

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS

As of December 31,

(Thousands of Dollars)

2010

2009

ASSETS

Current Assets:

Cash	\$ 309	\$ 2,023
Receivables, Net	38,951	34,076
Unbilled Revenues	24,998	21,923
Accounts Receivable from Affiliated Companies	303	625
Taxes Receivable	9,001	52
Fuel, Materials and Supplies	58,704	73,477
Accumulated Deferred Income Taxes	4,309	7,919
Prepayments and Other Current Assets	2,836	2,343
Total Current Assets	<u>139,411</u>	<u>142,438</u>
Property, Plant and Equipment, Net	<u>872,047</u>	<u>804,891</u>
Deferred Debits and Other Assets:		
Regulatory Assets	141,709	132,835
Goodwill	287,591	287,591
Other Long-Term Assets	10,772	9,910
Total Deferred Debits and Other Assets	<u>440,072</u>	<u>430,336</u>
Total Assets	<u>\$ 1,451,530</u>	<u>\$ 1,377,665</u>

The accompanying notes are an integral part of these financial statements.

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS

As of December 31,

(Thousands of Dollars)	2010	2009
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ 8,900	\$ 53,000
Long-Term Debt - Current Portion	4,286	4,286
Accounts Payable	34,233	29,101
Accounts Payable to Affiliated Companies	8,750	9,733
Accrued Taxes	10,309	11,120
Accrued Interest	7,090	11,001
Reserve for Environmental Remediation	6,300	-
Other Current Liabilities	9,175	9,595
Total Current Liabilities	<u>89,043</u>	<u>127,836</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	187,430	155,982
Accumulated Deferred Investment Tax Credits	3,703	4,080
Regulatory Liabilities	66,945	72,573
Accrued Pension	54,649	48,150
Other Long-Term Liabilities	42,115	45,343
Total Deferred Credits and Other Liabilities	<u>354,842</u>	<u>326,128</u>
Capitalization:		
Long-Term Debt	<u>350,297</u>	<u>304,651</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	601,212	576,869
Retained Earnings	57,291	43,429
Accumulated Other Comprehensive Loss	(1,160)	(1,253)
Common Stockholder's Equity	<u>657,348</u>	<u>619,050</u>
Total Capitalization	<u>1,007,645</u>	<u>923,701</u>
Commitments and Contingencies (Note 11)		
Total Liabilities and Capitalization	<u>\$ 1,451,530</u>	<u>\$ 1,377,665</u>

The accompanying notes are an integral part of these financial statements.

YANKEE GAS SERVICES COMPANY
STATEMENTS OF INCOME

(Thousands of Dollars)	For the Years Ended December 31,	
	2010	2009
Operating Revenues	\$ 434,277	\$ 449,571
Operating Expenses:		
Cost of Natural Gas	206,435	226,143
Other Operating Expenses	92,694	102,975
Maintenance	11,962	11,445
Depreciation	25,770	26,697
Amortization of Regulatory (Liabilities)/Assets, Net	(1,940)	94
Taxes Other Than Income Taxes	28,886	27,531
Total Operating Expenses	<u>363,807</u>	<u>394,885</u>
Operating Income	70,470	54,686
Interest Expense:		
Interest on Long-Term Debt	19,816	19,926
Other Interest (Note 10)	(1,919)	2,192
Interest Expense	<u>17,897</u>	<u>22,118</u>
Other Income, Net	760	317
Income Before Income Tax Expense	53,333	32,885
Income Tax Expense	20,671	11,902
Net Income	<u>\$ 32,662</u>	<u>\$ 20,983</u>
 STATEMENTS OF COMPREHENSIVE INCOME		
Net Income	\$ 32,662	\$ 20,983
Other Comprehensive Income From Qualified Cash Flow Hedging Instruments, Net of Tax	93	93
Comprehensive Income	<u>\$ 32,755</u>	<u>\$ 21,076</u>

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YANKEE GAS SERVICES COMPANY
STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

(Thousands of Dollars, Except Share Information)	Common Stock		Capital Surplus, Paid In	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
	Shares	Amount				
Balance as of January 1, 2009	1,000	\$ 5	\$574,254	\$ 41,513	\$ (1,346)	\$ 614,426
Net Income				20,983		20,983
Dividends on Common Stock				(19,067)		(19,067)
Capital Contributions from NU Parent			2,622			2,622
Allocation of Benefits - ESOP			(7)			(7)
Other Comprehensive Income					93	93
Balance as of December 31, 2009	<u>1,000</u>	<u>5</u>	<u>576,869</u>	<u>43,429</u>	<u>(1,253)</u>	<u>619,050</u>
Net Income				32,662		32,662
Dividends on Common Stock				(18,800)		(18,800)
Capital Contributions from NU Parent			24,190			24,190
Allocation of Benefits - ESOP			153			153
Other Comprehensive Income					93	93
Balance as of December 31, 2010	<u>1,000</u>	<u>\$ 5</u>	<u>\$601,212</u>	<u>\$ 57,291</u>	<u>\$ (1,160)</u>	<u>\$ 657,348</u>

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YANKEE GAS SERVICES COMPANY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,
2010 2009

(Thousands of Dollars)

(Thousands of Dollars)	2010	2009
Operating Activities:		
Net Income	\$ 32,662	\$ 20,983
Adjustments to Reconcile Net Income to Net Cash		
Flows Provided by Operating Activities:		
Bad Debt Expense	5,256	20,997
Depreciation	25,770	26,697
Deferred Income Taxes	30,948	7,969
Pension and PBOP Expense, Net of PBOP Contributions	4,973	3,434
Amortization of Regulatory (Liabilities)/Assets, Net	(1,940)	94
Regulatory Overrecoveries/(Underrecoveries), Net	1,847	(7,907)
Other	(3,196)	(947)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(16,404)	26,622
Fuel, Materials and Supplies	14,774	36,504
Accounts Payable	(2,480)	(4,977)
Taxes Receivable/Accrued	(12,790)	(466)
Other Current Assets and Liabilities	(5,230)	438
Net Cash Flows Provided by Operating Activities	<u>74,190</u>	<u>129,441</u>
Investing Activities:		
Investments in Property, Plant and Equipment	(82,477)	(54,831)
Net Cash Flows Used in Investing Activities	<u>(82,477)</u>	<u>(54,831)</u>
Financing Activities:		
Decrease in Short-Term Debt	-	(52,327)
Issuance of Long-Term Debt	50,000	-
Retirements of Long-Term Debt	(4,286)	(54,286)
(Decrease)/Increase in NU Money Pool Borrowings	(44,100)	50,500
Capital Contributions from NU Parent	24,190	2,622
Cash Dividends on Common Stock	(18,800)	(19,067)
Other	(431)	(29)
Net Cash Flows Provided by/(Used in) Financing Activities	<u>6,573</u>	<u>(72,587)</u>
Net (Decrease)/Increase in Cash	(1,714)	2,023
Cash - Beginning of Year	2,023	-
Cash - End of Year	<u>\$ 309</u>	<u>\$ 2,023</u>

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