

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

| (Thousands of Dollars) | June 30, 2016 | December 31, 2015 |
|---|---------------------|----------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 5,889 | \$ - |
| Receivables, Net | 32,362 | 37,522 |
| Accounts Receivable from Affiliated Companies | 33,778 | 3,446 |
| Unbilled Revenues | 4,446 | 9,978 |
| Taxes Receivable | 12,881 | 16,566 |
| Fuel, Materials and Supplies | 22,941 | 33,733 |
| Regulatory Assets | 11,835 | 14,365 |
| Prepayments | 1,369 | 7,405 |
| Total Current Assets | <u>125,501</u> | <u>123,015</u> |
| Property, Plant and Equipment, Net | <u>1,258,423</u> | <u>1,225,549</u> |
| Deferred Debits and Other Assets: | | |
| Regulatory Assets | 124,547 | 129,825 |
| Goodwill | 287,591 | 287,591 |
| Other Long-Term Assets | 4,447 | 4,593 |
| Total Deferred Debits and Other Assets | <u>416,585</u> | <u>422,009</u> |
| Total Assets | <u>\$ 1,800,509</u> | <u>\$ 1,770,573</u> |
| <u>LIABILITIES AND CAPITALIZATION</u> | | |
| Current Liabilities: | | |
| Notes Payable to Eversource Parent | \$ - | \$ 25,900 |
| Accounts Payable | 27,507 | 37,288 |
| Accounts Payable to Affiliated Companies | 10,738 | 13,256 |
| Accrued Interest | 7,836 | 7,788 |
| Regulatory Liabilities | 12,645 | 1,912 |
| Security Deposits | 3,770 | 3,947 |
| Other Current Liabilities | 6,312 | 10,357 |
| Total Current Liabilities | <u>68,808</u> | <u>100,448</u> |
| Deferred Credits and Other Liabilities: | | |
| Accumulated Deferred Income Taxes | 322,825 | 303,270 |
| Regulatory Liabilities | 50,829 | 49,899 |
| Accrued Pension, SERP and PBOP | 65,435 | 72,480 |
| Other Long-Term Liabilities | 37,785 | 45,278 |
| Total Deferred Credits and Other Liabilities | <u>476,874</u> | <u>470,927</u> |
| Capitalization: | | |
| Long-Term Debt | <u>443,794</u> | <u>443,746</u> |
| Common Stockholder's Equity: | | |
| Common Stock | 5 | 5 |
| Capital Surplus, Paid In | 707,168 | 667,169 |
| Retained Earnings | 104,752 | 89,238 |
| Accumulated Other Comprehensive Loss | (892) | (960) |
| Common Stockholder's Equity | <u>811,033</u> | <u>755,452</u> |
| Total Capitalization | <u>1,254,827</u> | <u>1,199,198</u> |
| Total Liabilities and Capitalization | <u>\$ 1,800,509</u> | <u>\$ 1,770,573</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) | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|-------------------------------------|-----------|-----------------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$ 100,005 | \$ 90,594 | \$ 254,618 | \$ 312,551 |
| Operating Expenses: | | | | |
| Cost of Natural Gas | 37,707 | 31,579 | 95,895 | 138,274 |
| Operations and Maintenance | 23,467 | 23,558 | 47,326 | 51,239 |
| Depreciation | 8,453 | 8,158 | 16,879 | 16,364 |
| Amortization of Regulatory Assets, Net | 512 | 555 | 2,288 | 1,156 |
| Energy Efficiency Programs | 3,496 | 3,726 | 10,745 | 13,407 |
| Taxes Other Than Income Taxes | 10,928 | 10,223 | 24,674 | 26,836 |
| Total Operating Expenses | 84,563 | 77,799 | 197,807 | 247,276 |
| Operating Income | 15,442 | 12,795 | 56,811 | 65,275 |
| Interest Expense | 6,233 | 5,847 | 12,253 | 11,836 |
| Other (Loss)/Income, Net | (40) | 187 | (252) | 51 |
| Income Before Income Tax Expense | 9,169 | 7,135 | 44,306 | 53,490 |
| Income Tax Expense | 3,080 | 3,155 | 15,992 | 20,915 |
| Net Income | \$ 6,089 | \$ 3,980 | \$ 28,314 | \$ 32,575 |

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

STATEMENTS OF COMPREHENSIVE INCOME

| | | | | |
|---|----------|----------|-----------|-----------|
| Net Income | \$ 6,089 | \$ 3,980 | \$ 28,314 | \$ 32,575 |
| Other Comprehensive Income, Net of Tax: | | | | |
| Qualified Cash Flow Hedging Instruments | 23 | 24 | 46 | 47 |
| Changes in Funded Status of SERP Benefit Plan | 11 | 11 | 22 | 23 |
| Other Comprehensive Income, Net of Tax | 34 | 35 | 68 | 70 |
| Comprehensive Income | \$ 6,123 | \$ 4,015 | \$ 28,382 | \$ 32,645 |

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)

| (Thousands of Dollars) | For the Six Months Ended June 30, | |
|---|-----------------------------------|-----------------|
| | 2016 | 2015 |
| Operating Activities: | | |
| Net Income | \$ 28,314 | \$ 32,575 |
| Adjustments to Reconcile Net Income to Net Cash Flows | | |
| Provided by Operating Activities: | | |
| Depreciation | 16,879 | 16,364 |
| Deferred Income Taxes | 9,210 | 5,802 |
| Pension, SERP and PBOP Expense | 1,634 | 3,392 |
| Pension and PBOP Contributions | (3,123) | (6,632) |
| Regulatory Overrecoveries, Net | 15,738 | 21,612 |
| Amortization of Regulatory Assets, Net | 2,288 | 1,156 |
| Other | 1,391 | 3,546 |
| Changes in Current Assets and Liabilities: | | |
| Receivables and Unbilled Revenues, Net | (26,056) | 15,765 |
| Fuel, Materials and Supplies | 10,792 | 21,330 |
| Taxes Receivable/Accrued, Net | 2,917 | (4,863) |
| Accounts Payable | (7,293) | (13,038) |
| Other Current Assets and Liabilities, Net | 4,049 | 4,613 |
| Net Cash Flows Provided by Operating Activities | <u>56,740</u> | <u>101,622</u> |
| Investing Activities: | | |
| Investments in Property, Plant and Equipment | (52,147) | (35,141) |
| Other Investing Activities | - | 70 |
| Net Cash Flows Used in Investing Activities | <u>(52,147)</u> | <u>(35,071)</u> |
| Financing Activities: | | |
| Cash Dividends on Common Stock | (12,800) | (12,000) |
| Decrease in Notes Payable to Eversource Parent | (25,900) | (54,500) |
| Capital Contributions from Parent | 40,000 | - |
| Other Financing Activities | (4) | (18) |
| Net Cash Flows Provided by/(Used in) Financing Activities | <u>1,296</u> | <u>(66,518)</u> |
| Net Increase in Cash | 5,889 | 33 |
| Cash - Beginning of Period | - | 1,007 |
| Cash - End of Period | <u>\$ 5,889</u> | <u>\$ 1,040</u> |

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