

NORTHERN UTILITIES, INC.
SOURCES AND USES OF FUNDS
Proposed Sale of \$50,000,000 Senior Unsecured Notes
(\$ In Millions)

Sources of Funds

Proposed Sale of Senior Unsecured Notes

\$50.0

Total Sources of Funds

\$50.0

Uses of Funds

Repay Short-Term Debt

\$49.7

Fees and Expenses

0.3

Total Uses of Funds

\$50.0

NORTHERN UTILITIES, INC.
ESTIMATED COST OF FINANCING
Proposed Sale of \$50,000,000 Senior Unsecured Notes

Estimated Cost of Financing

Placement Fees / External Counsel ⁽¹⁾	\$275,000
Miscellaneous	\$25,000
Total Estimated Costs	<u><u>\$300,000</u></u>

(1) Includes lender's counsel

NORTHERN UTILITIES, INC.
PRO FORMA BALANCE SHEET AS OF DECEMBER 31, 2023
Issuance and Sale of \$50,000,000 Senior Unsecured Notes
(\$ in Millions)

ASSETS	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Current Assets:			
Cash	\$ 0.2	\$ -	\$ 0.2
Accounts Receivable, Net	26.4	-	26.4
Accrued Revenue	18.3	-	18.3
Exchange Gas Receivable	8.6	-	8.6
Gas Inventory	0.6	-	0.6
Material and Supplies	6.1	-	6.1
Prepayments and Other	2.6	-	2.6
	<u>62.8</u>	<u>-</u>	<u>62.8</u>
Utility Plant:			
Gas	836.0	-	836.0
Construction Work in Progress	25.8	-	25.8
	<u>861.8</u>	<u>-</u>	<u>861.8</u>
Total Utility Plant	861.8	-	861.8
Less: Accumulated Depreciation	194.4	-	194.4
	<u>667.4</u>	<u>-</u>	<u>667.4</u>
Deferred Income Taxes			
Noncurrent Assets:			
Regulatory Assets	5.2	-	5.2
Operating Lease - Right of Use Asset	1.9	-	1.9
Other Assets	1.5	-	1.5
	<u>8.6</u>	<u>-</u>	<u>8.6</u>
Total Other Noncurrent Assets	8.6	-	8.6
TOTAL ASSETS	<u>\$ 738.8</u>	<u>-</u>	<u>\$ 738.8</u>

NORTHERN UTILITIES, INC.
PRO FORMA BALANCE SHEET AS OF DECEMBER 31, 2023
Issuance and Sale of \$50,000,000 Senior Unsecured Notes
(\$ in Millions, Except Par Value and Stock Shares Data)

LIABILITIES AND CAPITALIZATION	ACTUAL	ADJUSTMENTS	PRO FORMA
Current Liabilities:			
Accounts Payable	\$ 10.4	\$ -	\$ 10.4
Short-Term Debt ⁽¹⁾	86.2	(49.7)	36.5
Energy Supply Obligations	8.6	-	8.6
Due to Affiliates	0.5	-	0.5
Dividends Payable	3.2	-	3.2
Taxes Payable	0.9	-	0.9
Environmental Obligations	0.3	-	0.3
Regulatory Liabilities	2.7	-	2.7
Other Current Liabilities	7.3	-	7.3
Total Current Liabilities	<u>120.1</u>	<u>-</u>	<u>120.1</u>
Noncurrent Liabilities:			
Deferred Income Taxes	64.8	-	64.8
Cost of Removal Obligations	38.2	-	38.2
Retirement Benefit Obligations	10.9	-	10.9
Regulatory Liabilities	13.8	-	13.8
Environmental Obligations	3.2	-	3.2
Operating Leases - Less Current Portion	1.2	-	1.2
Total Noncurrent Liabilities	<u>132.1</u>	<u>-</u>	<u>132.1</u>
Capitalization:			
Long-term Debt ⁽²⁾	228.8	49.7	278.5
Common Stock Equity:			
Common Stock, \$10 Par Value			
Authorized - 200 shares			
Issued and Outstanding - 100 shares	217.1	-	217.1
Retained Earnings	40.7	-	40.7
Total Common Stock Equity	<u>257.8</u>	<u>-</u>	<u>257.8</u>
Total Capitalization	<u>486.6</u>	<u>-</u>	<u>486.6</u>
TOTAL LIABILITIES AND CAPITALIZATION	\$ 738.8	\$ -	\$ 738.8

(1) Repayment of short-term debt, net of 0.3M issuance fees

(2) Proposed offering net of issuance fees

NORTHERN UTILITIES, INC.
PRO FORMA STATEMENT OF EARNINGS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023
Issuance and Sale of \$50,000,000 Senior Unsecured Notes
(\$ in Millions)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Operating Revenues	201.8	0.0	201.8
Operating Expenses:			
Cost of Gas Sales	86.3	-	86.3
Operation and Maintenance	32.5	-	32.5
Depreciation and Amortization	29.5	-	29.5
Taxes Other Than Income Taxes	11.4	-	11.4
Total Operating Expense	<u>159.7</u>	<u>-</u>	<u>159.7</u>
Operating Income	42.1	-	42.1
Interest Expense	15.4	(0.0)	15.4
Other Expense (Income)	(1.8)	-	(1.8)
Income Before Income Taxes	28.5	0.0	28.5
Income Taxes	7.3	-	7.3
Net Income	\$ 21.2	\$ 0.0	\$ 21.2

(A) Assumes issuance of \$50 million 30-year notes at 6.50% and refinancing \$50 million short-term debt at 6.58% (short-term rate as of December 2023)

NORTHERN UTILITIES, INC.
PRO FORMA CAPITAL STRUCTURE AS OF DECEMBER 31, 2023
Issuance and Sale of \$50,000,000 Senior Unsecured Notes
(\$ in Millions)

	<u>ACTUAL</u>	<u>ADJUSTMENTS</u>	<u>PRO FORMA</u>
Short-Term Debt	\$ 86.2	(49.7)	\$ 36.5
Senior Unsecured Notes, Net of Issuance Costs	228.8	49.7	278.5
Total Debt	\$ 315.0	\$ -	\$ 315.0
Common Equity	257.8	-	257.8
Net Capitalization	\$ 572.8	\$ -	\$ 572.8
Net Debt / Net Capitalization	55.0%		55.0%

NORTHERN UTILITIES, INC.
PRO FORMA WEIGHTED AVERAGE COST OF DEBT
Issuance and Sale of \$50,000,000 Senior Unsecured Notes

(1) Description	(2) Interest Rate	(3) Issue Date	(4) Term	(5) Maturity Date	(6) Face Value	(7) Outstanding Amount	(8) Issuance Costs	(9) Net Proceeds Ratio [(6)-(8)/(6)]	(10) Unamortized Issuance Costs ⁽²⁾	(11) Net Proceeds Outstanding (7)-(10)	(12) Annual Issuance Cost	(13) Annual Interest Cost (2)*(7)	(14) Total Annual Cost (12)+(13)	(15) Cost Rate Based on Net Proceeds (14)/[(7)-(10)]
Existing Debt														
Long Term Debt														
Sr. Notes	7.72%	12/3/2008	30 Yrs	12/3/2038	50,000,000	50,000,000	435,899	99.13%	216,798	49,783,202	14,534	3,860,000	3,874,534	7.78%
Sr. Notes	4.42%	10/15/2014	30 Yrs	10/15/2044	50,000,000	50,000,000	482,981	99.03%	334,733	49,665,267	16,099	2,210,000	2,226,099	4.48%
Sr. Notes	3.52%	11/1/2017	10 Yrs	11/1/2027	20,000,000	20,000,000	148,352	99.26%	56,868	19,943,132	14,835	704,000	718,835	3.60%
Sr. Notes	4.32%	11/1/2017	30 Yrs	11/1/2047	30,000,000	30,000,000	222,528	99.26%	176,786	29,823,214	7,418	1,296,000	1,303,418	4.37%
Sr. Notes	4.04%	9/12/2019	30 Yrs	9/12/2049	40,000,000	40,000,000	235,399	99.41%	201,659	39,798,341	7,857	1,616,000	1,623,857	4.08%
Sr. Notes	3.78%	9/15/2020	20 Yrs	9/15/2040	40,000,000	40,000,000	227,434	99.43%	189,528	39,810,472	11,371	1,512,000	1,523,371	3.83%
Total Long Term Debt					\$ 230,000,000	\$ 230,000,000	\$ 1,752,592		\$ 1,176,372	\$ 228,823,628	\$ 72,114	\$ 11,198,000	\$ 11,270,114	4.93%
Pro Forma Debt														
Long Term Debt														
Sr. Notes	7.72%	12/3/2008	30 Yrs	12/3/2038	50,000,000	50,000,000	435,899	99.13%	216,798	49,783,202	14,534	3,860,000	3,874,534	7.78%
Sr. Notes	4.42%	10/15/2014	30 Yrs	10/15/2044	50,000,000	50,000,000	482,981	99.03%	334,733	49,665,267	16,099	2,210,000	2,226,099	4.48%
Sr. Notes	3.52%	11/1/2017	10 Yrs	11/1/2027	20,000,000	20,000,000	148,352	99.26%	56,868	19,943,132	14,835	704,000	718,835	3.60%
Sr. Notes	4.32%	11/1/2017	30 Yrs	11/1/2047	30,000,000	30,000,000	222,528	99.26%	176,786	29,823,214	7,418	1,296,000	1,303,418	4.37%
Sr. Notes	4.04%	9/12/2019	30 Yrs	9/12/2049	40,000,000	40,000,000	235,399	99.41%	201,659	39,798,341	7,857	1,616,000	1,623,857	4.08%
Sr. Notes	3.78%	9/15/2020	20 Yrs	9/15/2040	40,000,000	40,000,000	227,434	99.43%	189,528	39,810,472	11,371	1,512,000	1,523,371	3.83%
New Sr. Notes ⁽¹⁾	6.50%		30 Yrs		50,000,000	50,000,000	300,000	99.40%	300,000	49,700,000	10,000	3,250,000	3,260,000	6.56%
Total Long Term Debt					\$ 280,000,000	\$ 280,000,000	\$ 2,052,592		\$ 1,476,372	\$ 278,523,628	\$ 82,114	\$ 14,448,000	\$ 14,530,114	5.22%

Weighted Average Cost of Capital

	Actual (12/31/23)				Adjustment Amount	Pro Forma (12/31/23)			
	Amount	Percent of Total	Cost Rate	Weighted Cost Rate		Amount	Percent of Total	Cost Rate	Weighted Cost Rate
Common Equity	\$ 257,800,000	53%	9.35%	4.94%	\$ -	\$ 257,800,000	48%	9.35%	4.48%
Long Term Debt	230,000,000	47%	4.93%	2.32%	50,000,000	280,000,000	52%	5.22%	2.72%
Total	\$ 487,800,000			7.27%	\$ 50,000,000	\$ 537,800,000			7.20%

(1) Assumes the issuance of \$50 million 30-year notes at 6.50%

NORTHERN UTILITIES, INC.
STATEMENTS OF EARNINGS
(\$ in Millions)

	Year Ended December 31,		
	2023	2022	2021
Operating Revenues	\$ 201.8	\$ 215.5	\$ 182.4
Operating Expenses:			
Cost of Gas Sales	86.3	107.4	83.4
Operation and Maintenance	32.5	32.5	30.0
Depreciation and Amortization	29.5	26.5	23.3
Taxes Other Than Income Taxes	11.4	11.0	10.6
Total Operating Expenses	159.7	177.4	147.3
Operating Income	42.1	38.1	35.1
Interest Expense	15.4	12.7	11.6
Other (Income) Expense, Net	(1.8)	(0.1)	1.0
Income Before Income Taxes	28.5	25.5	22.5
Income Taxes	7.3	6.3	6.0
Net Income	\$ 21.2	\$ 19.2	\$ 16.5

(The accompanying Notes are an integral part of these financial statements.)

NORTHERN UTILITIES, INC.
BALANCE SHEETS
 (\$ in Millions)

	December 31,	
	2023	2022
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 0.2	\$ 0.2
Accounts Receivable – (Net of Allowance for Doubtful Accounts of \$0.4 and \$0.6)	26.4	31.0
Accrued Revenue	18.3	22.1
Exchange Gas Receivable	8.6	16.3
Gas Inventory	0.6	1.3
Materials and Supplies	6.1	5.8
Prepayments and Other	2.6	2.8
Total Current Assets	62.8	79.5
Utility Plant:		
Gas	836.0	785.1
Construction Work in Progress	25.8	20.9
Utility Plant	861.8	806.0
Less: Accumulated Depreciation	194.4	176.7
Net Utility Plant	667.4	629.3
Other Noncurrent Assets:		
Regulatory Assets	5.2	6.9
Operating Lease – Right of Use Assets	1.9	1.1
Other Assets	1.5	1.6
Total Other Noncurrent Assets	8.6	9.6
TOTAL ASSETS	\$ 738.8	\$ 718.4

(The accompanying Notes are an integral part of these financial statements.)

NORTHERN UTILITIES, INC.
BALANCE SHEETS
(\$ in Millions, except par value and shares data)

	December 31,	
	2023	2022
LIABILITIES AND CAPITALIZATION:		
Current Liabilities:		
Accounts Payable	\$ 10.4	\$ 22.6
Short-Term Debt to Parent Company	86.2	65.8
Energy Supply Contract Obligations	8.6	16.3
Due to Affiliates	0.5	0.8
Dividends Payable	3.2	3.6
Taxes Payable	0.9	0.2
Environmental Obligations	0.3	0.3
Regulatory Liabilities	2.7	1.7
Other Current Liabilities	7.3	6.9
Total Current Liabilities	120.1	118.2
Noncurrent Liabilities:		
Deferred Income Taxes	64.8	61.5
Cost of Removal Obligations	38.2	34.1
Retirement Benefit Obligations	10.9	9.3
Regulatory Liabilities	13.8	13.4
Environmental Obligations	3.2	3.2
Operating Leases – Less Current Portion	1.2	0.6
Total Noncurrent Liabilities	132.1	122.1
Capitalization:		
Long-term Debt, Less Current Portion	228.8	228.8
Shareholder's Equity:		
Common Stock, \$10 Par Value		
Authorized - 200 shares		
Issued and Outstanding - 100 shares	217.1	217.1
Retained Earnings	40.7	32.2
Total Shareholder's Equity	257.8	249.3
Total Capitalization	486.6	478.1
Commitments and Contingencies (Note 5)		
TOTAL LIABILITIES AND CAPITALIZATION	\$ 738.8	\$ 718.4

(The accompanying Notes are an integral part of these financial statements.)

NORTHERN UTILITIES, INC.
STATEMENTS OF CASH FLOWS
(\$ in Millions)

Year Ended December 31,

	2023	2022	2021
Operating Activities:			
Net Income	\$ 21.2	\$ 19.2	\$ 16.5
Adjustments to Reconcile Net Income to Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	29.5	26.5	23.3
Deferred Tax Provision	6.5	6.3	6.0
Changes in Working Capital Items:			
Accounts Receivable	4.6	(4.3)	(3.9)
Accrued Revenue	3.8	(1.2)	(5.7)
Exchange Gas Receivable	7.7	(9.6)	(2.3)
Due to/from Affiliates	(0.3)	4.1	(1.8)
Accounts Payable	(12.2)	6.6	6.0
Regulatory Liabilities	1.0	0.7	0.6
Other Changes in Working Capital Items	1.5	0.9	(0.9)
Deferred Regulatory and Other Charges	(0.4)	(0.2)	---
Other, net	(0.1)	(6.4)	2.4
Cash Provided by Operating Activities	<u>62.8</u>	<u>42.6</u>	<u>40.2</u>
Investing Activities:			
Property, Plant, and Equipment Additions	(62.4)	(60.8)	(55.1)
Cash Used in Investing Activities	<u>(62.4)</u>	<u>(60.8)</u>	<u>(55.1)</u>
Financing Activities:			
Proceeds from Short-Term Debt, net	20.4	22.5	16.6
Net (Decrease) Increase in Exchange Gas Financing	(7.7)	9.6	2.3
Dividends Paid	(13.1)	(14.2)	(13.9)
Equity Contribution	---	---	10.0
Cash (Used in) Provided by Financing Activities	<u>(0.4)</u>	<u>17.9</u>	<u>15.0</u>
Net (Decrease) Increase in Cash and Cash Equivalents	---	(0.3)	0.1
Cash and Cash Equivalents at Beginning of Year	0.2	0.5	0.4
Cash and Cash Equivalents at End of Year	<u>\$ 0.2</u>	<u>\$ 0.2</u>	<u>\$ 0.5</u>
Supplemental Cash Flow Information:			
Interest Paid	\$ 14.5	\$ 12.2	\$ 11.4
Income Taxes Paid	\$ ---	\$ ---	\$ 0.2
Non-cash Investing Activity:			
Capital Expenditures Included in Accounts Payable	\$ 2.9	\$ 3.5	\$ 1.7
Right of Use Assets Obtained in Exchange for Lease Obligations	\$ 1.3	\$ 0.1	\$ 0.1

(The accompanying Notes are an integral part of these financial statements.)

NORTHERN UTILITIES, INC.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
 (\$ in Millions)

	<u>Common Equity</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2021	\$ 207.1	\$ 24.5	\$ 231.6
Net Income		16.5	16.5
Dividends Declared (\$136,235 Per Common Share)		(13.7)	(13.7)
Equity Contribution	10.0		10.0
Balance at December 31, 2021	\$ 217.1	\$ 27.3	\$ 244.4
Net Income		19.2	19.2
Dividends Declared (\$143,458 Per Common Share)		(14.3)	(14.3)
Balance at December 31, 2022	\$ 217.1	\$ 32.2	\$ 249.3
Net Income		21.2	21.2
Dividends Declared (\$126,942 Per Common Share)		(12.7)	(12.7)
Balance at December 31, 2023	\$ 217.1	\$ 40.7	\$ 257.8

(The accompanying Notes are an integral part of these financial statements.)