

**Northern Utilities - New Hampshire and Maine  
Historical Capital Spending**

Oct-Dec 2014	\$17.8
2015	50.0
2016	44.2
Total	<u>\$112.0</u>

**2017 Budget Capital Spending**

Blankets - Gas	\$9.7
Blankets - Water Heater	0.4
Communications	0.0
Distribution	30.9
Tools, Shop, Garage	0.1
Office	0.1
Structures	0.2
	<u>\$41.5</u>

**Northern Utilities, Inc.  
 Long-Term Debt Maturities**

	6.95% Due 12/3/2018	7.72% Due 12/3/2038	5.29% Due 3/2/2020	4.42% Due 10/15/2044	<b>Total</b>
2017	10,000,000				<b>10,000,000</b>
2018	10,000,000		8,400,000		<b>18,400,000</b>
2019			8,400,000		<b>8,400,000</b>
2020			8,200,000		<b>8,200,000</b>
2021					-
2022					-
2023					-
2024					-
2025					-
2026					-
2027					-
2028					-
2029		5,000,000			<b>5,000,000</b>
2030		5,000,000			<b>5,000,000</b>
2031		5,000,000			<b>5,000,000</b>
2032		5,000,000			<b>5,000,000</b>
2033		5,000,000			<b>5,000,000</b>
2034		5,000,000			<b>5,000,000</b>
2035		5,000,000			<b>5,000,000</b>
2036		5,000,000			<b>5,000,000</b>
2037		5,000,000			<b>5,000,000</b>
2038		5,000,000			<b>5,000,000</b>
2039					-
2040					-
2041					-
2042					-
2043					-
2044				50,000,000	<b>50,000,000</b>
<b>Total</b>	<b>20,000,000</b>	<b>50,000,000</b>	<b>25,000,000</b>	<b>50,000,000</b>	<b>145,000,000</b>

**NORTHERN UTILITIES, INC.**  
**SOURCES AND USES OF FUNDS**  
**Proposed Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ In Millions)*

**Sources of Funds**

Proposed Sale of Senior Unsecured Notes \$75.0

**Total Sources of Funds** \$75.0

**Uses of Funds**

Repay Short-Term Debt and General Corporate Purposes \$74.5

Fees and Expenses 0.5

**Total Uses of Funds** \$75.0

**NORTHERN UTILITIES, INC.**  
**ESTIMATED COST OF FINANCING**  
**Proposed Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

**Estimated Cost of Financing**

Private Placement Fees to Placement Agents

\$0.3

Legal Fees

0.2

**Total Estimated Costs**

**\$0.5**

**NORTHERN UTILITIES, INC.**  
**BALANCE SHEET AS OF DECEMBER 31, 2016**  
**Proformed for the Issuance and Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>ASSETS:</b>			
<b>Utility Plant:</b>			
Gas			
Construction Work in Progress			
Utility Plant			
Less: Accumulated Depreciation			
Net Utility Plant			
<b>Current Assets:</b>			
Cash			(A)
Accounts Receivable, Net			
Accrued Revenue			
Exchange Gas Receivable			
Gas Inventory			
Materials and Supplies			
Prepayments and Other			
Total Current Assets			
<b>Noncurrent Assets:</b>			
Regulatory Assets			
Other Noncurrent Assets			
Total Noncurrent Assets			
<b>TOTAL</b>			

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(A) General corporate purposes

**NORTHERN UTILITIES, INC.**  
**BALANCE SHEET AS OF DECEMBER 31, 2016**  
**Proformed for the Issuance and Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ in Millions, Except Par Value and Stock Shares Data)*

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>CAPITALIZATION AND LIABILITIES:</b>			
<b>Capitalization:</b>			
Common Stock Equity:			
Common Stock, \$10 Par Value			
Authorized - 200 shares			
Issued and Outstanding - 100 shares			
Retained Earnings (Deficit)			
Total Common Stock Equity			
Long-term Debt		(B)	
Total Capitalization			
<b>Current Liabilities:</b>			
Accounts Payable			
Short-Term Debt		(C)	
Long-Term Debt, Current Portion			
Due to Affiliates			
Energy Supply Obligations			
Dividends Payable			
Environmental Obligations			
Regulatory Liabilities			
Other Current Liabilities			
Total Current Liabilities			
<b>Noncurrent Liabilities:</b>			
Deferred Income Taxes			
Cost of Removal Obligations			
Retirement Benefit Obligations			
Regulatory Liabilities			
Environmental Obligations			
Other Noncurrent Liabilities			
Total Noncurrent Liabilities			
<b>TOTAL</b>			

(B) Proposed offering of Senior Unsecured Notes net of issuance fees and expenses

(C) Repayment of short-term debt

**NORTHERN UTILITIES, INC.**  
**STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2016**  
**Proformed for the Issuance and Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
<b>Operating Revenues</b>	██████████	██████████	██████████
<b>Operating Expenses:</b>			
Cost of Gas Sales	██████████	██████████	██████████
Operation and Maintenance	██████████	██████████	██████████
Depreciation and Amortization	██████████	██████████	██████████
Taxes Other Than Income Taxes	██████████	██████████	██████████
Total Operating Expense	██████████	██████████	██████████
<b>Operating Income</b>	██████████	██████████	██████████
Interest Expense	██████████	██████████	██████████ (A)
Other Expense (Income)	██████████	██████████	██████████
<b>Income Before Income Taxes</b>	██████████	██████████	██████████
Income Taxes	██████████	██████████	██████████ (B)
<b>Net Income</b>	██████████	██████████	██████████

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(A) Assumes issuance of \$75 million 30-year notes at 5.50% and refinancing of \$37.0 million short-term debt at 1.77% interest savings  
 (B) Utilizes statutory tax rate of 39.41%

**NORTHERN UTILITIES, INC.**  
**CAPITAL STRUCTURE AS OF DECEMBER 31, 2016**  
**Proformed for the Issuance and Sale of \$75,000,000 Senior Unsecured Notes**  
*(\$ in Millions)*

	<u>Actual</u> <u>12/31/2016</u>	<u>Adjustments</u> <u>12/31/2016</u>	<u>Pro Forma</u> <u>12/31/2016</u>
Cash	\$ 0.5	\$ 37.5	\$ 38.0
Short-Term Debt	\$ 37.0	\$ (37.0)	\$ -
Senior Unsecured Notes, Net of Issuance Costs	144.1	74.5	218.6
<b>Total Debt</b>	<b>\$ 181.1</b>	<b>\$ 37.5</b>	<b>\$ 218.6</b>
Common Equity	155.2	-	155.2
<b>Net Capitalization</b>	<b>\$ 335.8</b>	<b>\$ -</b>	<b>\$ 335.8</b>
Net Debt / Net Capitalization	53.8%		53.8%

**NORTHERN UTILITIES, INC.**  
**WEIGHTED AVERAGE COST OF DEBT**  
**Proformed for the Issuance and Sale of \$75,000,000 Senior Unsecured Notes**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Description of Debt	Interest Rate	Maturity Date	Term	Date Issued	Face Value	Outstanding Amount	Issuance Costs	Net Proceeds Ratio [(6)-(8)/(6)]	Unamortized Issuance Costs	Net Proceeds Outstanding (7)-(10)	Annual Issuance Cost	Annual Interest Cost (2)*(7)	Total Annual Cost (12)+(13)	Cost Rate Based on Net Proceeds (14)/[(7)-(10)]
<b>Existing Debt</b>														
<b>Long Term Debt</b>														
Sr. Notes	6.95%	12/3/2018	10 Yrs	12/3/2008	\$ 20,000,000	\$ 20,000,000	\$ 266,834	98.67%	\$ 51,188	\$ 19,948,812	\$ 26,707	\$ 1,390,000	\$ 1,416,707	7.10%
Sr. Notes	7.72%	12/3/2038	30 Yrs	12/3/2008	50,000,000	50,000,000	435,899	99.13%	318,536	49,681,464	14,534	3,860,000	3,874,534	7.80%
Sr. Notes	5.29%	3/2/2020	10 Yrs	3/2/2010	25,000,000	25,000,000	368,866	98.52%	116,444	24,883,556	36,772	1,322,500	1,359,272	5.46%
Sr. Notes	4.42%	10/15/2044	30 Yrs	10/15/2014	50,000,000	50,000,000	482,981	99.03%	447,428	49,552,572	16,099	2,210,000	2,226,099	4.49%
Total Long Term Debt					\$ 145,000,000	\$ 145,000,000	\$ 1,554,580		\$ 933,597	\$ 144,066,403	\$ 94,112	\$ 8,782,500	\$ 8,876,612	6.16%
<b>Pro Forma Debt</b>														
<b>Long Term Debt</b>														
Sr. Notes	6.95%	12/3/2018	10 Yrs	12/3/2008	\$ 20,000,000	\$ 20,000,000	\$ 266,834	98.67%	\$ 51,188	\$ 19,948,812	\$ 26,707	\$ 1,390,000	\$ 1,416,707	7.10%
Sr. Notes	7.72%	12/3/2038	30 Yrs	12/3/2008	50,000,000	50,000,000	435,899	99.13%	318,536	49,681,464	14,534	3,860,000	3,874,534	7.80%
Sr. Notes	5.29%	3/2/2020	10 Yrs	3/2/2010	25,000,000	25,000,000	368,866	98.52%	116,444	24,883,556	36,772	1,322,500	1,359,272	5.46%
Sr. Notes	4.42%	10/15/2044	30 Yrs.	10/15/2014	50,000,000	50,000,000	482,981	99.03%	447,428	49,552,572	16,099	2,210,000	2,226,099	4.49%
New Sr. Notes*	5.50%				75,000,000	75,000,000	537,500	99.28%	537,500	74,462,500	17,917	4,125,000	4,142,917	5.56%
Total Long Term Debt					\$ 220,000,000	\$ 220,000,000	\$ 2,092,080		\$ 1,471,097	\$ 218,528,903	\$ 112,029	\$ 12,907,500	\$ 13,019,529	5.96%

**Weighted Average Cost of Capital**

	Actual (12/31/16)				Adjustment Amount	Pro Forma (12/31/16)			
	Amount	Percent of Total	Cost Rate	Weighted Cost Rate		Amount	Percent of Total	Cost Rate	Weighted Cost Rate
Common Equity	\$ 155,183,729	46%	9.50%	4.37%	\$ -	\$ 155,183,729	41%	9.50%	3.93%
Long Term Debt	145,000,000	43%	6.16%	2.65%	75,000,000	220,000,000	59%	5.96%	3.49%
Short Term Debt <sup>1</sup>	36,977,214	11%	1.77%	0.19%	(36,977,214)	-	0%	1.77%	0.00%
Total	\$ 337,160,943			7.22%	\$ 38,022,786	\$ 375,183,729			7.42%

\* Assumes issuance of \$75 million 30-year notes at 5.50%

<sup>1</sup> Short Term Debt Cost Rate is based on average monthly borrowings and interest charges during calendar year 2016

**NORTHERN UTILITIES, INC.**

**C E R T I F I C A T E**

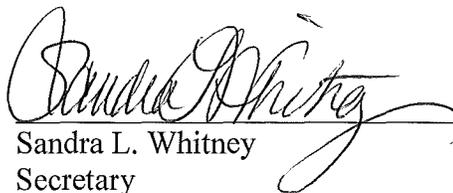
VOTED: That the proposed issuance and sale to an institutional investor(s) by private placement of up to Seventy-Five Million Dollars (\$75,000,000) aggregate principal amount of Long Term Senior Notes of Northern Utilities, Inc. (the "Company") be and hereby are approved in principle, such Long Term Senior Notes to be sold at such price and to have such terms and provisions as may be determined by the Board of Directors; and further,

That the President, any Vice President, the Treasurer, and the Assistant Treasurer of this Company be and they are, and each of them singly is hereby authorized in the name of and on behalf of the Company, to execute and file with the New Hampshire Public Utilities Commission, the Maine Public Utilities Commission, and any other regulatory authority having jurisdiction, petitions for the approval and authorization of up to Seventy-Five Million Dollars (\$75,000,000) of Long Term Senior Notes; and that the President, any Vice President, the Treasurer, and the Assistant Treasurer of this Company be and they are, and each of them singly is, hereby authorized in the name and on behalf of this Company to execute and file with said regulatory authorities any amendments to said petitions as may be necessary or desirable in connection with the foregoing; and further,

That the officers of this Company be and they are, and each of them singly is, hereby authorized and directed in the name of and on behalf of the Company to execute such documents, including the engagement of a financial advisor; and do all such acts and things and to take all such other steps as may be necessary or advisable or convenient and proper to carry out the intent of the foregoing votes; and that all such acts and things heretofore done by such officer in connection with and in furtherance of the purposes and intent of the foregoing resolutions are ratified, confirmed and approved as the act and deed of the Company.

I, Sandra L. Whitney, hereby certify that I am Secretary of Northern Utilities, Inc.; that the foregoing is a true copy from the record of votes unanimously adopted at a meeting of the Directors of said Company, duly called and held January 25, 2017, at which meeting a quorum was present and acting throughout; and that the said votes have not since been altered, amended or rescinded.

WITNESS my hand and the corporate seal of Northern Utilities, Inc. this 26<sup>th</sup> day of January, 2017.

  
Sandra L. Whitney  
Secretary