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January 4, 2010

BY FEDERAL EXPRESS AND ELECTRONIC FILING

Matthew Fossum
Staff Attorney
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301

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

Dear Matthew:

Enclosed on behalf of Northern Utilities, Inc., please find Response to Staff Oral Request issued during last week's Technical Session/Teleconference, and filed informally on December 31st, 2009.

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.

Very truly yours,



Meabh Purcell

Enc.

cc: Debra Howland, NHPUC
Librarian, NHPUC
Amanda Noonan, Consumer Affairs Director, NHPUC
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David Chong, Unitil Energy Systems, Inc.

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NORTHERN UTILITIES, INC.

DG 09-239

ORAL DATA REQUEST FROM COMMISSION STAFF

PETITION TO ISSUE SECURITIES

Date Request Received: 12/31/09

Date of Response: 12/31/09

Request No. ODR 12-31-09

Witness: David Chong

Request:

Please provide an analysis supporting Northern's request for short-term debt limits after the financing.

Response:

As in response to Staff 2-3, Northern continues to request an interim short-term debt limit of \$60 million. After the long-term financing, Northern requests a short-term debt limit consisting of a 30% factor applied to cost of gas plus a 15% factor applied to net plant excluding acquisition adjustment.

The 15% net plant factor provides Northern with flexibility to accommodate environmental remediation costs and accelerated steel/cast iron replacement programs in New Hampshire and Maine.

- Environmental remediation costs to be spent of approximately \$2.4 million
- Northern New Hampshire accelerated bare steel main replacement of approximately \$27 million in 2009 dollars (assumes 32 miles at \$850,000 per mile)
- Northern Maine accelerated cast iron replacement project estimated cost of approximately \$64 million in 2009 dollars

A larger short-term debt limit with this 15% net plant factor provides Northern more flexibility in terms of accessing the capital markets within a longer time frame and also provides for a larger offering size. As seen in ODR Attachment 1, the 15% net plant factor provides some short-term debt borrowing availability at the end of five years. However, under the 10% net plant factor, there is no excess short-term debt borrowing availability by year 2013.

The combined short-term debt limit (including 15% of net plant at 12/31/10 and 30% cost of gas limit of \$16.3 million) after the financing would be \$43.9 million. Additionally, Northern will forego the fuel inventory financing carve-out as it previously requested and will seek approval of this in the future if Northern were ever to finance fuel inventory with the Unitil cash pool.

(\$ in thousands)	2010E	2011E	2012E	2013E	2014E
Capitalization					
Common Equity					
Common Stock	\$73,200	\$73,200	\$73,200	\$73,200	\$73,200
Retained Earnings	3,301	4,436	5,915	7,373	8,825
Total Common Equity	\$76,501	\$77,636	\$79,115	\$80,573	\$82,025
Long-Term Debt	105,000	105,000	105,000	105,000	105,000
Total Capitalization	\$181,501	\$182,636	\$184,115	\$185,573	\$187,025
Capitalization Ratios					
Total Common Equity	42%	43%	43%	43%	44%
Long-Term Debt	58%	57%	57%	57%	56%
Total	100%	100%	100%	100%	100%
Short-Term Debt Balances					
Short-Term Debt YE Balance	\$16,147	\$25,780	\$33,054	\$38,590	\$45,211
Short-Term Debt Peak Factor (1)	1.1 x				
Adjusted Short-Term Debt	\$17,762	\$28,358	\$36,359	\$42,449	\$49,732
Short-Term Debt Limits					
Net Plant Exc. Acq. Adj.	184,141	197,143	207,988	216,444	225,802
10% Net Plant Limit	18,414	19,714	20,799	21,644	22,580
15% Net Plant Limit	27,621	29,572	31,198	32,467	33,870
20% Net Plant Limit	36,828	39,429	41,598	43,289	45,160
30% Cost of Gas Limit (2)	16,300	16,789	17,293	17,811	18,346
Combined Short-Term Debt Limit					
10% Net Plant + 30% Cost of Gas	34,714	36,503	38,091	39,456	40,926
15% Net Plant + 30% Cost of Gas	43,921	46,361	48,491	50,278	52,216
20% Net Plant + 30% Cost of Gas	53,128	56,218	58,890	61,100	63,506
Short-Term Debt Availability					
10% Combined Limit - Adj. ST Debt	16,952	8,146	1,732	(2,993)	(8,806)
15% Combined Limit - Adj. ST Debt	26,159	18,003	12,132	7,829	2,484
20% Combined Limit - Adj. ST Debt	35,366	27,860	22,531	18,651	13,774

(1) Assumes a 1.1x peak factor to provide for peaks in intra-month short-term debt balances due to timing of energy and other payments.

(2) 30% cost of gas limit in 2010 assumed to be same value provided in Staff 2-3. Assumes 3% annual growth thereafter.

Note: The capitalization forecast is based on a number of inter-related assumptions and projections for sales; revenues, expenses, capital expenditures, cash flows, financings, and general rate relief, some or all of which are subject to change and uncertainty. Actual future financings will be based on working and capital funding requirements, market conditions, and regulatory parameters. The forecast includes a \$25 million long-term bond financing and a \$7.5 million equity contribution from Unitil Corp. during the first quarter of 2010.