

Stephen P. Frink

Educational & Professional Experience

Mr. Frink graduated from the University of New Hampshire with a Bachelor of Arts degree in Sociology in 1977 and a Masters in Business Administration in 1980. He attended and completed Depreciation Programs sponsored by Depreciation Programs, Inc. at Grand Rapids, Michigan in 1992, 1993, 1994 and is a member in good standing of the Society of Depreciation Professionals since 1994.

In 1981, Mr. Frink worked as a High School Math Teacher in Manchester, New Hampshire.

In 1982, Mr. Frink relocated to Texas and worked as an Auditor for Dallas County. He audited various county departments and performed monthly reconciliations of various fund accounts.

In 1985, Mr. Frink went to work for Schenley Industries, Inc., a wholesale liquor distributor located in Dallas, Texas, where he audited national and international manufacturing plants.

In 1986, Mr. Frink left Schenley to work for the City of Dallas as a Budget/Financial Analyst, where he prepared and monitored budgets, prepared pro forma statements, amortization schedules and performed cash flow analysis. He was promoted to Senior Analyst in 1987.

In 1988, Mr. Frink left the City of Dallas to work for the City of Austin as a Financial Analyst. There he prepared budgets and fiscal impact statements, developed a capital projects tracking and monitoring system, and provided training and technical assistance in the implementation of a new accounting system.

In 1990, Mr. Frink joined the Finance staff of the New Hampshire Public Utilities Commission. Working as a member of the PUC Audit Team, he conducted or participated in audits of the books and records of public utilities. He performed desk audits and determined rates of returns. He prepared schedules and exhibits supporting testimony in dockets involving rate increases and participated in settlement conferences. In 1995, Mr. Frink became a full time Analyst for the Finance Department and in 1996 was promoted to a Senior Analyst position, primarily responsible for analyzing and advising the Commission on issues of depreciation, cost of gas adjustment filings, special contracts, and finance and rate increase petitions. In 1998, Mr. Frink was promoted to Assistant Finance Director. As Assistant Finance Director, he assisted in the direction of all aspects of a department responsible for the audit, analysis and review of public utility financial operations, including financing, rate cases and various utility studies filings related to public utility regulation. In 2001, New Hampshire Public Utilities Commission operations were restructured and Mr. Frink became Assistant Director of the Gas & Water Division and now administers all aspects of regulation of gas utilities.

State of New Hampshire
Public Utilities Commission
Unitil Corporation
Docket No. DG 08-048
Response to Commission Staff's First Set of Information Requests

Data Request Staff 1-34:

Reference Petition, page 14, paragraph 25. Does Unitil expect to seek recovery in rates of the financing and integration costs incurred in connection with the transaction?

Response: The financing costs of the proposed transaction have two components. First, there is an estimate of Equity issuance costs of \$4.0 million which would be accounted for as equity issuance expense by Northern's parent, Unitil Corporation, the entity issuing the equity. Equity issuance costs are not directly allocated to Northern but may be considered in determining the cost of equity component of the return on rate base for Northern at the time of its next rate case. Second, Debt issuance costs are considered a normal part of each financing and they are amortized over the life of the debt and would be recovered from Northern's customers as part of the determination of the cost of debt component of the return on rate base for Northern at the time of its next rate case.

Integration costs, which are estimated at \$3.0 million, relate to expenditures to build or upgrade systems and facilities required for Unitil to independently operate Northern. These expenditures are treated like utility expenditures which occur in the normal course of business as Northern replaces and upgrade systems and facilities necessary to serve customers and will be included in Northern's rate base for ratemaking purposes at the time of its next rate case.

Person Responsible: Laurence M. Brock Date: May 27, 2008

UNITIL ACQUISITION OF
NORTHERN
New Hampshire Revenue Requirement By Year Related to Section 338(h)10 Election

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
|-----|---|---|--|------------------------------|--|--|---|
| | Increase / (Decrease) Rate Base to remove ADIT before Section 338(h)10 Election* | Increase / (Decrease) Rate Base to include ADIT associated with Section 338(h)10 Election* | Net Increase / (Decrease) to Rate Base | Return on Rate Base | Income Taxes on Rate Base Interest | Net Operating Income Requirement / (Reduction) | Net Increase / (Decrease) in Revenue Requirement |
| | | | (b) + (c) | (d) * 8.38% (see Line 28) | [(d) * 3.55%] * [8.5% + 32.03%] (see Lines 26, 30 and 32) | (e) + (f) | (g) * 1.6814 (see Line 34) |
| 1 | 12/31/2006 | | | | | | |
| 2 | 12/31/2007 | - | - | - | - | - | - |
| 3 | 12/31/2008 | 11,686,339 | 3,695,759 | 15,382,098 | 1,289,020 | (220,981) | 1,068,039 |
| 4 | 12/31/2009 | 12,334,260 | 3,739,034 | 16,073,294 | 1,346,942 | (230,911) | 1,116,031 |
| 5 | 12/31/2010 | 12,821,154 | 2,744,105 | 15,565,258 | 1,304,369 | (223,612) | 1,080,756 |
| 6 | 12/31/2011 | 13,130,720 | 1,911,385 | 15,042,105 | 1,260,528 | (216,097) | 1,044,432 |
| 7 | 12/31/2012 | 13,305,807 | 1,228,306 | 14,534,113 | 1,217,959 | (208,799) | 1,009,160 |
| 8 | 12/31/2013 | 13,391,546 | 684,093 | 14,075,639 | 1,179,539 | (202,212) | 977,326 |
| 9 | 12/31/2014 | 13,387,645 | 267,973 | 13,655,618 | 1,144,341 | (196,178) | 948,163 |
| 10 | 12/31/2015 | 13,276,315 | (29,334) | 13,246,981 | 1,110,097 | (190,308) | 919,789 |
| 11 | 12/31/2016 | 13,058,735 | (217,103) | 12,841,632 | 1,076,129 | (184,484) | 891,644 |
| 12 | 12/31/2017 | 12,742,202 | (386,916) | 12,355,286 | 1,035,373 | (177,497) | 857,876 |
| 13 | 12/31/2018 | 12,348,107 | (556,729) | 11,791,378 | 988,117 | (169,396) | 818,721 |
| 14 | 12/31/2019 | 11,929,058 | (726,542) | 11,202,516 | 938,771 | (160,937) | 777,834 |
| 15 | 12/31/2020 | 11,359,551 | (896,355) | 10,463,196 | 876,816 | (150,315) | 726,500 |
| 16 | 12/31/2021 | 10,588,762 | (1,066,168) | 9,522,595 | 797,993 | (136,803) | 661,191 |
| 17 | 12/31/2022 | 9,914,220 | (1,235,980) | 8,678,240 | 727,236 | (124,673) | 602,564 |
| 18 | 12/31/2023 | 8,748,643 | (1,405,793) | 7,342,849 | 615,331 | (105,488) | 509,843 |
| 19 | 12/31/2024 | 7,583,065 | (1,575,606) | 6,007,459 | 503,425 | (86,304) | 417,121 |
| 20 | 12/31/2025 | 6,417,488 | (1,745,419) | 4,672,069 | 391,519 | (67,119) | 324,400 |
| 21 | 12/31/2026 | 5,251,911 | (1,915,232) | 3,336,679 | 279,614 | (47,935) | 231,679 |
| 22 | 12/31/2027 | 4,086,334 | (2,085,044) | 2,001,289 | 167,708 | (28,751) | 138,957 |
| 23 | 12/31/2028 | 2,920,757 | (2,254,558) | 666,199 | 55,827 | (9,571) | 46,257 |
| 24 | 12/31/2029 | 1,755,179 | (1,755,179) | - | - | - | - |
| 25 | Total | | | | | | 25,503,630 |

ASSUMPTIONS

Pro Forma Weighted Average Cost of Capital

| | | Amount | Percent | Cost | Weighted Cost | Tax Gross-up | Pre-Tax Weighted Cost |
|----|----------------|---------|---------|-------|---------------|--------------|-----------------------|
| 26 | Long-Term Debt | 72,350 | 50% | 7.09% | 3.55% | 1.0000 | 3.55% |
| 27 | Common Equity | 72,350 | 50% | 9.67% | 4.84% | 0.5948 | 2.88% |
| 28 | Total | 144,700 | 100.0% | | 8.38% | | 6.42% |

Gross-up Factor for New Hampshire

| | | | | | | | |
|----|--|-------|--------|--|--|--|--|
| 29 | Revenue | | 1.0000 | | | | |
| 30 | State Tax | 8.5% | 0.0850 | | | | |
| 31 | Taxable Income - Federal Federal Income | | 0.9150 | | | | |
| 32 | Tax | 35.0% | 0.3203 | | | | |
| 33 | Total | | 0.5948 | | | | |
| 34 | Gross-up Factor | | 1.6814 | | | | |

Notes

* Refer to DRA No. 1-25, Attachment No. 1

Northern Utilities, Inc.
Post and Pre Acquisition
Cost of Capital
Proforma 12/31/2007

| Purchase Price | |
|---|-----------------|
| Total Equity Purchase Price | \$ 160.0 |
| Less: Allocation of Purchase Price to Granite | <u>15.3</u> |
| NU Equity Purchase Price | \$ 144.7 |
| Working Capital Adjustment - NU | <u>37.3</u> |
| NU Total Purchase Price | <u>\$ 182.0</u> |

| Post - Closing Capitalization and Cost of Capital | | | | |
|--|-----------------|------------------------------|-----------------------|----------------------|
| | Amount | Percent of Capitalization | Estimated Cost (%) | Weighted Cost (%) |
| Common Equity | \$ 72.4 | 50% | 9.67% | 4.84% |
| Long-term Debt | <u>72.4</u> | 50% | 7.09% | <u>3.55%</u> |
| | <u>\$ 144.7</u> | | | <u>8.38%</u> |
| Short-Term Debt: | | | | |
| Purchase Gas Financing | 18.5 | | | |
| Other Working Capital | <u>18.8</u> | | | |
| | <u>\$ 37.3</u> | | | |
| Total Capitalization and Short-Term Debt | <u>\$ 182.0</u> | | | |

| Pre - Transaction Capitalization and Cost of Capital | | | | |
|---|-----------------|------------------------------|-----------------------|----------------------|
| | Amount | Percent of Capitalization | Estimated Cost (%) | Weighted Cost (%) |
| Common Equity | \$ 79.1 | 56% | 9.67% | 5.43% |
| Long-term Debt | <u>61.7</u> | 44% | 4.89% | <u>2.14%</u> |
| | <u>\$ 140.8</u> | | | <u>7.57%</u> |
| Short-Term Debt: | | | | |
| Purchase Gas Financing | 18.5 | | | |
| Other Working Capital | <u>13.4</u> | | | |
| | <u>\$ 31.9</u> | | | |
| Total Capitalization and Short-Term Debt | <u>\$ 172.7</u> | | | |

**UNITIL ACQUISITION OF NORTHERN
New Hampshire Revenue Requirement By Year
Difference due to higher Cost of Debt**

| (a) | (b) | (c) | (c) |
|-----|--|--|--|
| | Net Increase / (Decrease) in Revenue Requirement | Net Increase / (Decrease) in Revenue Requirement | Net Increase / (Decrease) in due to higher ROR |
| | 8.38% ROR | 7.57% ROR | |
| 1 | 12/31/2006 | | |
| 2 | 12/31/2007 | | |
| 3 | 12/31/2008 | 1,795,778 | 1,586,286 |
| 4 | 12/31/2009 | 1,876,471 | 1,657,566 |
| 5 | 12/31/2010 | 1,817,161 | 1,605,175 |
| 6 | 12/31/2011 | 1,756,085 | 1,551,224 |
| 7 | 12/31/2012 | 1,696,780 | 1,498,838 |
| 8 | 12/31/2013 | 1,643,256 | 1,451,557 |
| 9 | 12/31/2014 | 1,594,221 | 1,408,242 |
| 10 | 12/31/2015 | 1,546,514 | 1,366,101 |
| 11 | 12/31/2016 | 1,499,192 | 1,324,300 |
| 12 | 12/31/2017 | 1,442,414 | 1,274,145 |
| 13 | 12/31/2018 | 1,376,580 | 1,215,992 |
| 14 | 12/31/2019 | 1,307,834 | 1,155,265 |
| 15 | 12/31/2020 | 1,221,522 | 1,079,022 |
| 16 | 12/31/2021 | 1,111,712 | 982,022 |
| 17 | 12/31/2022 | 1,013,138 | 894,948 |
| 18 | 12/31/2023 | 857,238 | 757,235 |
| 19 | 12/31/2024 | 701,339 | 619,522 |
| 20 | 12/31/2025 | 545,439 | 481,809 |
| 21 | 12/31/2026 | 389,540 | 344,097 |
| 22 | 12/31/2027 | 233,640 | 206,384 |
| 23 | 12/31/2028 | 77,775 | 68,702 |
| 24 | 12/31/2029 | | |
| 25 | Total | 25,503,630 | 22,528,434 |
| | | | 2,975,196 |

UNITIL ACQUISITION OF NORTHERN
Rate Impact of Integration Costs

Revenue Requirement on Integration Costs

| | Increase in Rate Base Due to Integration Costs | Return on Rate Base | Income Taxes on Rate Base Interest | Net Operating Income Requirement / (Reduction) | Net Increase / (Decrease) in Revenue Requirement |
|------------|--|---------------------|------------------------------------|--|--|
| First Year | 3,000,000 | 251,400 | (43,098) | 208,302 | 350,234 |

Depreciation Expense of Integration Rate Base (Information Systems)

| | Increase in Rate Base Due to Integration Costs | Depreciation Expense (Information Systems) | Net Increase / (Decrease) in Revenue Requirement |
|------------|--|--|--|
| First Year | 3,000,000 | 12.50% | 375,000 |

Combined First Year Rate Impact

\$725,234

Northern Utilities, Inc.
New Hampshire Division
DG 08-048
Staff Request Set No. 1
Response: 80
Responsible: Francisco C. DaFonte,
Director, Energy Supply Services

Request: Please provide a brief history of Granite, both as an intra and interstate pipeline. Describe any material changes in plant, available capacity, and annual sales and reasons for the changes.

Response: Approximately 50 years ago, Granite's line was part of Northern's distribution system. However, when Northern's distribution system was reconfigured to allow natural gas to move between two states (to serve Northern's New Hampshire Division and its Maine Division), it was necessary for Granite to file with the Federal Energy Regulatory Commission ("FERC") to become an interstate transmission pipeline.

Since that time, the biggest change to Granite's service offerings came with the FERC's approval of Order No. 636. In that Order, FERC required all pipelines to unbundle and restructure their services. Since then, Granite has not offered a gas supply nor a storage service, but has offered transportation-only service. The biggest physical change to Granite's pipeline system was its ability to lease and utilize a converted oil pipeline. This lease, which was in place between 1987 through the mid-1990s, was necessary to provide Granite with a feed of natural gas from Canada. Granite leased and operated this converted oil pipeline, which connected to Granite in Eliot, Maine and extended northwesterly to the Canadian border. As explained below, the leased oil pipeline was subsequently replaced, as a result of the Joint Facilities coming on line in March of 1999.

Currently, Granite's interstate pipeline has a southern terminus located in Haverhill, Massachusetts, where it connects to the Tennessee Gas Pipeline Company. From this point, it extends northeasterly approximately 100 miles through the seacoast area of New Hampshire and Maine to its northern terminus, near Portland, Maine. Along that route, Granite connects to the Joint Facilities pipeline at Newington, New Hampshire, Westbrook, Maine and Kittery, Maine. With regard to the available capacity and annual sales by Granite, please see Northern's responses to Staff 1-65, Staff 1-66, Staff 1-67, Staff 1-71, Staff 1-73 and Staff 1-78.

With regard to material changes in plant, according to Granite's 2003 FERC Form 2, gas plant in service on 12/31/2002 was almost \$11 million, of which one-half or about \$5.8 million, was mains. On 12/31/07, according to Granite's 2007 FERC Form 2, gas plant in service was over \$23 million, of which over 75% or about \$18 million, was mains. Northern believes the increase in gas plant over the past five (5) years is due to recent U.S. Department of Transportation ("DOT") code regulations requiring all interstate transmission pipelines to test and replace, as necessary, pipelines to ensure integrity in high consequence areas.

I attest this response was prepared by me or under my direct supervision and control and is true and accurate as to the best of my information and belief at the date of filing.

Northern Utilities, Inc.
New Hampshire Division
DG 08-048
Staff Request Set No. 1
Response: 84
Responsible: John J. McNamara,
VP Marketing & Origination

Request: Reference response to Staff 1-80. Please provide a copy of the FERC order approving Granite petition to become an interstate pipeline. What was the rated capacity at the time Granite became an interstate pipeline and what is the current rated capacity? Please provide the year and reason(s) for changes in rated capacity.

Response: Please see Attachment Staff 1-84 (a) for the November 15, 1965 Federal Power Commission (FPC) order granting Granite authority to construct and operate facilities as described within the application.
Please see Attachment Staff 1-84 (b) for the various Granite annual filings with the FERC regarding its rated capacity. These capacity reports were submitted for the years 1996-1998 and 2002-2007. As shown in Attachment Staff 1-84 (b), the Granite rated capacity was 50,000 MMBtu in 1996, 1997, and 1998. The capacity was increased to 67,000 MMBtu in 1999 and was further increased to 150,196 Dth/d in 2002. The 2002 increase was a result of the Granite interconnection with PNGTS-Maritimes Pipeline.

I attest this response was prepared by me or under my direct supervision and control and is true and accurate as to the best of my information and belief at the date of filing.

Northern Utilities, Inc.
 New Hampshire Division
 DG 08-048
 Staff Request Set No. 1
 Response: 73
 Responsible: Francisco C. DaFonte,
 Director, Energy Supply Services

Request: What portion of Granite's current certificated capacity is unsubscribed?

Response: Based on publicly available information provided by Granite, Northern understands that if Granite were to assume that the estimated peak day capacity of 150,196 dth/d described in Northern's response to Staff 1-71 is also the certificated capacity level, then the portion of Granite capacity that is unsubscribed is 42,288 dth/d or 28.2%. It is important to note that while Bay State Gas Company has contracted firm capacity on Granite of 62,000 dth/day, this capacity is utilized by Granite to deliver Bay State volumes to Granite's "offsystem" delivery points tied directly to Bay State's city gate's and, thus, these volumes do not physically flow on the Granite pipeline leading to the physical unsubscribed capacity calculated in Table Staff 1-73. Please see Table Staff 1-73 for the calculation.

Table Staff 1-73₁
 (dth/d)

| | |
|----------------------------|--------------|
| Est. Peak Day Capacity | 150,196 |
| Northern Utilities | 100,000 |
| National Gypsum Co. | 2,200 |
| Global Montello Group Corp | 3,500 |
| Coral Energy Resources, LP | <u>1,608</u> |
| subscribed: | 107,308 |
| Portion Unsubscribed: | 42,888 |

I attest this response was prepared by me or under my direct supervision and control and is true and accurate as to the best of my information and belief at the date of filing.

₁ Granite has informed Northern that because Granite is a single line with an interconnect and supply source coming in from each end as well as one in the middle of the Granite system, the calculation of estimated peak day capacity is necessarily based upon certain receipt and delivery assumptions.

Granite State Gas Transmission Company
Total Revenue
 For the years ended December 31, 1999 - 2007

| <u>Company</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Bay State Gas Company | 41,118,075.19 | 53,511,843.94 | 71,716,433.00 | 39,814,656.80 | 14,250,954.05 | 21,608,756.58 | 22,726,274.73 | 12,524,018.40 | 1,132,443.36 |
| Northern Utilities | 9,949,825.35 | 12,730,582.90 | 11,008,870.00 | 10,976,299.85 | 4,922,707.87 | 5,169,527.03 | 6,169,371.01 | 5,691,562.71 | 1,404,277.54 |
| Non-Affiliated | 184,725.46 | 218,072.16 | 305,006.00 | 422,926.35 | 442,305.82 | 541,264.39 | 484,818.86 | 456,364.12 | 512,106.10 |
| Total | 51,252,626.00 | 66,460,499.00 | 83,030,309.00 | 51,213,883.00 | 19,615,967.74 | 27,319, 48.00 | 29,380,464.60 | 18,671,945.23 | 3,048,827.00 |

Excerpt from July 2, 2008 Joint Technical Session

Pages 182-183

{DG 08-048} [TECHNICAL SESSION] (07-02-08)

1 MR. FRINK: And, how we're going to

2 address the Northern contract?

3 MR. McNAMARA: Sure. As I'm sure you've

4 seen, there's been quite a bit of investment, as compared

5 to historical figures, in the last several years related

6 to the Department of Transportation's Integrity Management

7 Plan -- or, Integrity Management Program, excuse me. This

8 was something that was -- that was implemented that

9 required all interstate pipelines to evaluate their

10 systems, certain percentages by certain -- certain years,

11 and then evaluate them, pig them, evaluate them, and then

12 make any necessary repairs to comply with safety standards

13 as set out by the Department of Transportation. As we did

14 with or as we have been doing with Columbia Gulf, Columbia

15 Gas, Crossroads, and all of our other pipeline systems,

16 we've -- we've undertaken a similar review as per the

17 regulations of the DOT in line with this policy.

18 In the last several years, as I see it,

19 we've -- we've invested roughly \$11 million in the system,

20 of which, as I can tell, about seven and a half million is

21 related to Integrity Management. Going forward, we

22 have -- obviously, we hope this is something that -- that

23 will fall to Unitil to best determine how to -- how to

24 manage or how to administer, but we have made some

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1 projections going forward, should it remain owned by
2 NiSource. We look at an investment of about \$300,000 in
3 2008, and then, beginning in 2009, approximately
4 \$1.6 million every year through 2012. And, those dollars
5 are related primarily to the evaluation of the pipeline.
6 To the extent, and modest projections for any repairs that
7 might be necessary.

8 To the extent that the evaluation turns
9 up issues that would require major repairs, or work to be
10 done on the system, there is the potential that that --
11 that those figures could be higher in future years.