

YANKEE GAS SERVICES COMPANY  
BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	September 30, 2010	December 31, 2009
<u>ASSETS</u>		
Current Assets:		
Cash	\$ -	\$ 2,023
Receivables, Net	15,056	34,076
Accounts Receivable from Affiliated Companies	197	625
Notes Receivable from Affiliated Companies	3,300	-
Unbilled Revenues	3,505	21,923
Fuel, Materials and Supplies	71,223	73,477
Accumulated Deferred Income Taxes	9,425	7,919
Prepayments and Other Current Assets	18,658	2,395
Total Current Assets	<u>121,364</u>	<u>142,438</u>
Property, Plant and Equipment, Net	<u>846,544</u>	<u>804,891</u>
Deferred Debits and Other Assets:		
Regulatory Assets	138,954	132,835
Goodwill	287,591	287,591
Other Long-Term Assets	10,276	9,910
Total Deferred Debits and Other Assets	<u>436,821</u>	<u>430,336</u>
Total Assets	<u>\$ 1,404,729</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)	September 30, 2010	December 31, 2009
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ -	\$ 53,000
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	28,472	29,101
Accounts Payable to Affiliated Companies	6,474	9,733
Accrued Taxes	8,629	11,120
Accrued Interest	13,128	11,001
Other Current Liabilities	14,145	9,595
Total Current Liabilities	<u>75,134</u>	<u>127,836</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	173,498	155,982
Accumulated Deferred Investment Tax Credits	3,797	4,080
Regulatory Liabilities	63,806	72,573
Accrued Pension	52,237	48,150
Other Long-Term Liabilities	46,371	45,343
Total Deferred Credits and Other Liabilities	<u>339,709</u>	<u>326,128</u>
Capitalization:		
Long-Term Debt	<u>350,314</u>	<u>304,651</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	600,020	576,869
Retained Earnings	40,730	43,429
Accumulated Other Comprehensive Loss	(1,183)	(1,253)
Common Stockholder's Equity	<u>639,572</u>	<u>619,050</u>
Total Capitalization	<u>989,886</u>	<u>923,701</u>
Total Liabilities and Capitalization	<u>\$ 1,404,729</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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Operating Revenues	<u>\$ 59,641</u>	<u>\$ 60,526</u>	<u>\$ 304,867</u>	<u>\$ 332,500</u>
Operating Expenses:				
Cost of Natural Gas	23,077	23,858	145,561	171,057
Other Operating Expenses	20,991	24,010	68,013	70,760
Maintenance	3,001	2,828	9,164	8,616
Depreciation	6,467	6,681	19,225	19,912
Amortization of Regulatory Assets/(Liabilities), Net	96	(96)	(2,037)	68
Taxes Other Than Income Taxes	5,473	5,004	21,542	20,896
Total Operating Expenses	<u>59,105</u>	<u>62,285</u>	<u>261,468</u>	<u>291,309</u>
Operating Income/(Loss)	536	(1,759)	43,399	41,191
Interest Expense:				
Interest on Long-Term Debt	5,089	4,835	14,834	15,084
Other Interest	361	685	960	1,758
Interest Expense	5,450	5,520	15,794	16,842
Other Income, Net	292	87	386	264
(Loss)/Income Before Income Tax (Benefit)/Expense	(4,622)	(7,192)	27,991	24,613
Income Tax (Benefit)/Expense	(1,680)	(2,677)	11,890	9,287
Net (Loss)/Income	<u>\$ (2,942)</u>	<u>\$ (4,515)</u>	<u>\$ 16,101</u>	<u>\$ 15,326</u>

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YANKEE GAS SERVICES COMPANY  
STATEMENT OF RETAINED EARNINGS  
(Unaudited)

(Thousands of Dollars)	Nine Months Ended September 30, 2010	
Balance at Beginning of Period	\$	43,429
Additions:		
Net Income		16,101
Deductions:		
Dividends on Common Stock		18,800
Balance at End of Period	<u>\$</u>	<u>40,730</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)	Nine Months Ended September 30,	
	2010	2009
<b>Operating Activities:</b>		
Net Income	\$ 16,101	\$ 15,326
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	4,697	10,479
Depreciation	19,225	19,912
Deferred Income Taxes	12,821	6,543
Pension and PBOP Expense, Net of PBOP Contributions	3,699	2,689
Regulatory Underrecoveries, Net	(3,167)	(225)
Amortization of Regulatory (Liabilities)/Assets, Net	(2,037)	68
Other	(2,313)	(1,740)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	31,848	58,908
Fuel, Materials and Supplies	2,254	23,939
Taxes Receivable/(Accrued)	(14,883)	(10,277)
Accounts Payable	(8,786)	(17,687)
Other Current Assets and Liabilities	(2,081)	(3,011)
Net Cash Flows Provided by Operating Activities	<u>57,378</u>	<u>104,924</u>
<b>Investing Activities:</b>		
Investments in Property and Plant	(52,771)	(39,145)
Increase in NU Money Pool Lending	(3,300)	-
Net Cash Flows Used in Investing Activities	<u>(56,071)</u>	<u>(39,145)</u>
<b>Financing Activities:</b>		
Cash Dividends on Common Shares	(18,800)	(19,067)
Decrease in Short-Term Debt	-	(27,000)
Issuance of Long-Term Debt	50,000	-
Retirements of Long-Term Debt	(4,286)	(54,286)
(Decrease)/Increase in NU Money Pool Borrowings	(53,000)	32,100
Capital Contributions from NU Parent	23,054	2,622
Other Financing Activities	(298)	(22)
Net Cash Flows Used in Financing Activities	<u>(3,330)</u>	<u>(65,653)</u>
Net (Decrease)/Increase in Cash	(2,023)	126
Cash - Beginning of Period	2,023	-
Cash - End of Period	<u>\$ -</u>	<u>\$ 126</u>

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