

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	September 30, 2014	December 31, 2013
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 109	\$ 1,038
Receivables, Net	28,491	51,506
Accounts Receivable from Affiliated Companies	2,756	683
Unbilled Revenues	1,885	21,200
Taxes Receivable	11,651	9
Fuel, Materials and Supplies	51,119	47,588
Regulatory Assets	16,834	12,650
Prepayments and Other Current Assets	13,584	6,646
Total Current Assets	<u>126,429</u>	<u>141,320</u>
Property, Plant and Equipment, Net	<u>1,128,562</u>	<u>1,080,592</u>
Deferred Debits and Other Assets:		
Regulatory Assets	98,632	110,837
Goodwill	287,591	287,591
Other Long-Term Assets	5,554	5,454
Total Deferred Debits and Other Assets	<u>391,777</u>	<u>403,882</u>
Total Assets	<u>\$ 1,646,768</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)	September 30, 2014	December 31, 2013
<u>LIABILITIES AND CAPITALIZATION</u>		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ 97,300	\$ 139,700
Accounts Payable	28,792	32,773
Accounts Payable to Affiliated Companies	4,909	9,418
Regulatory Liabilities	11,498	4,182
Other Current Liabilities	18,709	28,800
Total Current Liabilities	<u>161,208</u>	<u>214,873</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	263,578	236,069
Regulatory Liabilities	50,155	47,169
Accrued Pension, SERP and PBOP	69,445	77,678
Other Long-Term Liabilities	28,999	42,494
Total Deferred Credits and Other Liabilities	<u>412,177</u>	<u>403,410</u>
Capitalization:		
Long-Term Debt	<u>370,598</u>	<u>345,682</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	646,912	616,547
Retained Earnings	56,963	46,491
Accumulated Other Comprehensive Loss	(1,095)	(1,214)
Common Stockholder's Equity	<u>702,785</u>	<u>661,829</u>
Total Capitalization	<u>1,073,383</u>	<u>1,007,511</u>
Total Liabilities and Capitalization	<u>\$ 1,646,768</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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating Revenues	\$ 67,849	\$ 57,493	\$ 387,040	\$ 294,475
Operating Expenses:				
Cost of Natural Gas	19,809	13,954	169,923	109,174
Operations and Maintenance	25,208	25,623	79,527	75,833
Depreciation	7,889	7,402	23,403	22,497
Amortization of Regulatory Assets/(Liabilities), Net	(130)	375	76	1,119
Energy Efficiency Programs	2,288	802	15,420	4,618
Taxes Other Than Income Taxes	8,721	7,587	33,586	26,505
Total Operating Expenses	63,785	55,743	321,935	239,746
Operating Income	4,064	1,750	65,105	54,729
Interest Expense:				
Interest on Long-Term Debt	5,342	5,041	16,062	15,142
Other Interest Expense	153	249	401	(278)
Interest Expense	5,495	5,290	16,463	14,864
Other Income, Net	95	25	-	62
Income/(Loss) Before Income Tax Expense/(Benefit)	(1,336)	(3,515)	48,642	39,927
Income Tax Expense/(Benefit)	93	(1,121)	19,270	15,032
Net Income/(Loss)	\$ (1,429)	\$ (2,394)	\$ 29,372	\$ 24,895
STATEMENTS OF COMPREHENSIVE INCOME				
Net Income/(Loss)	\$ (1,429)	\$ (2,394)	\$ 29,372	\$ 24,895
Other Comprehensive Income, Net of Tax:				
Changes in Funded Status of SERP Benefit Plan	16	24	49	71
Other	23	23	70	70
Other Comprehensive Income, Net of Tax	39	47	119	141
Comprehensive Income/(Loss)	\$ (1,390)	\$ (2,347)	\$ 29,491	\$ 25,036

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 CASH FLOWS
(Unaudited)

For the Nine Months Ended September 30,

(Thousands of Dollars)	2014	2013
Operating Activities:		
Net Income	\$ 29,372	\$ 24,895
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	23,403	22,497
Deferred Income Taxes	11,388	17,405
Pension and PBOP Expense, Net of Contributions	(3,969)	6,847
Regulatory Overrecoveries, Net	12,808	(9,767)
Amortization of Regulatory Assets, Net	76	1,119
Other	4,090	6,848
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	29,118	24,871
Fuel, Materials and Supplies	(3,531)	(2,073)
Taxes Receivable/Accrued, Net	(14,003)	(12,761)
Accounts Payable	(12,683)	(6,975)
Other Current Assets and Liabilities, Net	(6,961)	(10,171)
Net Cash Flows Provided by Operating Activities	<u>69,108</u>	<u>62,735</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(63,116)	(66,247)
Net Cash Flows Used in Investing Activities	<u>(63,116)</u>	<u>(66,247)</u>
Financing Activities:		
Cash Dividends on Common Stock	(18,900)	(36,000)
Issuance of Long-Term Debt	100,000	-
Retirement of Long-Term Debt	(75,000)	-
(Decrease)/Increase in Notes Payable to Parent	(42,400)	38,100
Capital Contributions from Parent	30,000	-
Other Financing Activities	(621)	(25)
Net Cash Flows (Used in)/Provided by Financing Activities	<u>(6,921)</u>	<u>2,075</u>
Net Decrease in Cash	(929)	(1,437)
Cash - Beginning of Period	1,038	2,710
Cash - End of Period	<u>\$ 109</u>	<u>\$ 1,273</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)	Nine Months Ended September 30, 2014	
Balance at Beginning of Period	\$	46,491
Additions:		
Net Income		29,372
Deductions:		
Dividends on Common Stock		18,900
Balance at End of Period	<u>\$</u>	<u>56,963</u>

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