

YANKEE GAS SERVICES COMPANY  
BALANCE SHEETS  
(Unaudited)

(Thousands of Dollars)	June 30, 2014	December 31, 2013
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,578	\$ 1,038
Receivables, Net	39,918	51,506
Accounts Receivable from Affiliated Companies	583	683
Unbilled Revenues	1,688	21,200
Taxes Receivable	22,661	9
Fuel, Materials and Supplies	38,099	47,588
Regulatory Assets	13,338	12,650
Prepayments and Other Current Assets	3,311	6,646
Total Current Assets	<u>121,176</u>	<u>141,320</u>
Property, Plant and Equipment, Net	<u>1,106,228</u>	<u>1,080,592</u>
Deferred Debits and Other Assets:		
Regulatory Assets	109,152	110,837
Goodwill	287,591	287,591
Other Long-Term Assets	4,991	5,454
Total Deferred Debits and Other Assets	<u>401,734</u>	<u>403,882</u>
Total Assets	<u>\$ 1,629,138</u>	<u>\$ 1,625,794</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, 2014	December 31, 2013
<b>LIABILITIES AND CAPITALIZATION</b>		
Current Liabilities:		
Notes Payable to Affiliated Company	\$ 71,600	\$ 139,700
Accounts Payable	28,786	32,773
Accounts Payable to Affiliated Companies	7,354	9,418
Regulatory Liabilities	17,422	4,182
Other Current Liabilities	<u>18,063</u>	<u>28,800</u>
Total Current Liabilities	<u>143,225</u>	<u>214,873</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	270,976	236,069
Regulatory Liabilities	46,155	47,169
Accrued Pension, SERP and PBOP	73,187	77,678
Other Long-Term Liabilities	<u>29,594</u>	<u>42,494</u>
Total Deferred Credits and Other Liabilities	<u>419,912</u>	<u>403,410</u>
Capitalization:		
Long-Term Debt	<u>370,626</u>	<u>345,682</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	631,813	616,547
Retained Earnings	64,692	46,491
Accumulated Other Comprehensive Loss	<u>(1,135)</u>	<u>(1,214)</u>
Common Stockholder's Equity	<u>695,375</u>	<u>661,829</u>
Total Capitalization	<u>1,066,001</u>	<u>1,007,511</u>
Total Liabilities and Capitalization	<u>\$ 1,629,138</u>	<u>\$ 1,625,794</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,	
	2014	2013	2014	2013
Operating Revenues	\$ 106,561	\$ 75,095	\$ 319,191	\$ 236,983
Operating Expenses:				
Cost of Natural Gas	47,138	22,235	150,115	95,221
Operations and Maintenance	27,822	24,931	54,319	50,210
Depreciation	7,797	7,423	15,514	15,095
Amortization of Regulatory Assets/(Liabilities), Net	(23)	373	206	744
Energy Efficiency Programs	4,175	1,350	13,132	3,816
Taxes Other Than Income Taxes	10,101	7,817	24,864	18,919
Total Operating Expenses	97,010	64,129	258,150	184,005
Operating Income	9,551	10,966	61,041	52,978
Interest Expense:				
Interest on Long-Term Debt	5,355	5,047	10,720	10,101
Other Interest Expense	259	455	249	(528)
Interest Expense	5,614	5,502	10,969	9,573
Other Income/(Loss), Net	(16)	10	(95)	37
Income Before Income Tax Expense	3,921	5,474	49,977	43,442
Income Tax Expense	1,676	1,977	19,176	16,153
Net Income	\$ 2,245	\$ 3,497	\$ 30,801	\$ 27,289
STATEMENTS OF COMPREHENSIVE INCOME				
Net Income	\$ 2,245	\$ 3,497	\$ 30,801	\$ 27,289
Other Comprehensive Income, Net of Tax:				
Changes in Funded Status of SERP Benefit Plan	17	23	33	47
Other	23	24	46	47
Other Comprehensive Income, Net of Tax	40	47	79	94
Comprehensive Income	\$ 2,285	\$ 3,544	\$ 30,880	\$ 27,383

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YANKEE GAS SERVICES COMPANY  
STATEMENT OF RETAINED EARNINGS  
(Unaudited)

(Thousands of Dollars)	Six Months Ended June 30, 2014	
Balance at Beginning of Period	\$	46,491
Additions:		
Net Income		30,801
Deductions:		
Dividends on Common Stock		12,600
Balance at End of Period	<u>\$</u>	<u>64,692</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)	For the Six Months Ended June 30,	
	2014	2013
<b>Operating Activities:</b>		
Net Income	\$ 30,801	\$ 27,289
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	15,514	15,095
Deferred Income Taxes	12,363	14,224
Pension and PBOP Expense	3,723	5,493
Pension and PBOP Contributions	(4,752)	(476)
Regulatory Overrecoveries, Net	14,222	3,220
Amortization of Regulatory Assets, Net	206	744
Other	5,981	3,557
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	21,136	18,152
Fuel, Materials and Supplies	9,489	7,213
Taxes Receivable/Accrued, Net	(25,934)	(14,565)
Accounts Payable	(8,783)	(8,224)
Other Current Assets and Liabilities, Net	3,250	(1,880)
Net Cash Flows Provided by Operating Activities	<u>77,216</u>	<u>69,842</u>
<b>Investing Activities:</b>		
Investments in Property, Plant and Equipment	<u>(35,362)</u>	<u>(39,473)</u>
Net Cash Flows Used in Investing Activities	<u>(35,362)</u>	<u>(39,473)</u>
<b>Financing Activities:</b>		
Cash Dividends on Common Stock	(12,600)	(36,000)
Issuance of Long-Term Debt	100,000	-
Retirement of Long-Term Debt	(75,000)	-
(Decrease)/Increase in Notes Payable to Affiliated Company	(68,100)	3,000
Capital Contributions from Parent	15,000	-
Other Financing Activities	(614)	(79)
Net Cash Flows Used in Financing Activities	<u>(41,314)</u>	<u>(33,079)</u>
Net Increase/(Decrease) in Cash	540	(2,710)
Cash - Beginning of Period	1,038	2,710
Cash - End of Period	<u>\$ 1,578</u>	<u>\$ -</u>

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