

Exh-NU-3

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TRIAL

DG-09-239

NU#3

DO NOT REMOVE FROM FILE

December 21, 2009

BY FEDERAL EXPRESS AND ELECTRONIC FILING

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

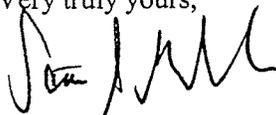
Re: Northern Utilities, Inc.: DG: 09-239

Dear Ms. Howland:

Enclosed on behalf of Northern Utilities, Inc., please find the Supplemental Pre-filed Testimony of David L. Chong, with relevant schedules.

If you have any questions or need additional information, please do not hesitate to contact me at 617 748-6843, or via email at smueller@dl.com.

Very truly yours,



Scott Mueller

Enc.

cc: Debra Howland, NHPUC
Amanda Noonan, Consumer Affairs Director, NHPUC
Stephen P. Frink, Gas and Water Division, NHPUC
Robert J. Wyatt, Gas and Water Division, NHPUC
Rorie Hollenberg, Office of the Consumer Advocate
Meredith A. Hatfield, Office of the Consumer Advocate
Kenneth E. Traum, Office of the Consumer Advocate

bs 126846

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

DG 09-239

NORTHERN UTILITIES, INC.

PETITION FOR AUTHORITY TO ISSUE SECURITIES

SUPPLEMENTAL TESTIMONY

OF

DAVID L. CHONG

DECEMBER 21, 2009

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. My name is David L. Chong. I am the Director of Finance for Unitil Service Corp.
4 ("Unitil Service"), which provides various professional and administrative services to
5 Northern Utilities, Inc. ("NU", "Northern" or the "Company"), as well as to Unitil
6 Corporation's ("Unitil") other utility subsidiaries. My business address is 6 Liberty Lane
7 West, Hampton, New Hampshire, 03842.

8
9 **Q Have you previously submitted pre-filed testimony in this proceeding?**

10 A Yes, I did. On November 20, 2009, I submitted pre-filed direct testimony in support of
11 Northern's petition for authorization to issue promissory notes evidencing unsecured
12 long-term debt in an aggregate principal amount not to exceed \$20,000,000 (hereinafter
13 referred to as the "Notes"). By letter dated On December 11, 2009, we notified the
14 Commission that: 1) due to favorable market conditions, the Company proposed to
15 increase the amount of the debt financing \$25,000,000, and 2) the amount of the equity
16 contribution to be made by Unitil, initially set at \$5,000,000, would be increased to
17 \$7,500,000 to improve the equity ratio in Northern's capital structure.

18
19 **Q What is the purpose of your supplemental testimony?**

20 A. The purpose of my supplemental testimony is to update the Commission with regard to
21 the progress that has been made in placing the proposed issuance of \$25,000,000 in long-
22 term Notes and the terms of the proposed Notes. Additionally, I will address Northern's
23 proposal with respect to short-term debt levels. Finally, I will respond to the issues raised

1 by the Office of Consumer Advocate (“OCA”) in its letter filed in this proceeding on
2 December 11, 2009.

3
4 **II. RESULT OF AUCTION OF PROMISSORY NOTES**

5 **Q What is the status of Northern’s efforts to secure a private placement of the Notes?**

6 **A** On December 18, 2009, Northern priced a private placement (see Schedule 1 for pricing
7 confirmation) of \$25,000,000 aggregate principal amount, 5.29% Senior Unsecured
8 Notes, due 2020. The coupon rate of 5.29 % reflects a spread of 190 basis points (“bps”)
9 over the interpolated 9-year treasury rate of 3.39 % at the time of circling. The marketing
10 of the Notes was done in an “auction” format where the Company’s existing investors as
11 well as other private placement investors were invited to participate in the process
12 creating a competitive solicitation process designed to result in the lowest cost for the
13 Notes. The auction was conducted by Banc of America Securities LLC and RBC Capital
14 Markets Corporation, the Company’s private placement agents for this transaction.

15
16 Northern and the placement agents were very pleased with the results of this private
17 placement, particularly given that Northern has been able to “lock-in” this attractive long-
18 term coupon rate. The final pricing of 190 bps is on the lower end of the anticipated
19 range initially provided in Schedule DLC-1 of my pre-filed testimony on November 20,
20 2009. Additionally, the placement agents have indicated that the final pricing of 190 bps
21 fits well within the range of recent comparable utility secondary mid-BBB rated market
22 transactions.

23

SHORT-TERM DEBT

1
2 **Q. What is Northern's proposed short-term debt limit for the twelve-month period**
3 **commencing with the 2009 winter period cost of gas filing?**

4 **A.** Northern proposes its short-term debt limits as specified in the following three
5 components:

6 A) Consistent with the finding in the Commission's Order 24,824 for Energy
7 North, Northern proposes for fuel financing purposes that its short-term debt
8 limit will be reestablished annually at a level equal to 30 percent of its total
9 gas costs (*i.e.*, the total of its direct and indirect gas costs) projected for the
10 winter period. The short-term borrowing limit for fuel financing purposes
11 would be set as part of Northern's winter period cost of gas filing each year,
12 and would be in effect during the subsequent twelve-month period beginning
13 November 1 and ending October 31. In Northern's October 30, 2009 cost of
14 gas filing in Docket 09-167, Forty-fourth Revised Page 38 (Calculation of
15 Anticipated Cost of Gas), Northern calculated a total cost of gas of \$31.3
16 million. A 30 percent factor applied to this total cost of gas would result in a
17 short-term debt limit for fuel financing purposes of \$9.4 million for the Period
18 November 1, 2009 through October 30, 2010.

19
20 B) Northern proposes that a short-term debt limit for purposes other than fuel
21 financing be set at a level equal to 10 percent of its net utility plant, which is
22 consistent with Commission precedent. The short-term debt limit for such
23 purposes would be established each month, based on Northern's actual net

1 utility plant balances as recorded on its balance sheet at month's end. Based
2 on the projected net plant balance (excluding plant acquisition premium) of
3 \$184.1 million as of December 31, 2010 (*See* Response to Staff 1-3,
4 Attachment 1, page 2 of 2), the short debt level for purposes other than fuel
5 financing would be \$18.4 million. Combined with the short-term debt limit
6 for fuel financing purposes, Northern's total short debt limit at December 31,
7 2010 would be \$27.8 million.

8
9 C) Northern also proposes that the Commission not construe gas fuel
10 inventory financing as short-term debt and not set a limit on the amount of
11 fuel inventory to be financed through the Unifil Cash Pool, consistent with the
12 Commission's decision in Order 24,095 (DG 02-203, *In Re Northern Utilities,*
13 *Inc.*, issued December 13, 2002) which provided that gas fuel inventory
14 financing would not be construed as short-term debt.

15
16 **Q. Following the financing, do you anticipate that Northern's short-term borrowings**
17 **will reach the proposed cap?**

18 A. No. We do not expect that Northern's borrowings will be at this limit following the
19 financing. The purpose of the limit would be to set a cap that will apply over a longer-
20 term planning horizon. As I previously stated, construction expenditures are funded
21 initially with internally-generated cash flow and then supplemented with short-term debt
22 which is then redeemed and replaced with long-term financing. It is important to have an
23 established short-term debt limit in order to appropriately plan for future long-term

1 financings to adequately and timely match long-lived assets with long-term financings. In
2 addition, the exclusion of fuel financing from the calculation of short-term debt
3 essentially recognizes the volatility inherent in commodity prices and the need for a gas
4 utility to maintain some flexibility to finance its working capital requirements associated
5 with fuel separate from its capital construction needs and normal distribution utility
6 working capital requirements. Finally, fuel inventory is a specific financing need that is
7 separate and distinct from the general, ongoing operational purposes which are typically
8 funded by short-term debt.

9
10 **III. RESPONSE TO ISSUES RAISED BY THE OCA**

11 **Q. Please summarize the issues raised by the OCA in its December 11, 2009 letter.**

12 A. The OCA's concerns relate to the proposed interest rate in Northern's initial petition, the
13 proposed costs of the financing, the sufficiency of the evidence regarding Northern's
14 proposed use of the funds, the impact on Northern's customers, and the type of approval
15 process requested in Northern's Petition for approval of its long-term debt financing
16 under R.S.A. 369.1 et seq. I will address each of these concerns.

17
18 **Q. Please respond to the OCA's concern about the reasonableness of Northern's
19 proposal to issue the Notes at fixed annual interest rates not to exceed 7.8%.**

20 A. The OCA's objection to the reasonableness of the interest rate for the proposed notes
21 should now be resolved given the actual pricing information described above. The final
22 rate of 5.29% is significantly lower than the 7.8% maximum cap indicated in Northern's
23 Petition and objected to by the OCA. As previously stated, the coupon rate of 5.29%

1 reflects a spread of 190 bps over the interpolated 9-year treasury rate of 3.39%. The
2 pricing spread is in-line with secondary trading activity of comparable unsecured mid-
3 BBB rated utilities.

4 **Q. The OCA states that the costs of outside counsel “must be objectively reasonable**
5 **and consistent with the public good.” Please explain Northern’s reasons for**
6 **selecting outside legal counsel for the proposed financing.**

7
8 A. With respect to the estimated costs of the financing of \$410,000, \$200,000 represents the
9 private placement fee to be paid to the placement agents, \$50,000 is the estimate for
10 lender’s counsel’s legal services, and \$10,000 is for miscellaneous estimated costs. .
11 Dewey & LeBoeuf’s estimate of \$150,000 for legal fees, for the services of both
12 regulatory and corporate finance counsel, is a preliminary estimate, and will be updated
13 based upon actual bills. The majority of Dewey & LeBoeuf’s estimate is for corporate
14 finance counsel’s services for negotiating and preparing principal transaction documents
15 and the related ancillary documents. The transaction documents are similar to those used
16 in Northern’s 2008 note financing, with respect to which Dewey & LeBoeuf also served
17 as Unitil’s counsel. Additionally, the firm acted as corporate and regulatory counsel to
18 Northern after Northern was purchased by Bay State Gas Company in the 1970s until
19 approximately 2000. Unitil selected Dewey & LeBoeuf for this financing in order to
20 effectively and efficiently negotiate and prepare the Transaction Documents because
21 Dewey & LeBoeuf was well-acquainted with Unitil and Northern. Dewey & LeBoeuf
22 also have extensive experience with private placements under Section 4(2) of the
23 Securities Act of 1933 (the “1933 Act”) and Regulation D promulgated there under.

1 Dewey & LeBoeuf also helped prepare a Private Placement Memorandum relating to
2 Northern's note offering, which is the principal disclosure document for prospective
3 investors. Dewey & LeBoeuf's estimate also includes representation of Northern by
4 regulatory counsel in obtaining approval of the proposed note financing from the
5 Commission under R.S.A 369. In this regard Northern selected Dewey & LeBoeuf
6 because of its determination that the firm's significant experience with utility financings,
7 high quality of legal representation and its familiarity with Unitil and Northern would
8 provide the Company with efficient and cost effective representation on this matter.
9

10 **Q. Please comment of the OCA's suggestion that Northern be required to conduct an**
11 **RFP to select outside counsel for future financings.**

12 A. The financings for Northern, as well as UES, are significant events for the companies and
13 Unitil's management believes that it is in the best interest of our customers and
14 shareholders to obtain experienced and high quality counsel to advise the Company on
15 incurring a total of \$40 million in new issuances of debt. Rather than conduct an RFP for
16 solicitation of legal counsel and other advisors on this matter, Unitil relied upon its
17 professional judgment and knowledge of the market to select experienced advisors who
18 were most familiar with the anticipated issues, possessed the relevant experience and who
19 were familiar with the Company and its finance structure. We do not agree with the
20 OCA that an RFP should be required to select counsel for each financing. As discussed
21 above, a significant portion of the legal fees are associated with fees and expenses for
22 lender's counsel. These types of legal fees are not discretionary or under the Company's
23 direct control and would not be appropriate for an RFP. Nevertheless, the Company has

1 appropriate incentives to control these types of legal expenses as well as its legal
2 expenses associated with corporate and regulatory representation, because of the way
3 these costs are recovered through the rate making process. The expenses associated with
4 the financing, including outside legal expense, is not recoverable in rates until the
5 Company files a new base rate case. Additionally, such expenses are generally amortized
6 over the life of the issuance for recovery, in this case 10 years. As a result, the Company
7 pays the financing costs up-front, but only begins to recover these expenses once it has a
8 base rate case, and only then begins to recover the costs over an extended period of time.
9 Accordingly, the Company has a strong incentive to control all its financing costs,
10 including legal expenses.

11
12 **Q. Please respond to the OCA's criticism that Northern has provided insufficient**
13 **information as to how the existing short-term debt that is to be redeemed was**
14 **expended, or how the remaining funds from the proposed long-term financing will**
15 **be applied for "general corporate purposes" to meet its burden under R.S.A. 369:1**

16 A. The net proceeds of the \$25,000,000 million note offering in addition to the concurrent
17 \$7,500,000 million equity contribution will be used as specified in Supplemental
18 Attachment 1 in the letter dated December 11, 2009 amending the size of the offering
19 from \$20 million to \$25 million. The table shows approximately \$32.1 million of short-
20 term debt being repaid and the remainder of the proceeds applied to fees and expenses.

21
22 The capital necessary to finance capital expenditures is derived primarily from internally-
23 generated funds, which consist of cash flows from operating activities. As needed,

1 Northern supplements internally-generated funds through short-term borrowings.

2 Periodically, Northern replaces portions of its short-term debt with long-term financings
3 more closely matched to the long-term nature of its utility assets.

4
5 Unitil acquired Northern on December 1, 2008. Northern was initially capitalized with
6 \$80.0 million of long-term debt and \$65.7 million of equity. In addition, Northern had
7 \$8.4 million of short-term debt as of December 31, 2008. This short-term debt as of
8 December 31, 2008 is largely related to the utility assets and liabilities that were acquired
9 on the acquisition date.

10
11 Northern had incurred approximately \$77 million of capital expenditures under Nisource
12 since its last long-term financing (from the period July 1, 2003 to November 30, 2008).
13 Furthermore, since Northern was acquired by Unitil on December 1, 2008, Northern has
14 spent \$20.6 million of capital expenditures (December 2008 – November 2009) as was
15 provided in Staff 1-2 Attachment 1. Furthermore, Northern is supplying as Schedule 2 to
16 this testimony, a list and description of the major capital projects Northern has
17 undertaken from the period December 2008 through November 2009. In addition,
18 Northern forecasts a capital expenditure budget of approximately \$19.1 million in 2010
19 as was provided in Staff 1-4 Attachment 1.

20
21 In Supplemental Attachment 1 to the letter dated December 11, 2009, there is no “general
22 corporate purposes” as a use of proceeds because not all of the short-term debt will be
23 refinanced. As of September 30, 2009, the remaining amount of short-term debt would

1 be \$1.1 million as shown in Supplemental Attachment 5 in the letter dated December 11,
2 2009. As a result of the timing of the financing and when the cash proceeds will actually
3 be received by Northern (on or about March 1, 2010) the expectation is that the net
4 proceeds will be used to pay down a higher short-term debt balance than was reported at
5 September 30, 2009 due to ongoing capital expenditures by Northern in the approximate
6 six-month period from the balance sheet date (September 30, 2009) and the closing and
7 cash funding of the Notes.

8
9 Consistent with the Commission's findings in its recent Order Denying the OCA's
10 Petition for Rehearing in DE 09-033 (*Petition of Public Service Company of New*
11 *Hampshire for Issuance of Long-Term Debt*), Northern has requested approval of a long-
12 term financing for expenditures made in the normal course of utility operations.

13
14 **Q. The OCA is concerned that Northern's filing contains no information about the rate**
15 **impact of the proposed financing. Please comment.**

16 A. As shown in Schedule 3, the weighted average cost of capital for Northern will decrease
17 as a result of the proposed financing because the transaction will lower the Company's
18 overall cost of debt. There will be no immediate impact on Northern's rates as the effect
19 of the financing will not be reflected until Northern's next base rate case. However, by
20 lowering Northern's overall cost of capital, this financing will have the effect of lowering
21 Northern's rates over the long-term.

22

1 **Q. Please respond to the OCA's concern that the Order *Nisi* process would not provide**
2 **adequate notice to Northern's customers of the proposed financing.**

3 A. Northern respectfully submits that approval by order *nisi* is permitted under R.S.A.
4 §369:4, and is routinely employed by the Commission in utility financings. However, in
5 this instance, the OCA's concern that customers have not received sufficient notice of the
6 proposed financing is now moot because an evidentiary hearing has been scheduled for
7 January 5, 2009. Additionally, the Commission has scheduled a technical session prior to
8 the hearing. Accordingly, the impact of the proposed financing on customers and
9 Northern's proposed use of the funds will be fully explored by the Commission in
10 making its decision that the financing is consistent with the public good under R.S.A. §
11 369.1 *et seq.*

12
13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

15

16 BS126848

INDEX OF SCHEDULES

Schedule 1: Letter to Investors dated December 18, 2009

Schedule 2: Expenditures from December 1, 2008 through November 30, 2009-12-21

Schedule 3: Cost Rate Based on Net Proceeds and Weighted Average Cost of Capital



RBC Capital Markets®

December 18, 2009

To the Persons on the Attached Distribution List

**Re: Northern Utilities, Inc. (“Northern Utilities” or the “Issuer”)
\$25,000,000 Senior Unsecured Notes Due 2020 (the “Notes”)**

Dear Investors:

This letter will confirm that the institutions listed below have circled the following amounts of the above-referenced Notes on Friday, December 18, 2009. Please find attached the Bloomberg screen, which illustrates the Treasury yield used to calculate the coupons on the Notes.

Maturity / Avg. Life	10-yr Final / 9-yr Avg. Life	
Reference Yield		3.39%
Spread		1.90%
Coupon		5.29%
Institution		
MetLife	\$	10.0
Mutual of Omaha		5.0
Thrivent		5.0
OneAmerica		5.0
Total	\$	25.0

The transaction was circled pursuant to the draft Note Purchase Agreement distributed via Intralinks with the following additional terms

- ◆ Standard language regarding FAS 159 elections;
- ◆ Standard restrictions on exit consents; and
- ◆ Requirement that any guarantee provided to the Issuer’s primary credit facility (should one be put in place) will also be provided to the noteholders.

We will contact investors shortly to schedule a due diligence meeting with Northern Utilities management. The transaction will close and fund prior to March 15, 2010.

Northern Utilities, BAML and RBC appreciate your interest in the transaction and look forward to working with you towards the completion of a satisfactory due diligence and closing. Please call us with any questions.

Sincerely,

Banc of America Securities LLC

Edward Wood
(312) 828-7447

Michael Kleban
(312) 828-6003

RBC Capital Markets

Peter Walraven
(212) 428-5430

Paulo Matoto
(212) 858-7147

Amy An
(212) 858-8336

<HELP> for explanation.

INTERPOLATED US YIELD FOR 12/16/18 (3285 DAYS) IS:

3.386

14:15

CURRENTS/WHEN ISSUED

EquityPX1

Bloomberg
 GEMERIC

TREASURY BILLS				
1Mo	1/14/10	↓	.02/ 1	.01 --
23Mo	3/18/10	↑	.05/ 4	.04 --
3WIB	3/25/10	↓	.06/ 5	.05 +.01
46Mo	6/17/10	↑	.16/15	.16 +.01
5WIB	6/24/10	↓	.17/16	.16 +.01
61Yr	12/16/10	↓	.35/34	.34 +.01

14	3 ⁵ / ₈	8/19	↑100-20 /22	3.54 - 17+
15	3 ³ / ₈	11/19	10yr ↑ 98-18+/19+	3.54 - 17
16	4 ¹ / ₂	8/39	↑100-19+/21+	4.46 - 20
17	4 ³ / ₈	11/39	30yr ↑ 98-20+/21+	4.46 - 20+

NOTES/BONDS				
7	1	10/11	↓100-13+/15+	.74 - 02+
8	3 ³ / ₄	11/11	2yr ↓ 99-29 /29+	.79 - 02+
9	1 ³ / ₈	11/12	↓100-09 /11	1.25 - 05
10	1 ¹ / ₈	12/12	3yr ↓ 99-13+/14	1.32 - 05
11	2 ³ / ₈	10/14	↑100-20 /22	2.22 - 09
12	2 ¹ / ₈	11/14	5yr ↑ 99-09+/10	2.27 - 09
13	2 ³ / ₄	11/16	7yr ↓ 98-07+/08	3.03 - 14

18	TII	5 YR	↓104-09 /11	.24 - 02+
19	TII	10 YR	↑105-15 /17	1.26 - 12+
20	TII	20 YR	↓108-30 /00	1.93 - 11

OTHER MARKETS				
21	US Long(CBT)	14:05	↑ 118-05	- 25
22	10Y Fut(CBT)	14:05	↓ 117-19	- 14+
23	EURD\$ (IMM)	14:04	↑ 99.645	+ .005
24	S&P 500 Ind	14:14	↓ 1099.51	+3.43
25	NASDAQ Comp	14:15	↑ 2202.97	+22.92
26	DowJones Ind	14:14	↓ 10307.13	-1.13
27	Gold (CMX)	14:15	↓ 1107.97	+9.07
28	NYM WTI Crd	14:04	↓ 73.94	+1.29

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
 SN 494638 18-Dec-2009 14:15:01

Expenditures From 12/1/2008 - 11/30/2009

Northern - Maine

Auth No.	Const Budget No.	Project	Total Amount Expended
8009	MAO09	2008 and Prior Carryover projects from Acquisition of Northern ME - Normal additions, replacements, improvements of gas distribution systems, including upgrade and strengthen gas main (all associated ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocast ironated with replacement and improvements to gas mains and services required under 49 CFR 192	\$446,794.84
8010	MBO09	2008 and Prior Carryover projects from Acquisition of Northern ME - Normal additions, replacements, improvements of gas distribution systems, including upgrade and strengthen gas main (all assocast ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocast ironated with replacement and improvements to gas mains and services required under 49 CFR 192	\$346,011.77
8015	MGO09	Gas Meters - Customer - labor and materials required for the installation of metering and piping on customer driven projects.	\$46,124.35
9000	MAB09	Gas Distribution System Improvements - Normal additions, replacements, improvements of gas distribution systems for 2009, including upgrade and strengthen gas main (all assocast ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocast ironated with replacement and improvements to gas mains and services required under 49 CFR 192	\$746,309.92
9001	MBB09	New Gas Services - New service installations throughout the gas distribution system during 2009, less customer contributions.	\$1,085,974.14
9002	MCB09	Corrosion Control - Provide cathodic protection to coated steel pipe on the high pressure and low pressure distribution systems throughout the service territory. These section of main are identified through our on going corrosion control inspection program.	\$12,245.29
9003	MDB09	Abandoned Gas Services during 2009, completed in accordance with federal requirements under CFR Title 49 (49 CFR 192.727) and the unaniticast ironated additional cost assocast ironates with increased building, demolition and abandonment of service stubs during leak investigations.	\$88,279.43
9004	MEB09	Gas Service Upgrades during 2009 - costs assocast ironates with normal replacement of gas services	\$321,795.33
9005	MFB09	Gas Meters - Company - materials and supplies for company requirements in 2009 and installation costs.	\$504,570.68
9006	MGB09	Gas Meters - Customer - labor and materials required for the installation of metering and piping on customer driven projects.	\$504,830.95
9007	MKB09	Water Heater Replacements - direct material and contract labor costs assocast ironated with normal replacement of gas water heaters and conversions burners.	\$95,768.41
9010	JPB03	Maine AMR project - Replace obsolete gas meters and installing AMR devises	\$454,555.74
9011	EDG01	Unscheduled additions and/or replacements of Office Furniture and Equipment	\$893.10
9012	JPB09	Costs assocast ironated with the installation of outside regulators and upstream shut-offs for high pressure services indentified as part of the NOPV Stipulation.	\$1,392,501.41
9013	EAG03	Replacement of tools and equipment utilized by the gas department.	\$24,501.44
9014	GPB01	Cost assocast ironated with unscheduled improvements or replacements within the Portland facast ironity.	\$18,907.77
9018	ECN01	Compliance Management System Phase 2 - upgrading various records systems	\$62,326.49
9019	ECN02	Phase 2 of the upgrading of the Mobile Dispatch System (MDS) for the Service Department	\$108,047.61
9020	JPB08	Distribution System MAOP Compliance	\$51,176.07
9021	EAG05	Tools Replacement Gas Systems	\$0.00
9022	EAG01	Purchase level II FR clothing protection for gas workers	\$105,114.34
9023	JPB01	Asphalt restoration for local projects completed in 2008 - Distribution Systems Improvements	\$1,755,701.60
9026	JPB02	Asphalt restoration for local projects completed in 2009 - Distribution Systems Improvements	\$604,827.46
9029	GPB06	Replace two overhead garage doors at the back of the storeroom/garage	\$15,150.45
9030	JHB01	Replace 500 linear feet of 6" PE pipe with 500 linear feet of 8" high density PE pipe on Veranda St, Portland	\$67,882.52
9031	JHB02	Replace 250' of 4", 6" and 10" CI main with 6" high density PE main on Ray St, Portland	\$132,800.11
9032	JHB03	Replace 1,850' of 12" cast iron low pressure main with 1,850 high density PE intermediate pressure main on Read St, Portland	\$248,980.96
9033	JHB04	Replacement of 800' of 8" cast iron LP with 8" high density PE IP on Ocean Ave, Portland	\$1,254,655.56
9034	JPB07	Adjust sizing of Regulator Stations to achieve 3 to 1 ratio for Capacast ironity Compliance	\$195,858.61
9035	JHB05	Replacement of 200' of 6" cast iron with 200' of 6" high density PE on Maine Ave and 500' of 8" cast iron with 500' of 8" high density PE on Washington Ave, Portland	\$108,129.61
9036	JHB06	Replacement of 1,750' of 4" cast iron with 1,750' of 2" high density PE on Gleckler Rd, Portland	\$49,629.83
9037	JHB07	Replacement of 1,200' of 6" cast iron with 4" high density PE on Florida Ave and 125' of 6" cast iron with 4" high density PE on Texas Ave, Portland	\$155,274.35
9038	JHB08	Edgewood Ave CSO Project	\$69,924.42
9039	JHB09	Replacement of 800' of 4" cast iron with 800' of 2" high density PE and 500' of 2" direct bury with 2" high density PE on Canco Rd, Portland	\$121,114.05
9041	JHB11	Replacement of 1,700' of 4" cast iron with 1,700' of 2" high density PE on Wellington Rd, Portland	\$184,313.77
9045	JHB12	Replacement of 1,800' of 4" cast iron with 1,800' of 2" high density PE on Walton Rd, Portland	\$118,589.04
9046	JHB13	Replacement of 250' of 4" cast iron with 250' of 2" high density PE on Greenleaf Ave and upgrade pressure from low to intermediate.	\$23,999.42
9047	JHB14	Replacement of 600' of cast iron main with 600' of 2" high pressure PE on Madison St. in Portland	\$53,357.52
9048	JHB15	Replacement of 500' of 4" cast iron with 2" high pressure PE on Everett St, Portland.	\$28,665.33
9050	JPB04	Critical valve installations and refurbishment of existing valves on high pressure distribution system.	\$462,365.31
9051	JHB17	Replacement of 800' of 4" cast iron with 800' of 4" high pressure PE on W. Kidder St, Portland.	\$68,724.37
9052	JHB18	Replacement of 1,000' of 4" cast iron with 1,000' of 2" high pressure PE on Fernald St, Portland.	\$98,621.51

Expenditures From 12/1/2008 - 11/30/2009

Northern - Maine

Auth No.	Const Budget No.	Project	Total Amount Expended
9054	JHB19	Replacement of 700' of 4" cast iron with 4" high pressure PE on Washburn Ave, Portland.	\$18,809.02
9055	JAB01	Install new 350' of 8" high pressure PE mains from Veranda St to property on Martins Point	\$53,065.76
9056	ECG03	Install SCADA at regulator stations in the Maine Division including firewall to maintain security and field communications	\$53,126.77
9057	JPN01	Install of new 250' of 4" high pressure PE main for new commercast ironal service on 335 Forest Ave, Portland	\$31,783.84
9058	ECG02	Replace obsolete Bristol 3330 RTU's.	\$10,968.84
9059	ECN03	Unit Pricast ironing Phase 2	\$7,300.80
9061	JAB02	Install new 1,200' of high pressure PE to 190 Birch St, Lewiston, Lewiston	\$70,793.33
9062	JAB03	New 300' x 2" high pressure main extension at 102-109 Cumberland Rd, South Portland.	\$7,135.37
9063	JAB04	Install new 2,400' of 4" high density PE main on North Temple St, Lewiston	\$248,544.00
9064	JHB20	Install new 2,400' of 4" high density PE main on Dartmouth St, Portland	\$8,393.86
9065	JHB21	Replacement of 425' of 4" cast iron with 4" of high density PE on Weymouth St, Portland, Maine	\$86,929.67
9066	JHB22	Replacement of 160' of 8" CS on the bridge that spans the RR on Washington St., Auburn	\$108,145.18
9067	JAB05	Install two new 400' of 2" high pressure PE on Warren Ave	\$32,206.40
9068	JAB06	Install 900' of 4" high pressure PE on Union St, Saco and 500' of 4" high density PE and 220' of 2" high density PE on property of Thornton Academy to feed three buildings on school property.	\$80,590.82
9071	JHB23	Replacement of 1,100' of 2" high density PE main on Carlyle St, Portland.	\$10,782.77
9072	JHB24	Replacement of 300' of 4" cast iron with 4" high density PE on Lowell St; Replacement of 200' of 4" cast iron with 4" high density PE on Bumham St; Replacement of 600' of 2" Aldylade with 2" high density PE on Park Ave, Portland	\$67,637.12
9073	JHB25	Replacement of 400' of 3" cast iron with 4" high pressure PE on High St, Westbrook.	\$32,353.27
9074	ECN04	Gas Dispatch Hot Standby This project will create a back up system for Gas SCADA communications to field RTUs / PLCs in places of the existing dial-up back up communications	\$18,000.00
9075	JHB26	Replacement of 500' of 1.25" BS with 2" high density PE on Brookside Dr, South Portland	\$17,217.70
9076	JHB27	Replacement of 500' of 1.25" BS with 2" high density PE on Phillips Rd, South Portland	\$12,871.48
9077	ECN05	Converting Plant Records to ODI system	\$1,220.64
9078	JAB08	Provide gas service to Woodwinds Apartments	\$37,394.48
9082	JAB10	Installation of 3,500' of 4" high pressure PE on Minot Ave., Auburn, ME and install 400' of 2" high density PE on the Army Reserve Property.	\$59,661.28
		Totals:	\$13,310,227.28

Note: Staff 1-2 Attachment 1 showed \$13.282 million for Northern ME division which was under reported by ~\$28K compared to this schedule showing \$13.310 million

Expenditures From 12/1/2008 - 11/30/2009

Northern - New Hampshire

Auth No.	Const Budget No.	Project	Total Amount Expended
8009	MAO09	2008 and Prior Carryover projects from Acquisition of Northern NH - Normal additions, replacements, improvements of gas distribution systems, including upgrade and strengthen gas main (all assocast ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocasted with replacement and improvements to gas mains and services required under 49 CFR 192	\$261,519.07
8010	MBO09	2008 and Prior Carryover projects from Acquisition of Northern NH - Normal additions, replacements, improvements of gas distribution systems, including upgrade and strengthen gas main (all assocast ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocast ironated with replacement and improvements to gas mains and services required under 49 CFR 192	\$92,133.27
8012	MDO09	Abandoned Gas Services during 2009, completed in accordance with federal requirements under CFR Title 49 (49 CFR 192.727) and the unanticast ironated additional cost assocast ironates with increased building, demolition and abandonment of service stubs during leak investigations.	\$1,788.48
8013	MEO09	Gas Service Upgrades during 2008 - costs assocast ironates with normal replacement of gas services	\$2,000.69
8014	MFO09	Gas Meters - Company - materials and supplies for company requirements in 2008 and installation costs.	\$51,918.91
8015	MGO09	Gas Meters - Customer - labor and materials required for the installation of metering and piping on customer driven projects.	\$80,248.81
9000	MAB09	Gas Distribution System Improvements - Normal additions, replacements, improvements of gas distribution systems for 2009, including upgrade and strengthen gas main (all assocast ironated materials, sand gravel, paving and trucking of soils) plus additional costs assocast ironated with replacement and improvements to gas mains and services required under 49 CFR 192	\$372,208.37
9001	MBB09	New Gas Services - New service installations throughout the gas distribution system during 2009, less customer contributions.	\$828,644.51
9002	MCB09	Corrosion Control - Provide cathodic protection to coated steel pipe on the high pressure and low pressure distribution systems throughout the service territory. These section of main are identified through our on going corrosion control inspection program.	\$23,628.54
9003	MDB09	Abandoned Gas Services during 2009, completed in accordance with federal requirements under CFR Title 49 (49 CFR 192.727) and the unanticast ironated additional cost assocast ironates with increased building, demöition and abandonment of service stubs during leak investigations.	\$55,029.58
9004	MEB09	Gas Service Upgrades during 2009 - costs assocast ironates with normal replacement of gas services	\$156,114.96
9005	MFB09	Gas Meters - Company - materials and supplies for company requirements in 2009 and installation costs.	\$727,652.35
9006	MGB09	Gas Meters - Customer - labor and materials required for the installation of metering and piping on customer driven projects.	\$501,929.87
9007	MJB09	New Water Heater installs - direct material and contract labor costs assocast with normal replacement of gas water heaters and conversions burners.	\$24,344.66
9008	MKB09	Water Heater Replacements - direct material and contract labor costs assocast ironated with normal replacement of gas water heaters and conversions burners.	\$69,466.10
9010	EDG04	Unscheduled additins and replacements of office furniture and equipment for 2009.	\$767.72
9011	GPB01	Unscheduled improvements or replacement of structures within the Portsmouth facility.	\$10,470.00
9012	ECC01	Purchase two way radios for either replacement or addition to newly purchased or existing vehicles.	\$2,535.00
9013	EAG03	Additions and replacement of tools and equipment utilized by the gas department.	\$9,460.66
9015	ECN01	Enhance the existing CMS system including: 1) gas plant records update, 2) interface MDS with CMS, 3) update compliance modules 4) create standard compliance reports.	\$57,569.02
9016	ECN02	Phase 2 of the upgrading of the Mobile Dispatch System (MDS) for the Service Department	\$105,038.68
9019	JCB03	Replace approximately four miles of bare steel main in the NH distribution system. 1) State St. Portsmouth-8" C main replacemtn with 8" plastic and replace 30 services. 2) No. Shore Rd. Hampton-replace 1 14" BS maind w/ 2" plastic and replace 37 servcies 3) Spinney Rd. Portsmouth-retire 4" BS main, transfer 10 services to existing 6" CS main, 4) Levit Rd. Hampton-replace 1 1/4" BS main w/ 2" plastic main and replace 34 services.	\$3,033,722.53
9022	JHB01	State is replacing culvert crossing, 8' steel sleeve inserted with 96" PI over existing culvert.	\$0.00
9024	JHB03	Low pressure main replacement of 4" and 3" bare steel and cast iron mains, replacing 113 services, and moving any inside meters outside.	\$280,904.18
9025	JHB04	Relocate our gas lines that are in conflict with State project. Construct a 42" road box, replace the existing 6" steel line going through a 25' box culvert. Main replacement of 900', 12" steel main, replace with 12" PI main, new mail location will be under sidewalk at a depth of 36" of cover, and 6 associated servcies will also have to be relocated to a depth of 5' under roadway.	\$199,195.96
9026	JHB05	Relocate our gas lines in conflict with State project. Five locations to relocate 6" PI main to accommodate drainage lines and one-way feeds.	\$8,305.98
9027	EAG05	Additions and replacement of tools and equipment utilized by the gas department.	\$3,776.76
9029	JAB02	Extend a 4" main and services approximately 2,850' to meet load requirements. Customer to provide trench and backfill.	\$102,113.73
9030	EAG01	Provide Level II FR clothing protection and Breathable Air equipment for distribution gas workers.	\$155,796.14
9031	ECG03	Replace one obsolete Bristol 3330 RTU as part of the multi-year Gas SCADA replacement project.	\$3,935.25
9032	ECN03	Enhance the unit pricing system by creating a secure public web-site for contractors to approve "pre-agreed upon" invoices for A/P's payment.	\$6,739.20

Expenditures From 12/1/2008 - 11/30/2009

Northern - New Hampshire

Auth No.	Const Budget No.	Project	Total Amount Expended
9035	EAG04	Normal addition and replacement of tools and equipment utilized by the Meter Dept and Instrument Technicians.	\$6,763.04
9036	JPN02	Replace broken 4" valve, an 8" tee and install two 8" valves.	\$16,165.40
9037	ECN04	One of four authorizations to evaluate and implement a hot standby back up option for Gas Dispatch and Gas SCADA telecommunications.	\$18,000.00
9038	JAB03	Extend a 2" HDPE main 3,800' to serve 53 residences on three streets.	\$30,912.04
9039	ECN05	Add Gas Plant Records to ODI enabling the FERC allocation of gas units and the closing of gas projects. Also enables importing into plant CPR ledger and updating Plant Accounting.	\$976.51
9041	JAB04	Install 1,400 feet of 2" high-pressure plastic main and one 25', 2" service to hook up service to a back up generator.	\$3,162.91
9042	JHB06	Replace 300' of 3"BS with 300' of 6" HDPE. Tie main into an existing 6" stub.	\$62,174.67
		Totals:	\$7,367,113.55

NORTHERN UTILITIES, INC.
COST RATE BASED ON NET PROCEEDS
\$25,000,000 Senior Unsecured Notes

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
ISSUE	Maturity	OUTSTANDING AMOUNT	ISSUANCE COSTS	NET PROCEEDS OUTSTANDING (3)-(4)	ANNUAL ISSUANCE COST (4)/(2)	ANNUAL INTEREST COST Rate * (3)	TOTAL ANNUAL COST (6)+(7)	COST RATE BASED ON NET PROCEEDS (8)/(5)
5.29%	Sr. Unsecured Note: 10 Yrs	\$ 25,000,000	\$410,000	\$ 24,590,000	\$ 41,000	\$ 1,322,500	\$ 1,363,500	5.54%

NORTHERN UTILITIES, INC.
WEIGHTED AVERAGE COST OF CAPITAL AS OF SEPTEMBER 30, 2009
Proformed 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 Senior Unsecured Notes	0.0	0.0%		0.00%	25.0	25.0	13.9%	5.54%	0.77%
Total Long Term Debt	80.0	54.2%		3.03%	25.0	105.0	58.3%		3.25%
Common Equity	67.5	45.8%	9.67%	4.43%	7.5	75.0	41.7%	9.67%	4.03%
Total	\$147.5	100.0%		7.45%	\$32.5	\$180.0	100.0%		7.28%

(a) Cost rate based on net proceeds