

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2014	December 31, 2013
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 3,525	\$ 1,038
Receivables, Net	86,388	51,506
Accounts Receivable from Affiliated Companies	584	683
Unbilled Revenues	9,153	21,200
Fuel, Materials and Supplies	21,732	47,588
Regulatory Assets	15,084	12,650
Prepayments and Other Current Assets	13,223	6,655
Total Current Assets	<u>149,689</u>	<u>141,320</u>
Property, Plant and Equipment, Net	<u>1,087,831</u>	<u>1,080,592</u>
Deferred Debits and Other Assets:		
Regulatory Assets	108,925	110,837
Goodwill	287,591	287,591
Other Long-Term Assets	5,021	5,454
Total Deferred Debits and Other Assets	<u>401,537</u>	<u>403,882</u>
Total Assets	<u>\$ 1,639,057</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)	March 31, 2014	December 31, 2013
<u>LIABILITIES AND CAPITALIZATION</u>		
Current Liabilities:		
Notes Payable to NU Parent	\$ 56,300	\$ 139,700
Accounts Payable	33,962	32,773
Accounts Payable to Affiliated Companies	19,591	9,418
Accrued Taxes	8,633	6,678
Accrued Interest	7,677	6,388
Regulatory Liabilities	10,799	4,182
Other Current Liabilities	<u>10,872</u>	<u>15,734</u>
Total Current Liabilities	<u>147,834</u>	<u>214,873</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	266,617	236,069
Regulatory Liabilities	46,824	47,169
Accrued Pension, SERP and PBOP	78,805	77,678
Other Long-Term Liabilities	<u>29,062</u>	<u>42,494</u>
Total Deferred Credits and Other Liabilities	<u>421,308</u>	<u>403,410</u>
Capitalization:		
Long-Term Debt	<u>370,654</u>	<u>345,682</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	631,685	616,547
Retained Earnings	68,746	46,491
Accumulated Other Comprehensive Loss	<u>(1,175)</u>	<u>(1,214)</u>
Common Stockholder's Equity	<u>699,261</u>	<u>661,829</u>
Total Capitalization	<u>1,069,915</u>	<u>1,007,511</u>
Total Liabilities and Capitalization	<u>\$ 1,639,057</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 March 31,	
	2014	2013
Operating Revenues	\$ 212,630	\$ 161,888
Operating Expenses:		
Cost of Natural Gas	102,977	72,985
Operations and Maintenance	26,497	25,280
Depreciation	7,717	7,672
Amortization of Regulatory Assets, Net	229	371
Energy Efficiency Programs	8,957	2,466
Taxes Other Than Income Taxes	14,763	11,102
Total Operating Expenses	<u>161,140</u>	<u>119,876</u>
Operating Income	51,490	42,012
Interest Expense:		
Interest on Long-Term Debt	5,364	5,054
Other Interest Expense	<u>(9)</u>	<u>(982)</u>
Interest Expense	5,355	4,072
Other Income/(Loss), Net	<u>(79)</u>	<u>28</u>
Income Before Income Tax Expense	46,056	37,968
Income Tax Expense	<u>17,501</u>	<u>14,176</u>
Net Income	<u>\$ 28,555</u>	<u>\$ 23,792</u>
STATEMENTS OF COMPREHENSIVE INCOME		
Net Income	<u>\$ 28,555</u>	<u>\$ 23,792</u>
Other Comprehensive Income, Net of Tax:		
Changes in Funded Status of SERP Benefit Plan	16	24
Other	<u>23</u>	<u>23</u>
Other Comprehensive Income, Net of Tax	39	47
Comprehensive Income	<u>\$ 28,594</u>	<u>\$ 23,839</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, 2014	
Balance at Beginning of Period	\$	46,491
Additions:		
Net Income		28,555
Deductions:		
Dividends on Common Stock		6,300
Balance at End of Period	<u>\$</u>	<u>68,746</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 Three Months Ended March 31,	
	2014	2013
Operating Activities:		
Net Income	\$ 28,555	\$ 23,792
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	7,717	7,672
Deferred Income Taxes	11,454	13,621
Pension and PBOP Expense, Net of Pension and PBOP Contributions	1,937	2,627
Regulatory Overrecoveries, Net	5,845	14,608
Amortization of Regulatory Assets, Net	229	371
Other	2,699	3,669
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(26,527)	(21,465)
Fuel, Materials and Supplies	25,856	18,153
Taxes Receivable/Accrued, Net	(3,951)	(6,558)
Accounts Payable	13,328	1,512
Other Current Assets and Liabilities, Net	487	(4,384)
Net Cash Flows Provided by Operating Activities	<u>67,629</u>	<u>53,618</u>
Investing Activities:		
Investments in Property, Plant and Equipment	<u>(15,429)</u>	<u>(18,591)</u>
Net Cash Flows Used in Investing Activities	<u>(15,429)</u>	<u>(18,591)</u>
Financing Activities:		
Cash Dividends on Common Stock	(6,300)	(36,000)
Issuance of Long-Term Debt	100,000	-
Retirement of Long-Term Debt	(75,000)	-
(Decrease)/Increase in Notes Payable to Parent	(83,400)	600
Capital Contributions from Parent	15,000	-
Other Financing Activities	(13)	(26)
Net Cash Flows Used in Financing Activities	<u>(49,713)</u>	<u>(35,426)</u>
Net Increase/(Decrease) in Cash	2,487	(399)
Cash - Beginning of Period	1,038	2,710
Cash - End of Period	<u>\$ 3,525</u>	<u>\$ 2,311</u>

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