

EXH NO-2

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ORIGINAL
Case No. DG 09-239
Exhibit No. NU#2
Witness
DO NOT REMOVE FROM FILE

December 11, 2009

**BY FEDERAL EXPRESS AND ELECTRONIC FILING**

Debra Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301

Re: Northern Utilities, Inc.: DG 09-239: F-4 Petition for Securities Issuance

Dear Ms. Howland:

Pursuant to R.S.A. § 369 *et seq.*, on November 20, 2009, Northern Utilities, Inc. ("Northern") filed with the New Hampshire Public Utilities Commission (the "Commission") the above-captioned F-4 Petition for Securities Issuance. As initially proposed, the amount of the debt issuance was \$20,000,000. The purpose of this letter is to amend Northern's F-4 Petition by increasing the amount of the long-term debt financing to \$25,000,000. As Northern's placement agents have indicated favorable market conditions, and because benchmark treasury yields remain at 20-year lows, Northern believes that increasing the amount of the long-term debt financing from \$20,000,000 to \$25,000,000 would be beneficial. The increased financing size would allow Northern to lock-in more of its capital structure at favorable long-term rates. Provided as Supplemental Attachments 1-6 are updated schedules reflecting the increased long-term debt financing.

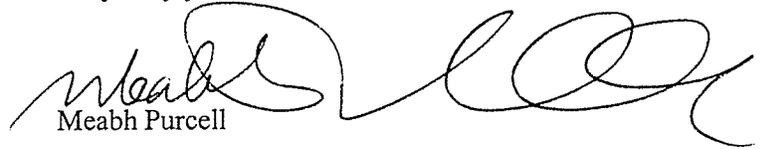
In addition, Until Corporation will increase its equity contribution to Northern from \$5,000,000 to \$7,500,000. The increased equity contribution will facilitate the transaction by demonstrating to potential investors that Until and Northern are committed to maintaining a strong capital structure at Northern. The additional equity contribution also incrementally improves the equity ratio, as shown in Supplemental Attachment 5.

December 11, 2009

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If you have any questions or need additional information, please do not hesitate to contact me at 617 748 6847, or via email at [mpurcell@dl.com](mailto:mpurcell@dl.com).

Very truly yours,



Meabh Purcell

Enc.

cc: Matthew Fossum, Esq., NHPUC  
Stephen P. Frink, Gas and Water Division, NHPUC  
Robert Wyatt, Gas and Water Division, NHPUC  
Amanda Noonan, Consumer Affairs Director, NHPUC  
Kenneth E. Traum, Office of the Consumer Advocate  
Meredith A. Hatfield, Office of the Consumer Advocate

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**NORTHERN UTILITIES, INC.**  
**SOURCES AND USES OF FUNDS**  
**Proposed Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ In Thousands)*

**Sources of Funds**

Proposed Sale of Senior Unsecured Notes	\$25,000
Equity Contribution from Unitil Corporation	7,500

<b>Total Sources of Funds</b>	<b><u>\$32,500</u></b>
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**Uses of Funds**

Repay Short-Term Debt	\$32,090
Fees and Expenses	410

<b>Total Uses of Funds</b>	<b><u>\$32,500</u></b>
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**NORTHERN UTILITIES, INC.**  
**ESTIMATED COST OF FINANCING**  
**Proposed Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ in Thousands)*

**Estimated Cost of Financing\***

Private Placement Fees to Placement Agents	\$200
Legal Fees	200
Miscellaneous	10
<b>Total Estimated Costs</b>	<b><u><u>\$410</u></u></b>

\*The total costs increased \$40,000 to reflect additional private placement fees to the placement agents. In Northern's engagement letter with the placement agents, Northern has agreed to 80 bps of the amount of the financing. The additional \$5,000,000 in long-term financing results in a \$40,000 additional fee to the placement agents.

**NORTHERN UTILITIES, INC.**  
**UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009**  
**Proformed for the Issuance and Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

**ASSETS:**

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>Utility Plant:</b>			
Gas	\$ 216.5		\$ 216.5
Common	-		-
Construction Work in Progress	9.7		9.7
Utility Plant	<u>226.2</u>		<u>226.2</u>
Less: Accumulated Depreciation	<u>78.0</u>		<u>78.0</u>
Net Utility Plant	<u>148.2</u>		<u>148.2</u>
<b>Current Assets:</b>			
Cash	4.4		4.4
Accounts Receivable -- Net Allowance for Doubtful Accounts of \$0.4 and \$1.6	4.8		4.8
Accrued Revenue	8.7		8.7
Due from Affiliates	-		-
Gas Inventory	11.3		11.3
Prepayments and Other	<u>2.4</u>		<u>2.4</u>
Total Current Assets	<u>31.6</u>		<u>31.6</u>
<b>Deferred Income Taxes</b>	-		-
<b>Noncurrent Assets:</b>			
Regulatory Assets	15.6		15.6
Other Noncurrent Assets	<u>19.2</u>	<u>0.4 (A)</u>	<u>19.6</u>
Total Noncurrent Assets	<u>34.8</u>	<u>0.4</u>	<u>35.2</u>
<b>TOTAL</b>	<u>\$ 214.6</u>	<u>\$ 0.4</u>	<u>\$ 215.0</u>

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(A) Debt issuance costs

**NORTHERN UTILITIES, INC.**  
**UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009**  
**Proformed for the Issuance and Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ in Millions, Except Par Value and Stock Shares Data)*

**CAPITALIZATION AND LIABILITIES:**

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>Capitalization:</b>			
Common Stock Equity:			
Common Stock, \$10 Par Value			
Authorized - 200 shares			
Issued and Outstanding - 100 shares	\$ 65.7	\$ 7.5 (B)	\$ 73.2
Retained Earnings	1.8		1.8
Total Common Stock Equity	67.5	7.5	75.0
Long-term Debt	80.0	25.0 (C)	105.0
Total Capitalization	147.5	32.5	180.0
<b>Current Liabilities:</b>			
Accounts Payable	3.8		3.8
Short-Term Debt	33.2	(32.1) (D)	1.1
Due to Affiliates	0.7		0.7
Energy Supply Contract Obligations	7.6		7.6
Other Current Liabilities	11.0		11.0
Total Current Liabilities	56.3	(32.1)	24.2
Deferred Income Taxes	1.7		1.7
<b>Noncurrent Liabilities:</b>			
Retirement Benefit Obligations	4.6		4.6
Environmental Obligations	1.7		1.7
Other Noncurrent Liabilities	2.8		2.8
Total Noncurrent Liabilities	9.1		9.1
<b>TOTAL</b>	<b>\$ 214.6</b>	<b>\$ 0.4</b>	<b>\$ 215.0</b>

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- (B) Equity contribution from Unitil Corporation  
(C) Proposed offering of Senior Unsecured Notes  
(D) Repayment of short-term debt

**NORTHERN UTILITIES, INC.**  
**UNAUDITED STATEMENT OF EARNINGS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**  
**Proformed for the Issuance and Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>Operating Revenues</b>	<u>\$ 83.1</u>	<u>          </u>	<u>\$ 83.1</u>
<b>Operating Expenses:</b>			
Purchased Gas	52.4		52.4
Operation and Maintenance	11.4		11.4
Conservation & Load Management	1.3		1.3
Depreciation and Amortization	5.2	0.03 (A)	5.2
Provisions for Taxes:			
Local Property and Other	2.1		2.1
Federal and State Income	1.9	(0.40) (B)	1.5
Total Operating Expense	<u>74.3</u>	<u>(0.37)</u>	<u>73.9</u>
<b>Operating Income</b>	8.8	0.37	9.2
Non-operating Income	<u>0.3</u>	<u>          </u>	<u>0.3</u>
<b>Income Before Interest Expense</b>	9.1	0.37	9.5
Interest Expense	<u>5.1</u>	<u>0.98 (C)</u>	<u>6.1</u>
<b>Net Income</b>	<u>\$ 4.0</u>	<u>\$ (0.61)</u>	<u>\$ 3.4</u>
	0.3975		0.3064

(A) Assumes financing fees and expenses amortized over 10 years

(B) Utilizes average statutory tax rate of approximately 39.8%

(C) Reflects interest savings at 2.0% for repayment of short-term debt and interest expense at 7.8% from proposed financing

**NORTHERN UTILITIES, INC.**  
**CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2009**  
**Proformed for the Issuance and Sale of \$25,000,000 Senior Unsecured Notes**  
*(\$ In Millions)*

**Excluding Short-Term Debt**

	Estimated		Adjustments	Pro Forma	
	Amount	% of Total	Amount	Amount	% of Total
Senior Unsecured Notes	\$80.0	54.2%	\$25.0	\$105.0	58.3%
Common Equity	67.5	45.8%	7.5	75.0	41.7%
<b>Total</b>	<b>\$147.5</b>	<b>100.0%</b>	<b>\$32.5</b>	<b>\$180.0</b>	<b>100.0%</b>

**Including Short-Term Debt**

	Estimated		Adjustments	Pro Forma	
	Amount	% of Total	Amount	Amount	% of Total
Senior Unsecured Notes	\$80.0	44.3%	\$25.0	\$105.0	58.0%
Short-Term Debt	33.2	18.4%	(\$32.1)	1.1	0.6%
Common Equity	67.5	37.4%	7.5	75.0	41.4%
<b>Total</b>	<b>\$180.7</b>	<b>100.0%</b>	<b>\$0.4</b>	<b>\$181.1</b>	<b>100.0%</b>

Above is the updated capitalization structure for the increased long-term financing and equity contribution. Including short-term debt, the equity ratio is 41.4% which is 1.4% better than the 40.0% shown in the original capitalization table on page 7 of 12 of the testimony.

NORTHERN UTILITIES, INC.  
WEIGHTED AVERAGE COST OF CAPITAL AS OF SEPTEMBER 30, 2009  
Performed for the Issuance and Sale of \$25,000,000 Senior Unsecured Notes  
(\$ In Millions)

	Actual				Adjustments Amount	Pro Forma			
	Amount	% of Total	Cost Rate (a)	Weighted Cost Rate		Amount	% of Total	Cost Rate (a)	Weighted Cost Rate
Imputed NiSource Debt	\$60.8	41.2%	4.96%	2.05%	-	\$60.8	33.8%	4.96%	1.68%
Balance - Existing Northern LTD	19.2	13.0%	7.55%	0.98%	-	19.2	10.6%	7.55%	0.80%
New Bonds	0.0	0.0%		0.00%	25.0	25.0	13.9%	6.30%	0.88%
Total Long Term Debt	80.0	54.2%		3.03%	25.0	105.0	58.3%		3.36%
Common Equity	67.5	45.8%	9.67%	4.43%	7.5	75.0	41.7%	9.67%	4.03%
<b>Total</b>	<b>\$147.5</b>	<b>100.0%</b>		<b>7.45%</b>	<b>\$32.5</b>	<b>\$180.0</b>	<b>100.0%</b>		<b>7.38%</b>

(a) Cost rate based on net proceeds