



February 13, 2015

BY OVERNIGHT AND ELECTRONIC MAIL

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: PUC 509.01 – F-1 Rate of Return
for the Twelve Months Ended December 31, 2014

Dear Director Howland:

Northern Utilities, Inc. ("Northern") hereby submits its F-1 Rate of Return report for its New Hampshire Division, showing the historical weather-normalized rate of return on rate base for the twelve months ended December 31, 2014, in accordance with PUC 509.01.

Northern's F-1 Rate of Return report reflects the following:

Cost of Service

- Amortization expense excludes amortization of transaction and transition costs pursuant to the acquisition Settlement Agreement in Docket No. DG 08-048 and Docket No. DG 08-079.
- Federal and state income taxes are calculated at 39.61 percent, reflecting statutory rates applicable to Northern.

Rate Base

- Rate base is calculated for the year ending December 31, 2014.
- Cash working capital is calculated using a 4.58-day net lag based on the most recent lead lag study filed with the Commission.
- Accumulated Deferred Income Taxes (ADIT) reflects pro forma accounting as outlined in the Settlement Agreement in Docket No. DG 08-048 and Docket No. DG 08-079 to provide an estimate of Northern's ADIT assuming the acquisition had not occurred.

Corporate Office

6 Liberty Lane West
Hampton, NH 03842-1720

Phone: 603-772-0775
Fax: 603-773-6605

Email: corp@unitil.com

Ms. Debra A. Howland, Executive Director
Northern Utilities F-1 Rate of Return Report
Twelve Months Ended December 31, 2014

Page 2 of 2

Cost of Capital

- Cost of Capital reflects the currently allowed cost of capital and capital structure pursuant to the rate case Settlement Agreement in Docket No. DG 13-086.

If you have any questions, please contact me at 603-379-3845.

Sincerely,

/s/ Benjamin Coons

Benjamin Coons
Sr. Financial Analyst
Unitil Service Corp.

cc: Michael Sheehan, Staff Counsel
Susan Chamberlin, Consumer Advocate

Northern Utilities, Inc.
New Hampshire Division
Puc 509.01 -- F-1 Rate of Return
12 Months Ending December 31, 2014

Schedule 1: Calculation of Per Books Rate of Return

<u>Cost of Service</u>	<u>2014</u>	<u>Rate Base</u>	<u>Year End</u>
Revenues	\$ 76,182,672	NH Plant	\$ 178,769,599
Weather Adjustment	(686,140)	Supplemental Plant Adjustment	745,783
Total Revenues	75,496,532	Total Plant	179,515,382
		Less: Reserve for Depreciation & Amortization	57,556,699
		Net Utility Plant	121,958,683
Gas Costs	41,732,970	<i>Plus :</i>	
Other Production	331,810	Materials and Supplies	2,850,930
Distribution	3,082,947	Cash Working Capital Requirement	267,264
Customer Accounting	3,325,116		
Sales & New Business	-	<i>Less :</i>	
General & Administrative	5,126,846	Customer Deposits	467,908
Federal & State Income Tax	3,575,758	Accumulated Deferred Income Taxes	11,127,252
Property Tax	3,147,557	Reimbursable Contributions	-
Other Tax	206,583		
Depreciation	5,003,869	Total Rate Base	\$ 113,481,717
Amortization	677,043		
Interest on Customer Deposits	13,619	Utility Operating Income - Allowed	\$ 9,400,881
Total Operating Expenses	66,224,119	Utility Operating Income - Actual	9,272,413
		Operating Income Deficiency (Surplus)	\$ 128,468
Operating Income	\$ 9,272,413	Income Tax Gross-Up	84,263
		Revenue Deficiency (Surplus)	\$ 212,731
		Return on Rate Base - Actual	8.17%
		Return on Rate Base - Allowed DG 13-086	8.28%
		ROE - Actual	9.28%
		ROE - Allowed DG 13-086	9.50%

Schedule 2: Cost of Capital - Allowed DG 13-086

	<u>Percent</u>	<u>Cost Rate</u>	<u>Weighted</u>
	<u>Total</u>		<u>Cost Rate</u>
Common Equity	51.8%	9.50%	4.92%
Long Term Debt	47.6%	7.05%	3.35%
Short Term Debt	0.69%	2.01%	0.01%
Total Allowed	100.0%		8.28%