

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	September 30, 2011	December 31, 2010
<u>ASSETS</u>		
Current Assets:		
Cash	\$ -	\$ 309
Receivables, Net	20,826	38,951
Accounts Receivable from Affiliated Companies	709	303
Unbilled Revenues	1,462	24,998
Taxes Receivable	3,976	9,001
Fuel, Materials and Supplies	62,786	58,704
Regulatory Assets	20,151	22,378
Prepayments and Other Current Assets	8,821	2,837
Total Current Assets	<u>118,731</u>	<u>157,481</u>
Property, Plant and Equipment, Net	<u>922,824</u>	<u>872,047</u>
Deferred Debits and Other Assets:		
Regulatory Assets	122,180	119,331
Goodwill	287,591	287,591
Other Long-Term Assets	5,465	10,771
Total Deferred Debits and Other Assets	<u>415,236</u>	<u>417,693</u>
Total Assets	<u>\$ 1,456,791</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)	September 30, 2011	December 31, 2010
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ 29,600	\$ 8,900
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	26,008	34,233
Accounts Payable to Affiliated Companies	5,859	8,750
Accrued Taxes	7,223	10,309
Accrued Interest	8,349	7,090
Regulatory Liabilities	4,436	7,364
Reserve for Environmental Remediation	4,000	6,300
Other Current Liabilities	<u>7,790</u>	<u>12,621</u>
Total Current Liabilities	<u>97,551</u>	<u>99,853</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	194,140	179,676
Accumulated Deferred Investment Tax Credits	3,420	3,703
Regulatory Liabilities	56,656	59,582
Accrued Pension	58,954	54,649
Other Long-Term Liabilities	<u>45,809</u>	<u>42,113</u>
Total Deferred Credits and Other Liabilities	<u>358,979</u>	<u>339,723</u>
Capitalization:		
Long-Term Debt	<u>345,943</u>	<u>350,297</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	615,895	601,212
Retained Earnings	39,819	57,291
Accumulated Other Comprehensive Loss	<u>(1,401)</u>	<u>(1,160)</u>
Common Stockholder's Equity	<u>654,318</u>	<u>657,348</u>
Total Capitalization	<u>1,000,261</u>	<u>1,007,645</u>
Total Liabilities and Capitalization	<u>\$ 1,456,791</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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating Revenues	\$ 59,565	\$ 59,641	\$ 318,128	\$ 304,867
Operating Expenses:				
Cost of Natural Gas	21,442	23,077	143,539	145,561
Other Operating Expenses	22,208	20,991	75,343	68,013
Maintenance	2,681	3,001	8,989	9,164
Depreciation	6,804	6,467	20,464	19,225
Amortization of Regulatory Assets/(Liabilities), Net	394	96	(214)	(2,037)
Taxes Other Than Income Taxes	5,939	5,473	23,592	21,542
Total Operating Expenses	59,468	59,105	271,713	261,468
Operating Income	97	536	46,415	43,399
Interest Expense:				
Interest on Long-Term Debt	4,874	5,089	14,820	14,834
Other Interest	382	361	815	960
Interest Expense	5,256	5,450	15,635	15,794
Other Income, Net	385	292	1,169	386
Income/(Loss) Before Income Tax Expense/(Benefit)	(4,774)	(4,622)	31,949	27,991
Income Tax Expense/(Benefit)	(1,791)	(1,680)	11,262	11,890
Net Income/(Loss)	\$ (2,983)	\$ (2,942)	\$ 20,687	\$ 16,101

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, 2011	
Balance at Beginning of Period	\$	57,291
Additions:		
Net Income		20,687
Deductions:		
Dividends on Common Stock		38,159
Balance at End of Period	<u>\$</u>	<u>39,819</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)	Nine Months Ended September 30,	
	2011	2010
Operating Activities:		
Net Income	\$ 20,687	\$ 16,101
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Bad Debt Expense	2,767	4,697
Depreciation	20,464	19,225
Deferred Income Taxes	6,219	12,821
Pension and PBOP Expense, Net of PBOP Contributions	5,327	3,699
Regulatory Underrecoveries, Net	(731)	(3,167)
Amortization of Regulatory Liabilities, Net	(214)	(2,037)
Other	(3,352)	(2,313)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	37,612	31,848
Fuel, Materials and Supplies	(4,083)	2,254
Taxes Receivable/Accrued	5,550	(14,883)
Accounts Payable	(5,715)	(8,786)
Other Current Assets and Liabilities	(3,978)	(2,081)
Net Cash Flows Provided by Operating Activities	<u>80,553</u>	<u>57,378</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(73,580)	(52,771)
Increase in NU Money Pool Lending	-	(3,300)
Net Cash Flows Used in Investing Activities	<u>(73,580)</u>	<u>(56,071)</u>
Financing Activities:		
Cash Dividends on Common Stock	(38,159)	(18,800)
Issuance of Long-Term Debt	-	50,000
Retirements of Long-Term Debt	(4,286)	(4,286)
Increase/(Decrease) in NU Money Pool Borrowings	20,700	(53,000)
Capital Contributions from Parent	14,500	23,054
Other Financing Activities	(37)	(298)
Net Cash Flows Used in Financing Activities	<u>(7,282)</u>	<u>(3,330)</u>
Net Decrease in Cash	(309)	(2,023)
Cash - Beginning of Period	309	2,023
Cash - End of Period	<u>\$ -</u>	<u>\$ -</u>

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