

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash	\$ 148	\$ 2,023
Receivables, Net	23,167	34,076
Accounts Receivable from Affiliated Companies	110	625
Notes Receivable from Affiliated Companies	3,700	-
Unbilled Revenues	3,020	21,923
Fuel, Materials and Supplies	56,360	73,477
Accumulated Deferred Income Taxes	8,020	7,919
Prepayments and Other Current Assets	15,391	2,395
Total Current Assets	<u>109,916</u>	<u>142,438</u>
Property, Plant and Equipment, Net	<u>822,773</u>	<u>804,891</u>
Deferred Debits and Other Assets:		
Regulatory Assets	140,764	132,835
Goodwill	287,591	287,591
Other Long-Term Assets	9,790	9,910
Total Deferred Debits and Other Assets	<u>438,145</u>	<u>430,336</u>
Total Assets	<u>\$ 1,370,834</u>	<u>\$ 1,377,665</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
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 30, 2010	December 31, 2009
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ -	\$ 53,000
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	25,180	29,101
Accounts Payable to Affiliated Companies	7,506	9,733
Accrued Taxes	8,266	11,120
Accrued Interest	11,812	11,001
Other Current Liabilities	6,405	9,595
Total Current Liabilities	<u>63,455</u>	<u>127,836</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	161,935	155,982
Accumulated Deferred Investment Tax Credits	3,892	4,080
Regulatory Liabilities	69,451	72,573
Accrued Pension	51,579	48,150
Other Long-Term Liabilities	50,802	45,343
Total Deferred Credits and Other Liabilities	<u>337,659</u>	<u>326,128</u>
Capitalization:		
Long-Term Debt	<u>350,331</u>	<u>304,651</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	576,918	576,869
Retained Earnings	43,672	43,429
Accumulated Other Comprehensive Loss	(1,206)	(1,253)
Common Stockholder's Equity	<u>619,389</u>	<u>619,050</u>
Total Capitalization	<u>969,720</u>	<u>923,701</u>
Total Liabilities and Capitalization	<u>\$ 1,370,834</u>	<u>\$ 1,377,665</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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating Revenues	<u>\$ 73,527</u>	<u>\$ 70,186</u>	<u>\$ 245,227</u>	<u>\$ 271,974</u>
Operating Expenses:				
Cost of Natural Gas	30,451	27,460	122,484	147,199
Other Operating Expenses	22,788	23,369	47,022	46,750
Maintenance	2,956	2,646	6,163	5,788
Depreciation	6,410	6,627	12,758	13,231
Amortization of Regulatory Assets/(Liabilities), Net	601	96	(2,133)	164
Taxes Other Than Income Taxes	5,809	4,461	16,069	15,892
Total Operating Expenses	<u>69,015</u>	<u>64,659</u>	<u>202,363</u>	<u>229,024</u>
Operating Income	4,512	5,527	42,864	42,950
Interest Expense:				
Interest on Long-Term Debt	5,050	4,737	9,745	10,249
Other Interest	408	215	600	1,073
Interest Expense	<u>5,458</u>	<u>4,952</u>	<u>10,345</u>	<u>11,322</u>
Other Income, Net	73	141	94	177
(Loss)/Income Before Income Tax (Benefit)/Expense	(873)	716	32,613	31,805
Income Tax (Benefit)/Expense	(340)	134	13,570	11,964
Net (Loss)/Income	<u>\$ (533)</u>	<u>\$ 582</u>	<u>\$ 19,043</u>	<u>\$ 19,841</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
STATEMENT OF RETAINED EARNINGS
(Unaudited)

Six Months Ended
June 30, 2010

(Thousands of Dollars)

Balance at Beginning of Period	\$	43,429
Additions:		
Net Income		19,043
Deductions:		
Dividends on Common Stock		18,800
Balance at End of Period	\$	<u>43,672</u>

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

YANKEE GAS SERVICES COMPANY
 STATEMENTS OF CASH FLOWS
 (Unaudited)

(Thousands of Dollars)	Six Months Ended June 30,	
	2010	2009
Operating Activities:		
Net Income	\$ 19,043	\$ 19,841
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	4,095	5,987
Depreciation	12,758	13,231
Deferred Income Taxes	4,465	5,404
Pension and PBOP Expense, Net of PBOP Contributions	2,435	1,753
Regulatory Overrecoveries, Net	1,073	1,219
Amortization of Regulatory (Liabilities)/Assets, Net	(2,133)	164
Other	(1,740)	(1,936)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	24,034	53,551
Fuel, Materials and Supplies	17,117	35,498
Taxes Receivable/(Accrued)	(16,789)	(18,537)
Accounts Payable	(6,882)	(11,699)
Other Current Assets and Liabilities	(1,308)	(2,790)
Net Cash Flows Provided by Operating Activities	<u>56,168</u>	<u>101,686</u>
Investing Activities:		
Investments in Property and Plant	(27,966)	(25,458)
Increase in NU Money Pool Lending	(3,700)	-
Net Cash Flows Used in Investing Activities	<u>(31,666)</u>	<u>(25,458)</u>
Financing Activities:		
Cash Dividends on Common Shares	(18,800)	(19,067)
Decrease in Short-Term Debt	-	(27,000)
Issuance of Long-Term Debt	50,000	-
Repayments of Long-Term Debt	(4,286)	(54,286)
(Decrease)/Increase in NU Money Pool Borrowings	(53,000)	24,900
Other Financing Activities	(291)	(15)
Net Cash Flows Used in Financing Activities	<u>(26,377)</u>	<u>(75,468)</u>
Net (Decrease)/Increase in Cash	(1,875)	760
Cash - Beginning of Period	2,023	-
Cash - End of Period	<u>\$ 148</u>	<u>\$ 760</u>

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