

YANKEE GAS SERVICES COMPANY  
BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	June 30, 2011	December 31, 2010
<u>ASSETS</u>		
Current Assets:		
Cash	\$ -	\$ 309
Receivables, Net	26,117	38,951
Accounts Receivable from Affiliated Companies	235	303
Notes Receivable from Affiliated Companies	11,900	-
Unbilled Revenues	3,785	24,998
Taxes Receivable	14,013	9,001
Fuel, Materials and Supplies	45,754	58,704
Regulatory Assets	20,016	22,378
Prepayments and Other Current Assets	<u>2,722</u>	<u>2,837</u>
Total Current Assets	<u>124,542</u>	<u>157,481</u>
Property, Plant and Equipment, Net	<u>902,367</u>	<u>872,047</u>
Deferred Debits and Other Assets:		
Regulatory Assets	125,007	119,331
Goodwill	287,591	287,591
Other Long-Term Assets	<u>5,548</u>	<u>10,771</u>
Total Deferred Debits and Other Assets	<u>418,146</u>	<u>417,693</u>
Total Assets	<u>\$ 1,445,055</u>	<u>\$ 1,447,221</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, 2011	December 31, 2010
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ -	\$ 8,900
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	30,212	34,233
Accounts Payable to Affiliated Companies	7,848	8,750
Accrued Taxes	7,576	10,309
Accrued Interest	7,075	7,090
Regulatory Liabilities	11,139	7,364
Reserve for Environmental Remediation	3,139	6,300
Other Current Liabilities	9,872	12,621
Total Current Liabilities	<u>81,147</u>	<u>99,853</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	194,904	179,676
Accumulated Deferred Investment Tax Credits	3,514	3,703
Regulatory Liabilities	58,147	59,582
Accrued Pension	57,938	54,649
Other Long-Term Liabilities	46,232	42,113
Total Deferred Credits and Other Liabilities	<u>360,735</u>	<u>339,723</u>
Capitalization:		
Long-Term Debt	<u>345,966</u>	<u>350,297</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	615,837	601,212
Retained Earnings	42,801	57,291
Accumulated Other Comprehensive Loss	(1,436)	(1,160)
Common Stockholder's Equity	<u>657,207</u>	<u>657,348</u>
Total Capitalization	<u>1,003,173</u>	<u>1,007,645</u>
Total Liabilities and Capitalization	<u>\$ 1,445,055</u>	<u>\$ 1,447,221</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,	
	2011	2010	2011	2010
Operating Revenues	<u>\$ 78,368</u>	<u>\$ 73,527</u>	<u>\$ 258,563</u>	<u>\$ 245,227</u>
Operating Expenses:				
Cost of Natural Gas	30,161	30,451	122,097	122,484
Other Operating Expenses	26,102	22,788	53,135	47,022
Maintenance	2,842	2,956	6,308	6,163
Depreciation	6,939	6,410	13,660	12,758
Amortization of Regulatory (Liabilities)/Assets, Net	(705)	601	(608)	(2,133)
Taxes Other Than Income Taxes	6,623	5,809	17,653	16,069
Total Operating Expenses	<u>71,962</u>	<u>69,015</u>	<u>212,245</u>	<u>202,363</u>
Operating Income	<u>6,406</u>	<u>4,512</u>	<u>46,318</u>	<u>42,864</u>
Interest Expense:				
Interest on Long-Term Debt	4,934	5,050	9,946	9,745
Other Interest	256	408	433	600
Interest Expense	<u>5,190</u>	<u>5,458</u>	<u>10,379</u>	<u>10,345</u>
Other Income, Net	429	73	784	94
Income/(Loss) Before Income Tax Expense/(Benefit)	1,645	(873)	36,723	32,613
Income Tax Expense/(Benefit)	418	(340)	13,053	13,570
Net Income/(Loss)	<u>\$ 1,227</u>	<u>\$ (533)</u>	<u>\$ 23,670</u>	<u>\$ 19,043</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)

(Thousands of Dollars)	Six Months Ended June 30, 2011	
Balance at Beginning of Period	\$	57,291
Additions:		
Net income		23,670
Deductions:		
Dividends on Common Stock		38,160
Balance at End of Period	<u>\$</u>	<u>42,801</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,	
	2011	2010
Operating Activities:		
Net Income	\$ 23,670	\$ 19,043
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	1,959	4,095
Depreciation	13,660	12,758
Deferred Income Taxes	13,559	4,465
Pension and PBOP Expense, Net of PBOP Contributions	3,765	2,435
Regulatory Overrecoveries, Net	5,675	1,073
Amortization of Regulatory Liabilities, Net	(608)	(2,133)
Other	(2,748)	(1,740)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	31,327	24,034
Fuel, Materials and Supplies	12,949	17,117
Taxes Receivable/Accrued	(5,049)	(16,789)
Accounts Payable	(1,735)	(6,882)
Other Current Assets and Liabilities	(2,531)	(1,308)
Net Cash Flows Provided by Operating Activities	<u>93,893</u>	<u>56,168</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(45,440)	(27,966)
Increase in NU Money Pool Lending	<u>(11,900)</u>	<u>(3,700)</u>
Net Cash Flows Used in Investing Activities	<u>(57,340)</u>	<u>(31,666)</u>
Financing Activities:		
Cash Dividends on Common Stock	(38,160)	(18,800)
Issuance of Long-Term Debt	-	50,000
Retirements of Long-Term Debt	(4,286)	(4,286)
Decrease in NU Money Pool Borrowings	(8,900)	(53,000)
Capital Contributions from Parent	14,500	-
Other Financing Activities	<u>(16)</u>	<u>(291)</u>
Net Cash Flows Used in Financing Activities	<u>(36,862)</u>	<u>(26,377)</u>
Net Decrease in Cash	(309)	(1,875)
Cash - Beginning of Period	309	2,023
Cash - End of Period	<u>\$ -</u>	<u>\$ 148</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.