

YANKEE GAS SERVICES COMPANY
BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	March 31, 2013	December 31, 2012
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 2,311	\$ 2,710
Receivables, Net	60,485	38,076
Accounts Receivable from Affiliated Companies	738	387
Unbilled Revenues	13,654	18,220
Fuel, Materials and Supplies	32,745	50,898
Regulatory Assets	11,664	11,461
Prepayments and Other Current Assets	7,576	2,806
Total Current Assets	<u>129,173</u>	<u>124,558</u>
Property, Plant and Equipment, Net	<u>1,020,935</u>	<u>1,014,500</u>
Deferred Debits and Other Assets:		
Regulatory Assets	147,333	149,616
Goodwill	287,591	287,591
Other Long-Term Assets	5,136	5,203
Total Deferred Debits and Other Assets	<u>440,060</u>	<u>442,410</u>
Total Assets	<u>\$ 1,590,168</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)	March 31, 2013	December 31, 2012
<u>LIABILITIES AND CAPITALIZATION</u>		
Current Liabilities:		
Notes Payable to Affiliated Companies	\$ 71,200	\$ 70,600
Long-Term Debt - Current Portion	75,000	-
Accounts Payable	25,736	34,611
Accounts Payable to Affiliated Companies	10,988	6,158
Accrued Taxes	7,618	11,632
Accrued Interest	7,372	7,689
Regulatory Liabilities	24,538	10,143
Other Current Liabilities	16,111	16,551
Total Current Liabilities	<u>238,563</u>	<u>157,384</u>
Deferred Credits and Other Liabilities:		
Accumulated Deferred Income Taxes	222,571	209,749
Regulatory Liabilities	51,213	52,026
Accrued Pension, SERP and PBOP	106,154	105,068
Other Long-Term Liabilities	39,436	37,885
Total Deferred Credits and Other Liabilities	<u>419,374</u>	<u>404,728</u>
Capitalization:		
Long-Term Debt	<u>270,774</u>	<u>345,805</u>
Common Stockholder's Equity:		
Common Stock	5	5
Capital Surplus, Paid In	616,306	616,239
Retained Earnings	46,580	58,788
Accumulated Other Comprehensive Loss	(1,434)	(1,481)
Common Stockholder's Equity	<u>661,457</u>	<u>673,551</u>
Total Capitalization	<u>932,231</u>	<u>1,019,356</u>
Total Liabilities and Capitalization	<u>\$ 1,590,168</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
 STATEMENTS OF INCOME
 (Unaudited)

(Thousands of Dollars)	Three Months Ended March 31,	
	2013	2012
Operating Revenues	\$ 161,888	\$ 139,037
Operating Expenses:		
Cost of Natural Gas	72,985	59,702
Operations and Maintenance	25,280	26,687
Depreciation	7,672	7,280
Amortization of Regulatory Assets, Net	371	397
Energy Efficiency Programs	2,466	6,164
Taxes Other Than Income Taxes	11,102	9,690
Total Operating Expenses	<u>119,876</u>	<u>109,920</u>
Operating Income	42,012	29,117
Interest Expense:		
Interest on Long-Term Debt	5,054	5,112
Other Interest Expense	(982)	328
Interest Expense	<u>4,072</u>	<u>5,440</u>
Other Income, Net	28	40
Income Before Income Tax Expense	<u>37,968</u>	<u>23,717</u>
Income Tax Expense	14,176	8,979
Net Income	<u>\$ 23,792</u>	<u>\$ 14,738</u>
STATEMENTS OF COMPREHENSIVE INCOME		
Net Income	<u>\$ 23,792</u>	<u>\$ 14,738</u>
Other Comprehensive Income, Net of Tax:		
Changes in Funded Status of SERP Benefit Plan	24	12
Other	23	23
Other Comprehensive Income, Net of Tax	<u>47</u>	<u>35</u>
Comprehensive Income	<u>\$ 23,839</u>	<u>\$ 14,773</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, 2013	
Balance at Beginning of Period	\$	58,788
Additions:		
Net Income		23,792
Deductions:		
Dividends on Common Stock		36,000
Balance at End of Period	<u>\$</u>	<u>46,580</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,	
	2013	2012
Operating Activities:		
Net Income	\$ 23,792	\$ 14,738
Adjustments to Reconcile Net Income to Net Cash Flows		
Provided by Operating Activities:		
Depreciation	7,672	7,280
Deferred Income Taxes	13,621	2,665
Pension and PBOP Expense	2,627	2,425
Regulatory Overrecoveries, Net	14,608	12,167
Amortization of Regulatory Assets, Net	371	397
Other	3,669	(270)
Changes in Current Assets and Liabilities:		
Receivables and Unbilled Revenues, Net	(21,465)	(4,819)
Fuel, Materials and Supplies	18,153	18,423
Taxes Receivable/Accrued, Net	(6,558)	7,797
Accounts Payable	1,512	(4,135)
Other Current Assets and Liabilities, Net	(4,384)	(1,901)
Net Cash Flows Provided by Operating Activities	53,618	54,767
Investing Activities:		
Investments in Property, Plant and Equipment	(18,591)	(20,442)
Net Cash Flows Used in Investing Activities	(18,591)	(20,442)
Financing Activities:		
Cash Dividends on Common Stock	(36,000)	(18,280)
Increase/(Decrease) in Notes Payable to Affiliated Companies	600	(15,000)
Other Financing Activities	(26)	(21)
Net Cash Flows Used in Financing Activities	(35,426)	(33,301)
Net (Decrease)/Increase in Cash	(399)	1,024
Cash - Beginning of Period	2,710	-
Cash - End of Period	\$ 2,311	\$ 1,024

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