



February 12, 2016

**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, 2015

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, 2015, 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, 2015.
- 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, 2015

Page 2 of 2

Cost of Capital

- Cost of Capital reflects Northern's current cost of capital and capital structure.

If you have any questions, please contact me at 603-379-3836.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Nawazelski", written in a cursive style.

Daniel Nawazelski  
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, 2015

**Schedule 1: Calculation of Per Books Rate of Return**

<u>Cost of Service</u>	<u>Period End</u>	<u>Rate Base</u>	<u>Period End</u>
Gas Service Revenue	\$ 75,750,318	NH Plant	\$ 194,433,732
Other Operating Revenue	436,168	Supplemental Plant Adjustment	910,776
Weather Adjustment	(698,073)	Total Plant	195,344,508
<b>Total Revenue - Adjusted</b>	<b>75,488,413</b>	Less: Reserve for Depreciation & Amortization	61,477,716
		<b>Net Utility Plant</b>	<b>133,866,792</b>
		<i>Plus :</i>	
Gas Costs	40,209,523	Materials and Supplies	2,265,986
Other Production	372,390	Cash Working Capital Requirement	285,340
Distribution	3,271,999		
Customer Accounting	3,572,321	<i>Less :</i>	
Sales & New Business	-	Customer Deposits	434,532
General & Administrative	6,391,813	Accumulated Deferred Income Taxes	11,436,624
Federal & State Income Tax - Adjusted	3,117,264	Reimbursable Contributions	-
Property Tax	3,228,060		
Other Tax	12,105	<b>Total Rate Base</b>	<b>\$ 124,546,961</b>
Depreciation	5,565,273		
Amortization	673,413	Utility Operating Income - Curr Cost of Capital	\$ 9,556,353
Interest on Customer Deposits	13,444	Utility Operating Income - Adjusted	9,060,807
<b>Total Operating Expenses</b>	<b>66,427,606</b>	<b>Operating Income Deficiency (Surplus)</b>	<b>\$ 495,546</b>
		Income Tax Gross-Up	325,030
<b>Operating Income - Adjusted</b>	<b>\$ 9,060,807</b>	<b>Revenue Deficiency (Surplus)</b>	<b>\$ 820,576</b>
		<b>Return on Rate Base - Actual</b>	<b>7.28%</b>
		<b>Current Cost of Capital</b>	<b>7.67%</b>
		<b>ROE - Actual</b>	<b>8.60%</b>
		<b>ROE - Authorized</b>	<b>9.50%</b>

**Schedule 2: Current Cost of Capital**

	<u>Amount</u>	<u>Percent</u>	<u>Cost Rate</u>	<u>Weighted</u>
	<u>Outstanding</u>	<u>Total</u>		<u>Cost Rate</u>
Common Equity	\$ 123,556,063	44.4%	9.50%	4.21%
Long Term Debt	155,000,000	55.6%	6.22%	3.46%
Short Term Debt (a)	-	0.00%		0.00%
<b>Total Allowed</b>	<b>\$ 278,556,063</b>	<b>100.0%</b>		<b>7.67%</b>

(a) Excluding Accrued Revenue, Purchased Gas Working Capital, Hedging Margin and CWIP