease in Notes Payable to Eversource Parent	(25,900)	(50,800)
Capital Contributions from Parent	40,000	-
Other Financing Activities	(4)	(39)
Net Cash Flows Provided by/(Used in) Financing Activities	<u>7,696</u>	<u>(56,839)</u>
Net Increase in Cash	1,911	3,351
Cash - Beginning of Period	-	1,007
Cash - End of Period	<u>\$ 1,911</u>	<u>\$ 4,358</u>

Note: In the opinion of the Company, all adjustments for a fair presentation of financial position for the periods shown have been made.