

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2011	December 31, 2010
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 1,486	\$ 309
Receivables, Net	56,053	38,951
Accounts Receivable from Affiliated Companies	283	303
Notes Receivable from Affiliated Companies	7,300	-
Unbilled Revenues	14,487	24,998
Taxes Receivable	4,631	9,001
Fuel, Materials and Supplies	30,437	58,704
Regulatory Assets	15,933	22,378
Prepayments and Other Current Assets	4,456	2,837
Total Current Assets	<u>135,066</u>	<u>157,481</u>
Property, Plant and Equipment, Net	<u>882,283</u>	<u>872,047</u>
Deferred Debits and Other Assets:		
Regulatory Assets	121,856	119,331
Goodwill	287,591	287,591
Other Long-Term Assets	10,504	10,771
Total Deferred Debits and Other Assets	<u>419,951</u>	<u>417,693</u>
Total Assets	<u>\$ 1,437,300</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)	March 31, 2011	December 31, 2010
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ -	\$ 8,900
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	24,130	34,233
Accounts Payable to Affiliated Companies	8,283	8,750
Accrued Taxes	13,739	10,309
Accrued Interest	8,258	7,090
Regulatory Liabilities	17,733	7,364
Reserve for Environmental Remediation	2,250	6,300
Other Current Liabilities	10,399	12,621
Total Current Liabilities	<u>89,078</u>	<u>99,853</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	191,838	179,676
Accumulated Deferred Investment Tax Credits	3,609	3,703
Regulatory Liabilities	58,901	59,582
Accrued Pension	55,586	54,649
Other Long-Term Liabilities	46,303	42,113
Total Deferred Credits and Other Liabilities	<u>356,237</u>	<u>339,723</u>
Capitalization:		
Long-Term Debt	<u>350,274</u>	<u>350,297</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	601,267	601,212
Retained Earnings	41,575	57,291
Accumulated Other Comprehensive Loss	(1,136)	(1,160)
Common Stockholder's Equity	<u>641,711</u>	<u>657,348</u>
Total Capitalization	<u>991,985</u>	<u>1,007,645</u>
Total Liabilities and Capitalization	<u>\$ 1,437,300</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 March 31,	
	2011	2010
Operating Revenues	<u>\$ 180,195</u>	<u>\$ 171,700</u>
Operating Expenses:		
Cost of Natural Gas	91,936	92,033
Other Operating Expenses	27,033	24,234
Maintenance	3,466	3,206
Depreciation	6,720	6,348
Amortization of Regulatory Assets/(Liabilities), Net	96	(2,734)
Taxes Other Than Income Taxes	<u>11,032</u>	<u>10,261</u>
Total Operating Expenses	<u>140,283</u>	<u>133,348</u>
Operating Income	39,912	38,352
Interest Expense:		
Interest on Long-Term Debt	5,012	4,695
Other Interest	<u>177</u>	<u>193</u>
Interest Expense	5,189	4,888
Other Income, Net	<u>355</u>	<u>22</u>
Income Before Income Tax Expense	35,078	33,486
Income Tax Expense	<u>12,635</u>	<u>13,910</u>
Net Income	<u>\$ 22,443</u>	<u>\$ 19,576</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)	Three Months Ended March 31, 2011	
Balance at Beginning of Period	\$	57,291
Additions:		
Net Income		22,443
Deductions:		
Dividends on Common Stock		38,159
Balance at End of Period	\$	<u>41,575</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)	Three Months Ended March 31,	
	2011	2010
Operating Activities:		
Net Income	\$ 22,443	\$ 19,576
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	1,082	2,664
Depreciation	6,720	6,348
Deferred Income Taxes	9,957	2,206
Pension and PBOP Expense, Net of PBOP Contributions	1,905	1,410
Regulatory Overrecoveries, Net	13,587	2,393
Amortization of Regulatory Assets/(Liabilities), Net	96	(2,734)
Other	(2,423)	31
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(8,702)	(17,986)
Fuel, Materials and Supplies	28,266	31,680
Taxes Receivable/Accrued	9,583	2,591
Accounts Payable	(3,718)	(4,910)
Other Current Assets and Liabilities	(1,410)	(2,118)
Net Cash Flows Provided by Operating Activities	<u>77,386</u>	<u>41,151</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(21,835)	(12,889)
Increase in NU Money Pool Lending	(7,300)	-
Net Cash Flows Used in Investing Activities	<u>(29,135)</u>	<u>(12,889)</u>
Financing Activities:		
Cash Dividends on Common Stock	(38,159)	(18,800)
Decrease in NU Money Pool Borrowings	(8,900)	(10,300)
Other Financing Activities	(15)	(7)
Net Cash Flows Used in Financing Activities	<u>(47,074)</u>	<u>(29,107)</u>
Net Increase/(Decrease) in Cash	1,177	(845)
Cash - Beginning of Period	309	2,023
Cash - End of Period	<u>\$ 1,486</u>	<u>\$ 1,178</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.