

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

DG 09-___

NORTHERN UTILITIES, INC.

PETITION FOR AUTHORITY TO ISSUE SECURITIES

DIRECT TESTIMONY

OF

DAVID L. CHONG

NOVEMBER 20, 2009

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. Please state your full name and business address.

A. My name is David L. Chong. My business address is 6 Liberty Lane West, Hampton, New Hampshire, 03842.

Q. By whom are you employed and in what capacity?

A. I am the Director of Finance for Unitil Service Corp. (“Unitil Service”), which provides various professional and administrative services to Northern Utilities, Inc. (“Northern” or the “Company”), as well as to Unitil Corporation’s (“Unitil”) other utility subsidiaries. As Director of Finance, I am responsible for the management of treasury operations and banking relationships; planning and execution of financing programs; development, preparation and presentation of financial forecasts and plans; overseeing insurance programs; interfacing with the financial community and investors; and supporting the company’s regulatory and ratemaking objectives.

Q. Please summarize your professional and educational background.

A. I have worked in the energy industry for over 8 years, principally in the areas of engineering and finance. From 2001 through 2005, I worked for Exxon Mobil Corporation as a project engineer. From 2005 through 2008, I worked for RBC Capital Markets Corporation in the energy investment banking group, where I provided financial advisory services including corporate finance and mergers and acquisitions analyses. While at RBC, I raised both equity and debt capital on numerous occasions for various energy companies. From 2008 through 2009, I worked for El Paso Exploration &

1 Production Company in its business development group. I began working for Unitil
2 Service in August 2009 as the Director of Finance. I hold a Master's Degree in Business
3 Administration from Tulane University and a Bachelor of Science degree in Mechanical
4 Engineering with Honors from the University of Texas at Austin.

5
6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to explain and support Northern's petition requesting
8 authorization to issue to institutional investor(s) senior notes evidencing unsecured long-
9 term debt in an aggregate amount of up to \$20,000,000 (hereinafter referred to as the
10 "Bonds").

11
12 **Q. What is the Company specifically requesting at this time?**

13 A. Northern is seeking the Commission's approval to issue an aggregate principal amount of
14 up to \$20,000,000 of Bonds. The Bonds will be sold at par and will have a target
15 maturity of 10 years and bear a fixed coupon of not more than 7.8%.

16
17 **Q. When did the Company complete its last long-term debt financing?**

18 A. Northern completed its last long-term debt financing in December 2008 in conjunction
19 with Unitil's acquisition of the Company. In December 2008, Northern issued two series
20 of debt to help match the maturity of the permanent financing to the life of the utility
21 assets. The tranches included \$30,000,000 of 6.95% Senior Notes, Series A, due
22 December 2018 and \$50,000,000 of 7.72% Senior Notes, Series B, due December 2038.

23

1 **Q. Please describe the key terms of the proposed long-term debt financing.**

2 A. Northern is seeking to issue, at par, to institutional investors unsecured notes in an
3 aggregate amount of up to \$20,000,000. The Bonds are expected to be issued under
4 similar terms and provisions of the Note Purchase Agreement for the existing Senior
5 Notes placed in December 2008. The Bonds will be marketed with a 10-year maturity /
6 9-year average life. The Bonds will have sinking fund and redemption provisions that are
7 designed to allow Northern to pay off the Bonds in equal increments over the final three
8 years. However, the ultimate maturity / average life, sinking fund provisions, coupon and
9 other terms will depend on market conditions and investor interest at the time of pricing.

10

11 **Q. What do you expect Northern's indicative credit rating to be for the offering?**

12 A. Unutil and its subsidiaries do not have a public rating. Unutil's placement agents, Banc of
13 America Securities LLC and RBC Capital Markets Corporation (collectively, the
14 "Placement Agents"), indicate that based on recent issuances and a review of Northern's
15 credit statistics, they believe the implied rating of Northern would be Baa2/BBB.
16 Northern's current outstanding long-term debt has a private rating of NAIC-2 by the
17 National Association of Insurance Commissioners (NAIC). The NAIC-2 rating is the
18 equivalent of the BBB rating by Standard and Poor's rating agency, reflecting the NAIC's
19 view of Northern as an investment grade credit.

20

21 **Q. What are the current indicative coupon rates for this long-term debt offering?**

22 A. The indicative coupon rates for this long-term debt offering are shown in the indicative
23 term sheet in Schedule DLC-1. The indicative coupon rates are shown at the bottom of

1 the schedule for a variety of maturities ranging from 10 to 20 years. As shown, the
2 coupon rates are derived by applying a projected credit spread to the appropriate US
3 Treasury benchmark rate (as of November 17, 2009). The coupon rate for the 10-year
4 maturity / 9-year average life is currently estimated at 4.94-5.69%. The 15-year and 20-
5 year maturity are currently estimated at 5.49-6.24% and 5.91-6.66%, respectively.

6 Northern plans to target the 10-year maturity / 9-year average life. Northern believes that
7 this structure is advantageous because of the lower cost of debt. This structure results in
8 a lower coupon rate of approximately 1% compared to the 20-year maturity, primarily
9 because of differences in the treasury benchmark rate at the different maturities.

10 However, the ultimate maturity depends on market conditions and investor appetite at the
11 time of pricing for a 10-year security; therefore it is possible that Northern may have to
12 price outside of a 10-year maturity to attract sufficient investor interest.

13
14 **Q. Why is Northern proposing a 7.8% maximum coupon rate in its petition?**

15 A. Market conditions can rapidly change, and Northern does not anticipate pricing until
16 early December 2009. Therefore, Northern used the maximum yield for the 10-year
17 treasury in the last five years (from 11/16/2004 to 11/16/2009) as a proxy in anticipation
18 of potential changes in the treasury market. The maximum yield for the 10-year treasury
19 was 5.3% during this five-year period according to our Placement Agents. We then
20 added a credit spread of 250 bps (corresponds to the spread ranges given under a 10-year
21 maturity in the indicative term sheet in Schedule DLC-1) to obtain a total coupon rate of
22 7.8%.

1 **Q. How does the current US treasury yield benchmark compare to yields in prior**
2 **market periods?**

3 B. From a longer term perspective, treasury yields are near historically low levels, although
4 they have risen recently compared to the low levels earlier this year, as shown in
5 Schedule DLC-2. In the last 20 years, the 10-year treasury yield has been higher than
6 today's yield 97% of the time. However, credit spreads have widened significantly
7 reflecting the global repricing of credit risk, offsetting the recent fall in the benchmark.
8 Nevertheless, the resulting long-term coupon rates remain at comparatively low levels
9 from a historical perspective and provide Northern with an opportunity to lock-in these
10 favorable yields for the long-term.

11 .

12 **Q. Please explain how the pricing benchmarks shown on schedule DLC-1 were**
13 **determined?**

14 A. The pricing benchmarks for private placements are typically the most liquid or actively
15 traded U.S. Treasury issues that have a maturity closest to the average life of the notes
16 being issued. The 10-year treasury meets this liquidity criterion. For the 15-year and 20-
17 year benchmarks, there is no liquid or actively traded bond that will mature in that time.
18 Therefore, the pricing benchmarks for these maturities are interpolated. When investors
19 make their pricing bids, they will often determine their desired all-in coupons and back
20 into the spreads based upon the specific pricing benchmarks selected.

21

22 **Q. How were the current spreads over the treasury benchmarks determined?**

1 A. Unitil's views on the expected credit spreads over the benchmarks are based upon our
 2 most recent discussions and feedback from our Placement Agents. Our Placement
 3 Agents have provided us with a synopsis of comparable utility transactions as shown in
 4 Schedule DLC-3. In this schedule, the Placement Agents analyzed the Baa2/BBB
 5 spreads for both 2009 utility private placement new issuances and secondary market
 6 transactions to determine indicative credit spreads as shown in Schedule DLC-1.

7
 8 **Q. How does Northern intend to use the net proceeds of the issuance of the Bonds?**

9 A. The Company intends to utilize the proceeds of the Bond financing as follows: (1) to
 10 repay outstanding short-term indebtedness incurred for additions, extensions and
 11 betterments to the Company's property, plant and equipment; and (2) to defray the costs
 12 and expense of the financing or for other lawful corporate purposes.

13

NORTHERN UTILITIES, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$20,000,000 Senior Unsecured Notes
(\$ In Thousands)

Sources of Funds

Proposed Sale of Senior Unsecured Notes	\$20,000
Equity Contribution from Unitil Corporation	5,000

Total Sources of Funds

\$25,000

Uses of Funds

Repay Short-Term Debt	\$24,630
Fees and Expenses	370

Total Uses of Funds

\$25,000

14

15

1 **Q. How will the long-term debt financings affect the capital structure, including short-**
 2 **term debt of the Company?**

3 A. In addition to the Bond financing, Unitil is planning to provide a \$5,000,000 equity
 4 contribution. As shown below, the long-term debt to capitalization ratio (excluding
 5 short-term debt) for Northern will increase slightly by this financing, which is partially
 6 mitigated by the equity contribution of \$5,000,000 from Unitil. The total debt to
 7 capitalization ratio (including short-term debt of the Company) will be strengthened since
 8 the use of proceeds from both the proposed long-term Bond offering and the equity
 9 contribution are to repay short-term debt. Furthermore, it is important to note that the pro
 10 forma capitalization ratios below are as of September 30, 2009. Gas local distribution
 11 companies generally have their strongest financial performance in the winter months.
 12 Therefore, Northern expects that its pro forma equity ratios will increase on an estimated
 13 December 31, 2009 basis.

NORTHERN UTILITIES, INC.
CAPITAL STRUCTURE AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$20,000,000 Senior Unsecured Notes
(\$ In Millions)

Excluding Short-Term Debt

	<u>Actual</u>		<u>Adjustments</u>	<u>Pro Forma</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Amount</u>	<u>% of Total</u>
Senior Unsecured Notes	\$80.0	54.2%	\$20.0	\$100.0	58.0%
Common Equity	67.5	45.8%	5.0	72.5	42.0%
Total	\$147.5	100.0%	\$25.0	\$172.5	100.0%

Including Short-Term Debt

	<u>Actual</u>		<u>Adjustments</u>	<u>Pro Forma</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Amount</u>	<u>% of Total</u>
Senior Unsecured Notes	\$80.0	44.3%	\$20.0	\$100.0	55.2%
Short-Term Debt	33.2	18.4%	(\$24.6)	8.6	4.7%
Common Equity	67.5	37.4%	5.0	72.5	40.0%
Total	\$180.7	100.0%	\$0.4	\$181.1	100.0%

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. What are the projected issuance costs for the proposed offering?

A. Under the terms of our engagement letter with the Placement Agents, Northern will pay a placement fee of \$160,000, which is equal to 0.80% of the principal amount of the Notes at the time of closing of the Notes. Additionally, the Company will be responsible for legal expenses, including all fees and expenses of both Northern's and lender's counsel incurred in commencing the offering and sale of the Notes. Northern has received an estimate of \$150,000 from Dewey & LeBoeuf (Northern's outside counsel). Northern is utilizing outside counsel to provide corporate financing services because of the specialized legal expertise required for corporate financings. It is not economical to hire in-house legal staff to perform highly specialized legal work of this nature, particularly given that the legal skills and acumen for corporate financings are required on a relatively infrequent basis. Northern also estimated \$50,000 for lender's counsel. Lastly, Northern estimated \$10,000 for miscellaneous expenses including potential out-of-pockets expenses for the Placement Agents under the terms of our engagement letter. The current estimate is that the total fees and expenses associated with the issuance of the Bonds will be about \$370,000.

Q. What types of investors participate in the private placement process?

A. Typically, the investors for this type of transaction will be insurance companies that have a demand for longer term maturity securities and have a strong familiarity with the utility sector. The Placement Agents have recommended a strategy to market the Bonds to Northern's current investors (four) and to a few other external private placement

1 investors that are active participants in the utility sector and that have demand for long-
2 term securities. The Placement Agents have a strong market presence within the utility
3 sector and have recommended this marketing strategy as the most appropriate for three
4 reasons. First, this strategy recognizes the importance of Northern's existing relationship
5 with current investors and gives them an opportunity to participate in a new issuance.
6 Second, the Placement Agents are actively marketing deals within the utility sector and
7 therefore know which external investors are the most likely to show strong interest and
8 make competitive offers. Third, the Placement Agents have indicated that a \$20,000,000
9 issuance is relatively small and therefore a competitive market can be established with
10 the above strategy. The Placement Agents expect that 2-3 of the investors to whom the
11 offering has been marketed will make competitive offers. The Placement Agents also
12 anticipate that several investors will opt to not make a bid once they realize they may not
13 be competitive on the price guidance provided by the Placement Agents during the
14 marketing period.

15
16 **Q. Have you obtained an assessment of the current state of the Private Placement**
17 **Market?**

18 A. Yes. A normal part of Unitil's due diligence and preparatory work before going to the
19 market for a private placement is to have several strategic discussions with the Placement
20 Agents and other advisors on overall market conditions. As shown in Schedule DLC-4,
21 our Placement Agents have indicated that current investor demand exceeds available
22 supply and investors are submitting increasingly aggressive bids. Over \$23 billion of
23 transactions have been completed year-to-date in 2009 with approximately \$7 billion of

1 transactions completed in the third quarter of 2009. The private placement market has
2 not been constrained by the same liquidity issues as in other sectors of the global
3 financial markets. In the bond market and especially in the private placement market, the
4 Placement Agents expect that investor liquidity will increase due to ongoing receipt of
5 interest payments, bond redemptions and scheduled maturities.

6
7 **Q. Does Northern expect the Private Placement Market to be receptive to this offering?**

8 A. Yes. Unitil believes that the private placement market will be receptive to this offering,
9 similar to the previous deal completed by Northern in December 2008, where the
10 Company was viewed favorably by the private placement market. According to the
11 Placement Agents, investors have been attracted by Unitil's stable growth and
12 performance in its sector, regulatory climate and strong management team, and will
13 welcome the opportunity to invest further in Unitil and its subsidiaries. From a broader
14 perspective, the fact that the utility sector has been viewed favorably by investors is
15 evidenced by the high levels of new issuance in the past few years and year-to-date. As
16 shown in Schedule DLC-4, page 2, utility issuances have represented 17% of the total
17 new issuances year-to-date 2009. Additionally, the Placement Agents have informed us
18 that there has been significant demand for longer-dated securities in the private placement
19 market, as investors are looking for debt to match their longer dated liabilities.

20
21 **Q. What is the timetable for the proposed financing?**

22 A. Schedule DLC-5 is a timetable for each of the major activities associated with the
23 proposed debt offering. While this timetable is currently Northern's and the Placement

1 Agents' best estimate of timing, it is possible that due to unforeseen market or other
2 conditions, the timing of this offering may be adjusted.

3
4 Northern is requesting an order *nisi* from the Commission approving the transaction on or
5 before December 18, 2009. This will provide for the necessary expiration of the appeal
6 period prior to the final Closing. The final Closing on the Bonds is currently targeted for
7 late January 2010. In its financing petition on this matter, the Company is requesting the
8 Commission's authorization for the proposed financing without hearing. In previous
9 financings undertaken by Unutil's other subsidiaries, the Commission has recognized the
10 tight time frames under which market transactions of this nature must necessarily take
11 place and has therefore provided for an expeditious discovery process without hearing
12 and issued its approvals by Order *Nisi*. The Company is again seeking this approval
13 process with respect to this Bond financing.

14
15 **Q. Does this conclude your testimony?**

16 A. Yes, it does.

17
18
19
20
21
22
23

1
2
3
4
5
6
7
8
9
10
11
12
13

INDEX OF SCHEDULES:

Schedule DLC-1	Indicative Term Sheet
Schedule DLC-2	Treasury Market
Schedule DLC-3	Comparable Utility Transactions
Schedule DLC-4	Private Placement Market
Schedule DLC-5	Financing Timeline



Private Placement Market Indicative Term Sheet

Unitil Corporation

Issuer: Northern Utilities
Issuance: Senior Unsecured Notes
Size: \$20,000,000
Use of Proceeds: For debt refinancing, capital expenditures and general corporate purposes
Maturities: Multiple maturities available (for illustrative purposes 9, 10, 15 and 20-year bullets/average life structures are shown below)
Documentation: Similar to past private placements
Call Option: Economic make-whole at T + 50bps

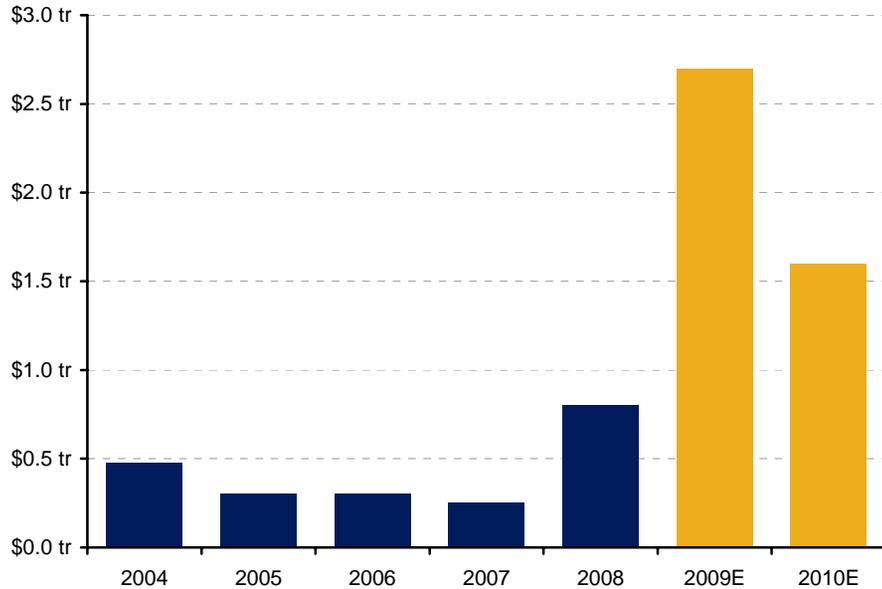
PRICING:

	10-Year / 9-Year Avg Life	10-Year	15-Year	20-Year
Reference Treasury	Interpolated	3.375% due 11/19	3.375% due 11/19	4.375% due 11/39
Reference Treasury Yield ⁽¹⁾	3.19%	3.34%	3.34%	4.26%
Credit Spread	175 - 250 bps	175 - 250 bps	215 - 290 bps	165 - 240 bps
Coupon	4.94% - 5.69%	5.09% - 5.84%	5.49% - 6.24%	5.91% - 6.66%

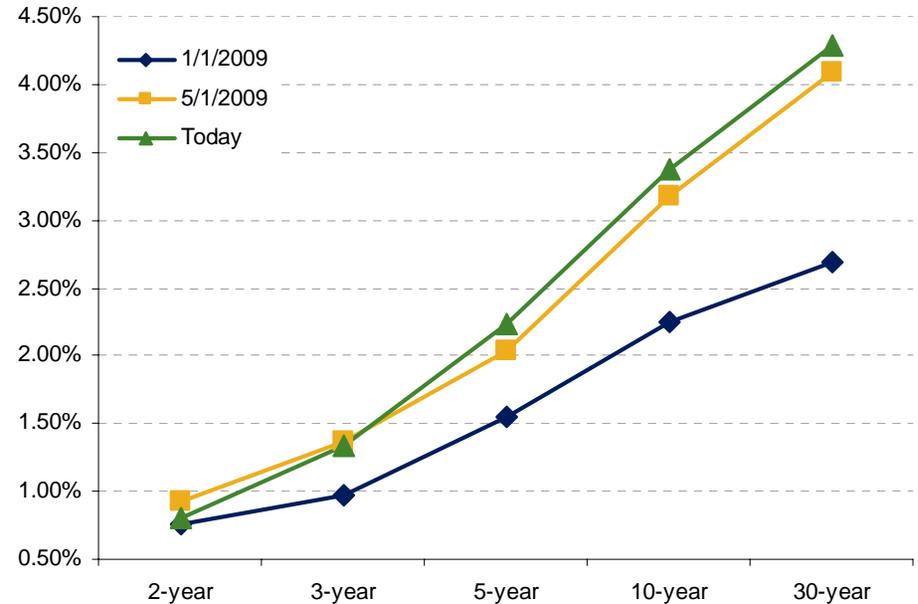
(1) Treasury Rates from Bloomberg as of November 17, 2009

Private Placement Market Treasury Market

Estimated 2009 Treasury Issuance 2.4x 2008



Yield Curve Steepens to Record High



In the Last 20 Years the 10-year Treasury Yield Has Been Higher than Today 97% of the Time





Private Placement Market 2009 Utility Private Placements

Date	Issuer	Ratings	Principal (\$MM)	Pricing	Maturity
11/13	Water Utility - HoldCo	NAIC-1	50	T + 130	10Y
11/2	Water Utility - OpCo	NAIC-2	30	T + 125	10Y
10/30	South Texas Electric Cooperative	A- / A- / NAIC-1	320	T + 200 T15 + 235	18Y / 10 AL 30Y / 15 AL
10/15	Powercor Australia, LLC	A3 / A- / NAIC-1	275	T + 195 T + 190	5Y 7Y
10/3	Northwestern Corp.	A3 / A- / NAIC-1	55	T + 155	30Y
9/30	Basin Electric Power Cooperative	A1 / A+ / NAIC-1	535	T + 149 T10 + 165 T + 160	7Y / 6Y AL 18Y / 14Y AL 30.5Y / 29.5Y AL
9/29	People Gas	NAIC-1	75	T + 120	10Y
9/23	Portland General Electric	A3 / A / NAIC-1	150	T + 125	30Y
9/23	Brazos Sandy Creek Electric Cooperative	NAIC-1	540	T + 310	14.7Y / 12.6Y AL
8/25	PJM Interconnection	Aa3 / NAIC-1	75	3.60%	7Y / 4Y AL
8/14	Great River Energy	A3 / BBB+ / A- / NAIC-1	400	T10 + 215 T10 + 240 T30 + 245	12Y / 8.37Y AL 17Y / 14.5Y AL 22Y
8/10	Vermont Electric Power	A / NAIC-1	135	T + 100	20Y / 10Y AL
7/21	Nicor Gas	A1 / AA / NAIC-1	50	T + 120	10Y
7/15	ETSA Utilities	A3 / A- / NAIC-1	500	T + 275	5Y - 10Y
6/23	Penn Power	Baa1 / A- / NAIC-2	100	T10 + 245	13Y
6/16	Georgia Transmission Corporation	A3 / AA- / NAIC-1	150	T10 + 185	21Y / 14Y AL
6/5	New Jersey American Water Company	NAIC-1	100	5.48% 6.35%	10Y 30Y
5/28	Integrus Energy	A3 / BBB / NAIC-2	155	T + 475	5Y - 7Y
5/23	American Water Works Co. Inc.	NAIC-2	50	7.21% 8.27%	10Y 30Y
5/22	Caribbean Utilities Company	A / NAIC-1	40	T + 410	15Y / 12Y AL
3/20	Tri-State Generation & Transmission Association, Inc.	Baa1 / A / A / NAIC-1	300	T + 385 T + 370	10Y / 7Y AL 12 Y / 10Y AL

Note: Shaded Transactions Denote BAML led transactions.



Private Placement Market Secondary Public Market Comparables

Operating Company - Unsecured Deals

Opco - Unsecured

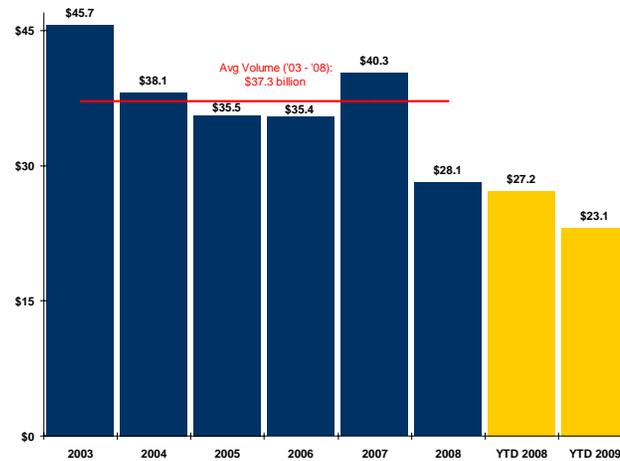
	Ticker	Issue Description	Ratings	Security Description			Bid Spread	
				Coupon	Maturity	Size	17-Nov	Yield
10-Year Issues	ED	Consolidated Edison Co.	A3/A-	6.650%	Apr-19	\$475	113	4.47%
	D	Virginia Electric Power Co.	Baa1/A-	5.000%	Jun-19	\$350	100	4.34%
	FE	Pennsylvania Electric Co.	Baa2/BBB	5.200%	Apr-20	\$250	160	4.94%
	AEP	Indiana Michigan Power	Baa2/BBB	7.000%	Mar-19	\$475	175	5.09%
	FE	Jersey Central Power & Light	Baa2/BBB	7.350%	Feb-19	\$300	165	4.99%
	FE	Metropolitan Edison	Baa2/BBB	7.700%	Jan-19	\$300	178	5.12%
	PNW	Arizona Public Service	Baa2/BBB-	8.750%	Mar-19	\$500	255	5.89%
30-Year Issues	SO	Alabama Power	A2/A	6.000%	Mar-39	\$500	107	5.33%
	DUK	Duke Energy Carolinas	A3/A-	6.100%	Jun-37	\$500	115	5.41%
	ED	Consolidated Edison Co.	A3/A-	6.750%	Apr-38	\$600	110	5.36%
	PCG	Pacific Gas & Electric	A3/BBB+	5.400%	Jan-40	\$550	115	5.41%
	D	Virginia Electric Power Co.	Baa1/A-	6.350%	Nov-37	\$450	112	5.38%
	CEG	Baltimore Gas & Electric	Baa2/BBB+	6.350%	Oct-36	\$400	165	5.91%
	FE	Cleveland Electric Illuminating Co.	Baa2/BBB+	5.950%	Dec-36	\$300	195	6.21%
	FE	Pennsylvania Electric Co.	Baa2/BBB	6.150%	Oct-38	\$250	187	6.13%
	FE	Jersey Central Power & Light	Baa2/BBB	6.150%	Jun-37	\$275	148	5.74%
	AEP	Appalachian Power	Baa2/BBB	7.000%	Apr-38	\$500	170	5.96%



Private Placement Market General Trends

- YTD 2009 issuance has totaled \$23.1bn (a YoY decline of 15%)
- However, the recent improvement in market tone has caused issuance levels to increase
 - Volume has grown during each of the last three quarters
 - September and October each generated over \$3.0bn of issuance
 - The deal backlog indicates that 13 deals (\$2.1bn) are in the market or coming soon
- Currently, investor demand exceeds available supply and investors are submitting increasingly aggressive bids with each successive offering
- However, investors are still focused on strong investment grade profile credits
- While total dollar issuance is down, average deal sizes have stayed level

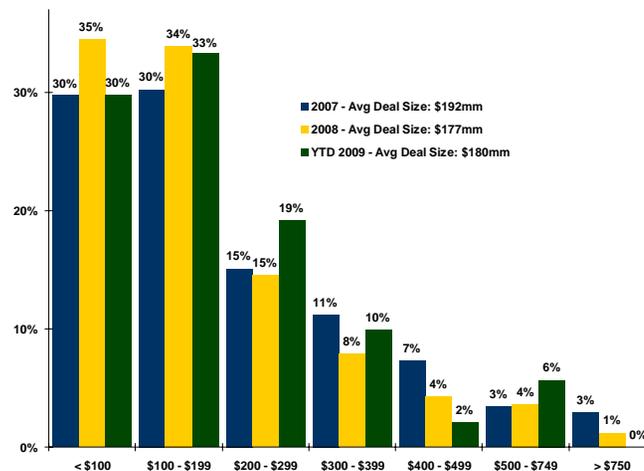
Annual Volume (Last 6 Years)



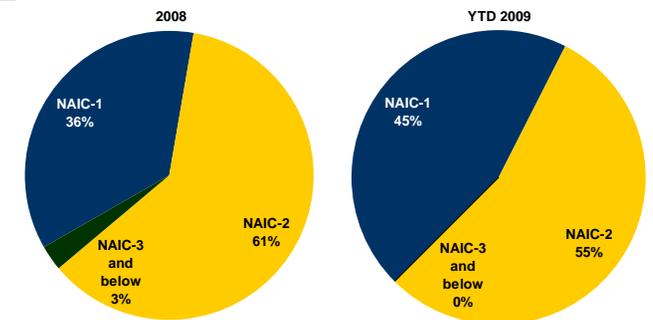
Quarterly Volume (since 2007)



Average Deal Sizes



Issuance by Credit Quality



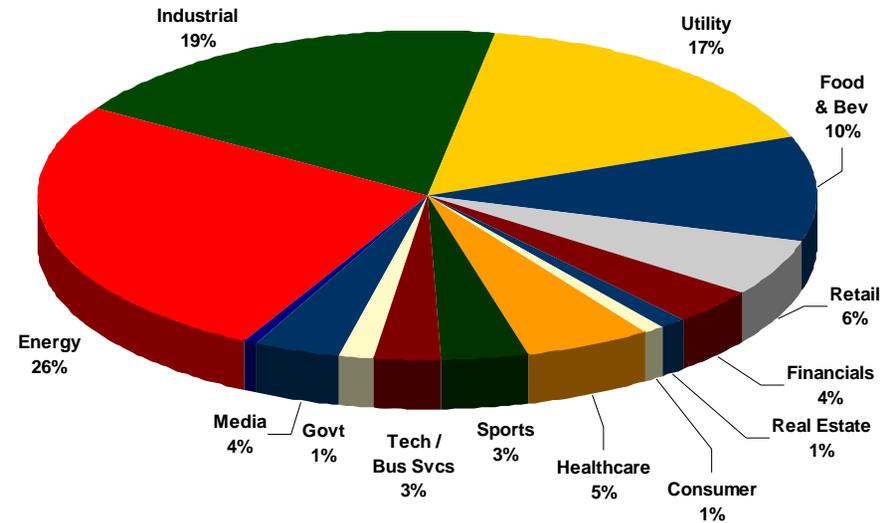
- Nearly all of the YTD 2009 activity has been related with NAIC-1 and strong to solid NAIC-2 credit profiles
- Capacity for NAIC-3 deals, or NAIC-2 issuers with borderline credit profiles, remains constrained

Source: Thomson Reuters - 1994 to 2008 Totals
Bank of America Merrill Lynch - YTD Totals

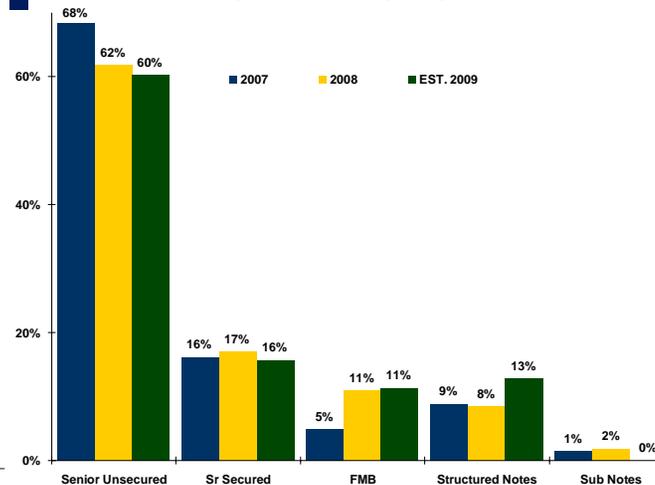
Private Placement Market General Trends

- Investors generally have focused on solid investment grade credits in stable, familiar industries during 2009
 - As a result of investors' clear focus on defensive sectors, energy and power transactions have accounted for approximately 45% of the YTD volume
- Roughly 2/3 of the transactions are completed on a senior unsecured basis where the notes are pari-passu with issuer's bank debt

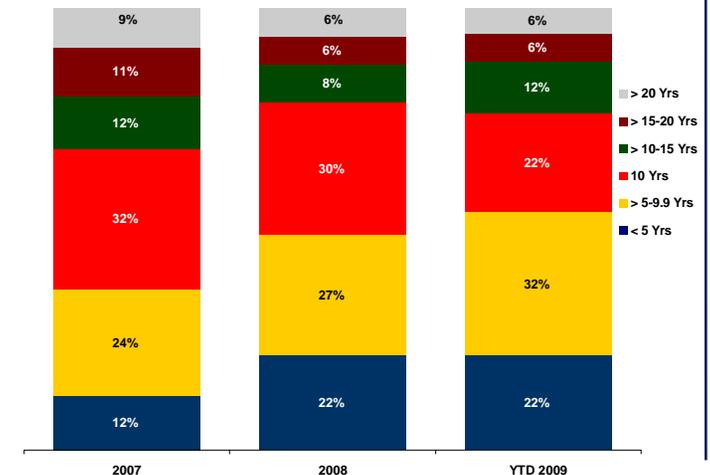
Issuance by Sector YTD 2009



Issuance by Security Type



Issuance by Final Maturity



Source: Thomson Reuters - 2007-2008 Totals
Bank of America Merrill Lynch - YTD Totals



Process Timetable and Responsibilities

November							December							January						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7			1	2	3	4	5						1	2
8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9
15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16
22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23
29	30						27	28	29	30	31			24	25	26	27	28	29	30

11/11 - Veteran's Day
11/26 - Thanksgiving Day

12/25 - Christmas Day

01/01 - New Years Day
01/18 - Martin Luther King Day

Week of	Action	Responsibility
Nov. 9th	BAML begins updating Offering Memorandum ("OM") IC begins updating Note Purchase Agreement ("NPA")	BAML IC
Nov. 16th	BAML delivers revised draft of the OMs to NU IC delivers first draft of NPAs to NU	BAML IC
Nov. 16th – Nov. 23rd	NU files for regulatory approval with the Maine and New Hampshire PUC's NU delivers comments on OMs BAML, CC, IC, and NU continue to revise and update OMs and NPAs	CC, NU NU BAML, CC, IC, NU
Nov. 30th – Dec. 7th	BAML prepares and delivers draft of investor presentations BAML, CC and IC finalize the OMs, investor presentations and NPAs The transaction is launched to prospective investors. The OMs, investor presentations and NPAs are released via Intralinks BAML discusses and answers investors' questions on note offering	BAML BAML, CC, IC, NU BAML BAML, I
Dec. 7th – Dec. 14th	BAML and NU conduct a conference call with investors BAML continues answering investors' questions on note offering BAML accepts bids on the note offering Deal is circled and priced. The rate is fixed, coupon is set and all significant terms and conditions are agreed to	BAML, I, NU BAML, I BAML, I BAML, I
Dec. 21st – Jan. 4th	CC and IC continue to work on NPA and other legal documentation New Hampshire PUC grants NISI order (~30 days after initial filing)	CC, IC NU
Jan. 11th	Investor due diligence is held at the Company's offices	BAML, I, NU
Jan. 18th – 25th	Maine and New Hampshire PUC's grant final orders (~60 days after initial filing) CC and IC finalize NPA and other legal documentation Final documentation on the NPA is signed; transaction is closed; securities are sold; and funds are disbursed	NU CC, IC BAML, CC, I, IC, NU

NU – Northern Utilities
CC – Company Counsel

BAML – Bank of America Merrill Lynch
I – Investors

IC – Investors' Counsel

NORTHERN UTILITIES, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$20,000,000 Senior Unsecured Notes
(\$ In Thousands)

Sources of Funds

Proposed Sale of Senior Unsecured Notes	\$20,000
Equity Contribution from Unitil Corporation	5,000

Total Sources of Funds	<u><u>\$25,000</u></u>
-------------------------------	-------------------------------

Uses of Funds

Repay Short-Term Debt	\$24,630
Fees and Expenses	370

Total Uses of Funds	<u><u>\$25,000</u></u>
----------------------------	-------------------------------

NORTHERN UTILITIES, INC.
ESTIMATED COST OF FINANCING
Proposed Sale of \$20,000,000 Senior Unsecured Notes
(\$ in Thousands)

Estimated Cost of Financing

Private Placement Fees to Placement Agents	\$160
Legal Fees	200
Miscellaneous	10

Total Estimated Costs \$370

NORTHERN UTILITIES, INC.
UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$20,000,000 Senior Unsecured Notes
(\$ in Millions)

ASSETS:

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Utility Plant:			
Gas	\$ 216.5		\$ 216.5
Common	-		-
Construction Work in Progress	9.7		9.7
Utility Plant	226.2		226.2
Less: Accumulated Depreciation	78.0		78.0
Net Utility Plant	148.2		148.2
Current Assets:			
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	2.4		2.4
Total Current Assets	31.6		31.6
Deferred Income Taxes	-		-
Noncurrent Assets:			
Regulatory Assets	15.6		15.6
Other Noncurrent Assets	19.2	0.4 (A)	19.6
Total Noncurrent Assets	34.8	0.4	35.2
TOTAL	\$ 214.6		\$ 215.0

(A) Debt issuance costs

NORTHERN UTILITIES, INC.
UNAUDITED BALANCE SHEET AS OF SEPTEMBER 30, 2009
Proformed for the Issuance and Sale of \$20,000,000 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>
Capitalization:			
Common Stock Equity:			
Common Stock, \$10 Par Value			
Authorized - 200 shares			
Issued and Outstanding - 100 shares	\$ 65.7	\$ 5.0 (B)	\$ 70.7
Retained Earnings	1.8		1.8
Total Common Stock Equity	67.5	5.0	72.5
Long-term Debt	80.0	20.0 (C)	100.0
Total Capitalization	147.5	25.0	172.5
Current Liabilities:			
Accounts Payable	3.8		3.8
Short-Term Debt	33.2	(24.6) (D)	8.6
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	(24.6)	31.7
Deferred Income Taxes	1.7		1.7
Noncurrent Liabilities:			
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
TOTAL	\$ 214.6	\$ 0.4	\$ 215.0

(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 \$20,000,000 Senior Unsecured Notes
(\$ in Millions)

	ACTUAL	ADJUSTMENTS	PRO FORMA
Operating Revenues	\$ 83.1		\$ 83.1
Operating Expenses:			
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	(0.27) (B)	1.6
Total Operating Expense	74.3	(0.24)	74.1
Operating Income	8.8	0.24	9.0
Non-operating Income	0.3		0.3
Income Before Interest Expense	9.1	0.24	9.3
Interest Expense	5.1	0.80 (C)	5.9
Net Income	\$ 4.0	\$ (0.56)	\$ 3.4

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

(B) Utilizes effective tax rate of 32.2%

(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 \$20,000,000 Senior Unsecured Notes
(\$ In Millions)

Excluding Short-Term Debt

	Actual		Adjustments	Pro Forma	
	Amount	% of Total		Amount	Amount
Senior Unsecured Notes	\$80.0	54.2%	\$20.0	\$100.0	58.0%
Common Equity	67.5	45.8%	5.0	72.5	42.0%
Total	\$147.5	100.0%	\$25.0	\$172.5	100.0%

Including Short-Term Debt

	Actual		Adjustments	Pro Forma	
	Amount	% of Total		Amount	Amount
Senior Unsecured Notes	\$80.0	44.3%	\$20.0	\$100.0	55.2%
Short-Term Debt	33.2	18.4%	(\$24.6)	8.6	4.7%
Common Equity	67.5	37.4%	5.0	72.5	40.0%
Total	\$180.7	100.0%	\$0.4	\$181.1	100.0%

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 Thirty Million Dollars (\$30,000,000) 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, and the 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 Thirty Million Dollars (\$30,000,000) of Long Term Senior Notes; and that the President, any Vice President, and the 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.

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 September 23, 2009, 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 13th day of November, 2009.


Sandra L. Whitney
Secretary