

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 30, 2013	December 31, 2012
ASSETS		
Current Assets:		
Cash	\$ -	\$ 2,710
Receivables, Net	27,836	38,076
Accounts Receivable from Affiliated Companies	1,767	387
Unbilled Revenues	2,289	18,220
Taxes Receivable	6,092	-
Fuel, Materials and Supplies	43,685	50,898
Regulatory Assets	15,110	11,461
Prepayments and Other Current Assets	1,281	2,806
Total Current Assets	<u>98,060</u>	<u>124,558</u>
Property, Plant and Equipment, Net	<u>1,039,552</u>	<u>1,014,500</u>
Deferred Debits and Other Assets:		
Regulatory Assets	142,695	149,616
Goodwill	287,591	287,591
Other Long-Term Assets	5,071	5,203
Total Deferred Debits and Other Assets	<u>435,357</u>	<u>442,410</u>
Total Assets	<u>\$ 1,572,969</u>	<u>\$ 1,581,468</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)	June 30, 2013	December 31, 2012
LIABILITIES AND CAPITALIZATION		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ 73,600	\$ 70,600
Long-Term Debt - Current Portion	75,000	-
Accounts Payable	24,214	34,611
Accounts Payable to Affiliated Companies	6,091	6,158
Accrued Taxes	3,159	11,632
Regulatory Liabilities	14,428	10,143
Other Current Liabilities	22,376	24,240
Total Current Liabilities	218,868	157,384
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	223,883	209,749
Regulatory Liabilities	50,163	52,026
Accrued Pension, SERP and PBOP	104,259	105,068
Other Long-Term Liabilities	39,970	37,885
Total Deferred Credits and Other Liabilities	418,275	404,728
Capitalization:		
Long-Term Debt	270,743	345,805
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	616,388	616,239
Retained Earnings	50,077	58,788
Accumulated Other Comprehensive Loss	(1,387)	(1,481)
Common Stockholder's Equity	665,083	673,551
Total Capitalization	935,826	1,019,356
Total Liabilities and Capitalization	\$ 1,572,969	\$ 1,581,468

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating Revenues	\$ 75,095	\$ 72,187	\$ 236,983	\$ 211,224
Operating Expenses:				
Cost of Natural Gas	22,235	23,411	95,221	83,113
Operations and Maintenance	24,931	26,718	50,210	53,406
Depreciation	7,423	7,367	15,095	14,647
Amortization of Regulatory Assets, Net	373	399	744	796
Energy Efficiency Programs	1,350	2,624	3,816	8,787
Taxes Other Than Income Taxes	7,817	6,727	18,919	16,417
Total Operating Expenses	64,129	67,246	184,005	177,166
Operating Income	10,966	4,941	52,978	34,058
Interest Expense:				
Interest on Long-Term Debt	5,047	4,945	10,101	10,056
Other Interest Expense	455	463	(528)	792
Interest Expense	5,502	5,408	9,573	10,848
Other Income, Net	10	24	37	64
Income/(Loss) Before Income Tax Expense/(Benefit)	5,474	(443)	43,442	23,274
Income Tax Expense/(Benefit)	1,977	(297)	16,153	8,682
Net Income/(Loss)	\$ 3,497	\$ (146)	\$ 27,289	\$ 14,592
STATEMENTS OF COMPREHENSIVE INCOME				
Net Income/(Loss)	\$ 3,497	\$ (146)	\$ 27,289	\$ 14,592
Other Comprehensive Income, Net of Tax:				
Changes in Funded Status of SERP Benefit Plan	23	12	47	24
Other	24	24	47	47
Other Comprehensive Income, Net of Tax	47	36	94	71
Comprehensive Income/(Loss)	\$ 3,544	\$ (110)	\$ 27,383	\$ 14,663

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)

<u>(Thousands of Dollars)</u>	<u>Six Months Ended June 30, 2013</u>	
Balance at Beginning of Period	\$	58,788
Additions:		
Net Income		27,289
Deductions:		
Dividends on Common Stock		36,000
Balance at End of Period	<u>\$</u>	<u>50,077</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 Six Months Ended June 30,	
	2013	2012
Operating Activities:		
Net Income	\$ 27,289	\$ 14,592
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	15,095	14,647
Deferred Income Taxes	14,224	6,327
Pension and PBOP Expense, Net of Pension and PBOP Contributions	5,017	2,045
Regulatory Overrecoveries, Net	3,220	14,434
Amortization of Regulatory Assets, Net	744	796
Other	3,557	(2,835)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	18,152	21,973
Fuel, Materials and Supplies	7,213	12,273
Taxes Receivable/Accrued, Net	(14,565)	(9,462)
Accounts Payable	(8,224)	(4,023)
Other Current Assets and Liabilities, Net	(1,880)	(1,107)
Net Cash Flows Provided by Operating Activities	<u>69,842</u>	<u>69,660</u>
Investing Activities:		
Investments in Property, Plant and Equipment	<u>(39,473)</u>	<u>(38,251)</u>
Net Cash Flows Used in Investing Activities	<u>(39,473)</u>	<u>(38,251)</u>
Financing Activities:		
Cash Dividends on Common Stock	(36,000)	(18,280)
Retirement of Long-Term Debt	-	(4,286)
Increase/(Decrease) in Notes Payable to Affiliates	3,000	(8,800)
Other Financing Activities	<u>(79)</u>	<u>(43)</u>
Net Cash Flows Used in Financing Activities	<u>(33,079)</u>	<u>(31,409)</u>
Net Decrease in Cash	(2,710)	-
Cash - Beginning of Period	<u>2,710</u>	<u>-</u>
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.