



Second Quarter 2020

# EARNINGS CONFERENCE CALL

July 30, 2020

# SAFE HARBOR PROVISION & SUPPLEMENTAL INFORMATION

This presentation contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included in this presentation are forward-looking statements. These forward-looking statements include statements regarding Unitil Corporation’s (“Unitil”) financial condition, results of operations, capital expenditures, business strategy, regulatory strategy, market opportunities, and other plans and objectives. In some cases, forward-looking statements can be identified by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue”, the negative of such terms, or other comparable terminology.

These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: the novel coronavirus (COVID-19) pandemic, which could adversely impact Unitil’s business, financial conditions, results of operations and cash flows, including by disrupting Unitil’s employees’ and contractors’ ability to provide ongoing services to Unitil, by reducing customer demand for electricity or natural gas, or by reducing the supply of electricity or natural gas; Unitil’s regulatory and legislative environment (including laws and regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of gas and electric energy commodities and transmission capacity and Unitil’s ability to recover energy supply costs in its rates; customers’ preferred energy sources; severe storms and Unitil’s ability to recover storm costs in its rates; declines in the valuation of capital markets, which could require Unitil to make substantial cash contributions to cover its pension obligations, and Unitil’s ability to recover pension obligation costs in its rates; general economic conditions, which could adversely affect (i) Unitil’s customers and, consequently, the demand for Unitil’s distribution services, (ii) the availability of credit and liquidity resources and (iii) certain of Unitil’s counterparty’s obligations (including those of its insurers and lenders); Unitil’s ability to obtain debt or equity financing on acceptable terms; increases in interest rates, which could increase Unitil’s interest expense; restrictive covenants contained in the terms of Unitil’s and its subsidiaries’ indebtedness, which restrict certain aspects of Unitil’s business operations; variations in weather, which could decrease demand for Unitil’s distribution services; long-term global climate change, which could adversely affect customer demand or cause extreme weather events that could disrupt Unitil’s electric and natural gas distribution services; cyber-attacks, acts of terrorism, acts of war, severe weather, a solar event, an electromagnetic event, a natural disaster, the age and condition of information technology assets, human error, or other reasons could disrupt Unitil’s operations and cause Unitil to incur unanticipated losses and expense; outsourcing of services to third parties, which could expose Unitil to substandard quality of service delivery or substandard deliverables, which may result in missed deadlines or other timeliness issues, non-compliance (including with applicable legal requirements and industry standards) or reputational harm, which could negatively impact our results of operations; catastrophic events; numerous hazards and operating risks relating to Unitil’s electric and natural gas distribution activities; Unitil’s ability to retain its existing customers and attract new customers; increased competition; and other risks detailed in Unitil’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitil’s Annual Report on Form 10-K for the year ended December 31, 2019.

Readers should not place undue reliance on any forward looking statements, which speak only as of the date they are made. Except as may be required by law, Unitil undertakes no obligation to update any forward-looking statements to reflect any change in Unitil’s expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

This presentation contains non-GAAP measures. The Company’s management believes these measures are useful in evaluating its performance. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures can be found herein.

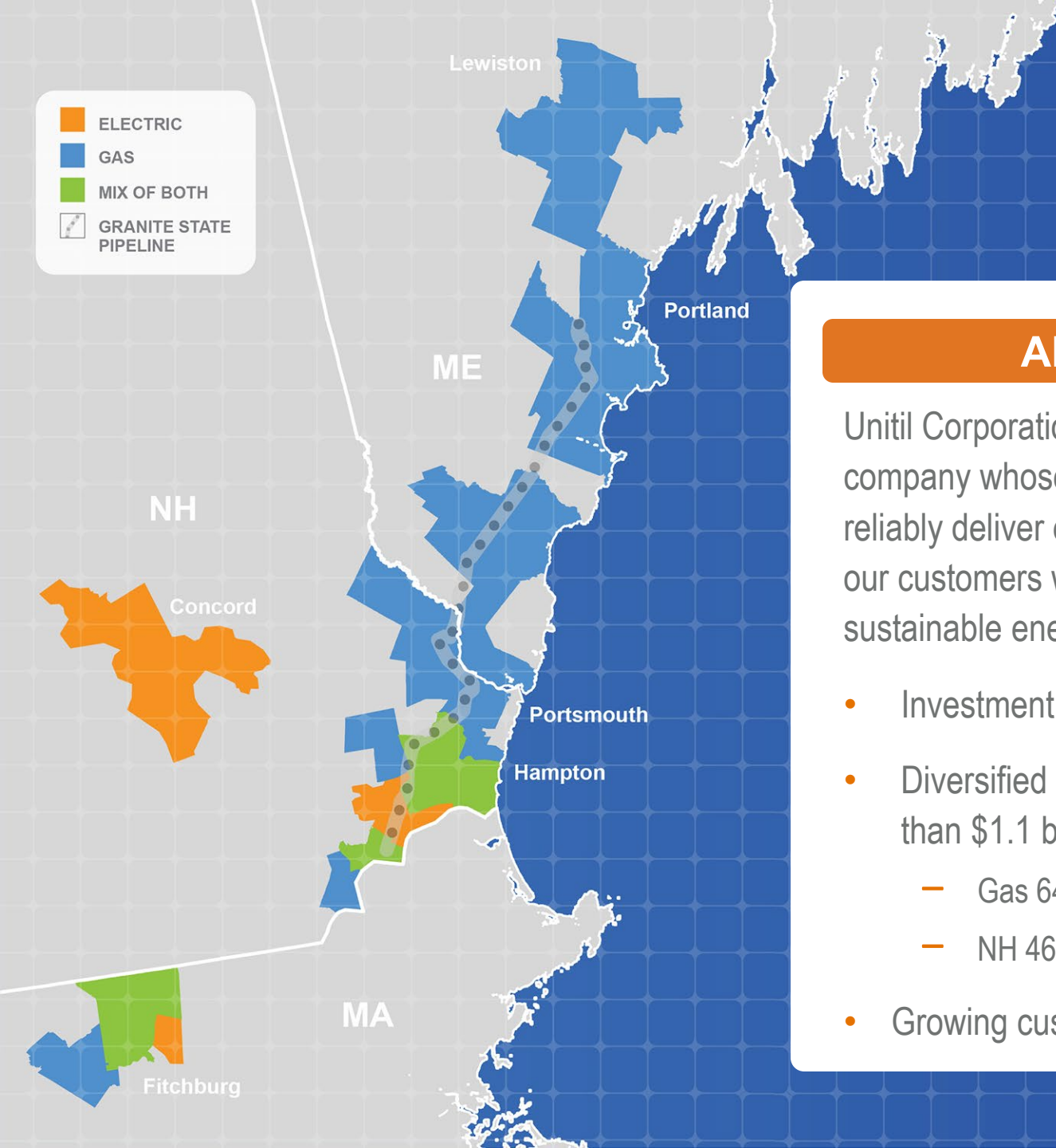
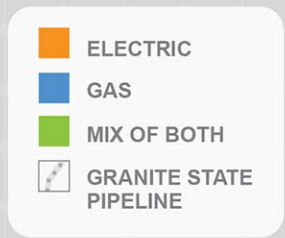
# MANAGEMENT UPDATE

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**Robert B. Hevert, CFA**  
Senior Vice President, Chief  
Financial Officer and Treasurer

- Robert B. Hevert was appointed as Senior Vice President, Chief Financial Officer and Treasurer effective July 31, 2020
  - Over 30 years of regulated industry experience with testimony as an expert witness in +300 proceedings in financial and regulatory matters
  - Most recently served with ScottMadden, Inc. as Partner and Practice Area Leader of Rates, Regulation and Planning
  - Served as Vice President and Assistant Treasurer at Bay State Gas Company
- Laurence M. Brock, who has served as CFO and Treasurer, will remain as a Senior Vice President and work directly with Mr. Hevert to ensure a smooth transition



## About Unitil

Unitil Corporation is a public utility holding company whose mission is to safely and reliably deliver **energy** for life and provide our customers with affordable and sustainable energy solutions

- Investment grade utility
- Diversified Net Utility Plant of more than \$1.1 billion
  - Gas 64%, Electric 36%
  - NH 46%, ME 28%, MA 26%
- Growing customer base

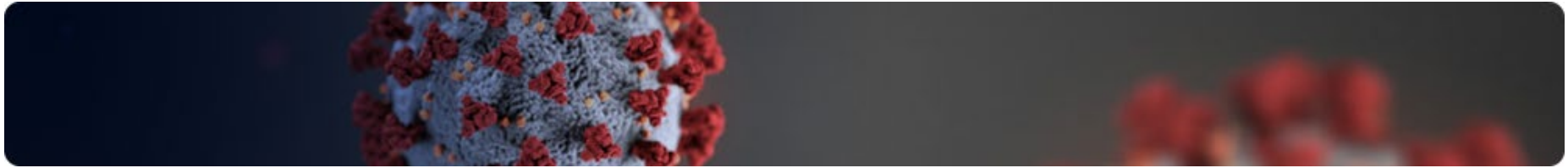


# Q2 2020 FINANCIAL RESULTS

- Second quarter 2020 Net Income of \$3.1 million, or \$0.21 per share
  - Decrease of \$0.9 million or \$0.06 per share compared to 2019
  - Estimated unfavorable impact of \$0.03 per share as a result of the ongoing COVID-19 Emergency
- First half of 2020 Net Income of \$18.3 million or \$1.23 per share
  - Excluding the 2019 one-time divestiture gain of \$9.8 million or \$0.66 per share, Net Income is down \$2.4 million or \$0.16 per share
  - The decrease in core utility earnings is largely due to the warmer winter weather in Q1 which unfavorably impacted earnings approximately \$0.20 per share

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(millions excluding EPS)</i>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net Income	\$3.1	\$4.0	\$18.3	\$30.5
Earnings Per Share	\$0.21	\$0.27	\$1.23	\$2.05

# COVID-19 EMERGENCY RESPONSE



**Enacted 5 Phase re-opening transition plan developed by Unitil's Pandemic Task Force; moved from Restricted Phase to Limited Phase during Q2**

EMPLOYEES	CUSTOMERS	OPERATIONS
<ul style="list-style-type: none"><li>• Safety of employees is our highest priority</li><li>• Enhanced safety protocols<ul style="list-style-type: none"><li>– Strict social distancing</li><li>– Work from home encouraged where applicable</li><li>– Staggered shifts; direct job-site reporting (field)</li><li>– Hygiene, PPE</li></ul></li><li>• Proactive self-quarantining and contact tracing</li><li>• No active COVID-19 cases</li></ul>	<ul style="list-style-type: none"><li>• Customer calls unaffected; no degradation in service levels</li><li>• Non-essential, in-home work suspended</li><li>• Customer disconnects remain suspended</li><li>• U-CARE Fund, customer and community financial assistance for COVID-19; \$225K in donations</li><li>• Employee fundraising campaign with Company match</li></ul>	<ul style="list-style-type: none"><li>• Implemented Crisis Response Plan; Incident Command System</li><li>• Employees entering customer homes routinely receiving COVID-19 tests</li><li>• No impact on ability to provide safe &amp; reliable service<ul style="list-style-type: none"><li>– Rapid service restoration following two storm events</li></ul></li><li>• No material impact on 2020 construction anticipated</li><li>• Unions very supportive</li></ul>

# COVID-19 & UNITIL SERVICE AREAS

**Economies across service areas began reopening over Q2 as phased opening continues to progress**

## New Hampshire

- May 11<sup>th</sup> - Retail stores permitted to reopen
- June 5<sup>th</sup> - Hotels and other lodging began accepting guests
- June 15<sup>th</sup> - Stay at home order expired; indoor seating allowed at restaurants, gyms open, and sea coast beaches opened

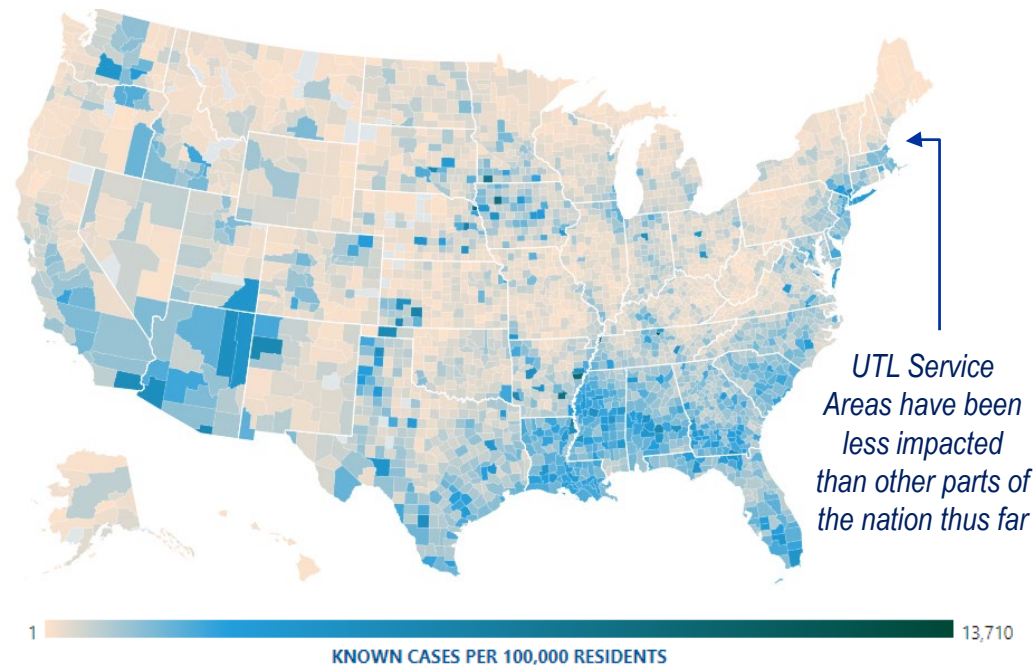
## Maine

- Stage 1 in May
  - Retail stores permitted to reopen
  - Restaurants for dine-in and outdoor dining permitted to reopen in rural communities
- Stage 2 in June
  - Restaurants for dine-in and outdoor dining permitted to reopen in all counties
  - Gyms and some personal services reopen

## Massachusetts

- May 18<sup>th</sup> – Essential business, manufacturing and construction allowed with staggered and limited reopening
- May 25<sup>th</sup> - Office space (Boston not included), personal services, and curbside retail reopen
- June 8<sup>th</sup> – Outdoor dining permitted with restrictions

## Confirmed COVID-19 Cases Per 100k <sup>(1)</sup>



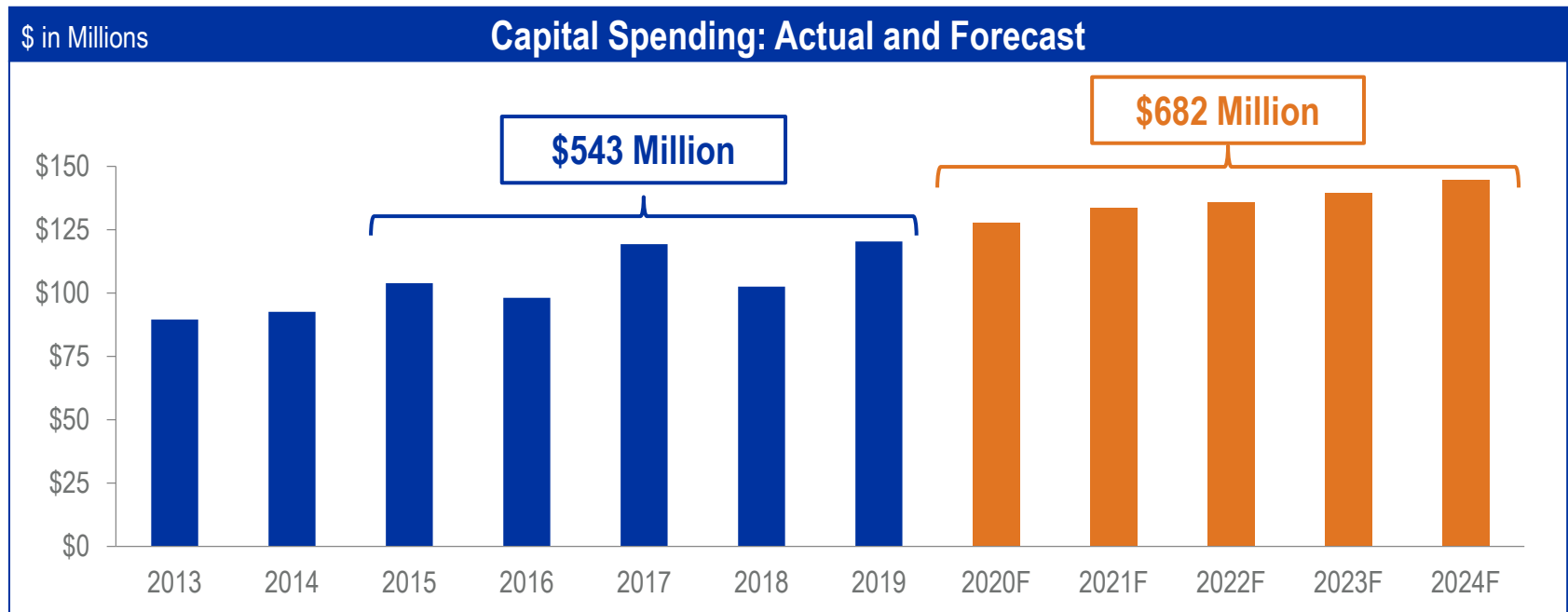
**Currently, the percentage of positive COVID-19 tests in UTL service area states are stable and considerably lower than the national average of 8.1% <sup>(2)</sup>**

(1) Map sourced from usafacts.org; data as of 07/27/2020

(2) John Hopkins Coronavirus Resource Center; data as of 07/28/2020

# INVESTMENT OUTLOOK

- Construction work to support gas system growth and system modernization is continuing on-schedule
  - \$10 million additional capital spending through the first half of 2020 than compared to 2019
- Forecasting rate base growth of 7.5% to 8.5% over the next 5 years





# DIVIDEND POLICY

No change in dividend policy anticipated as a result of the COVID-19 Emergency

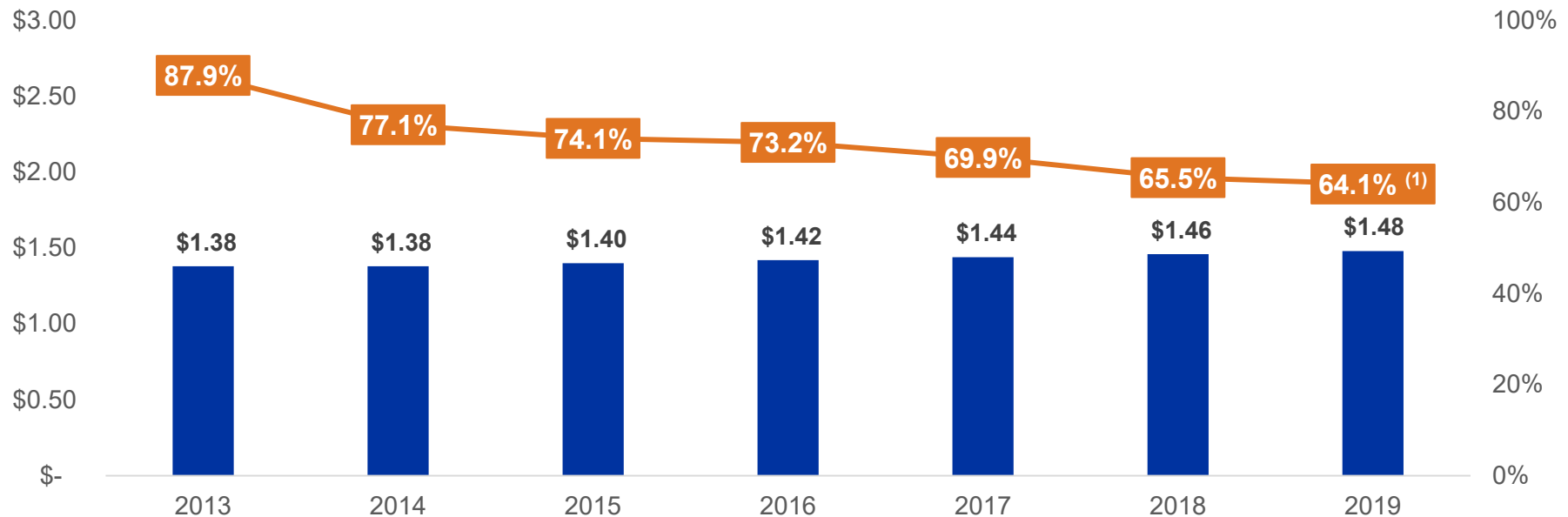


\$1.50/share  
(annual)



Target  
55%-65%

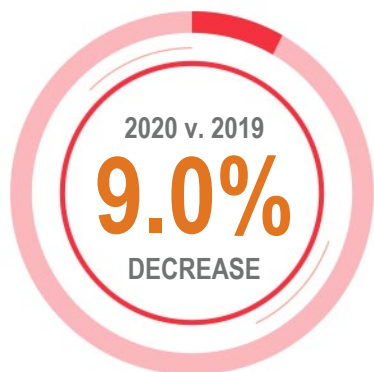
## Dividend and Payout Ratio



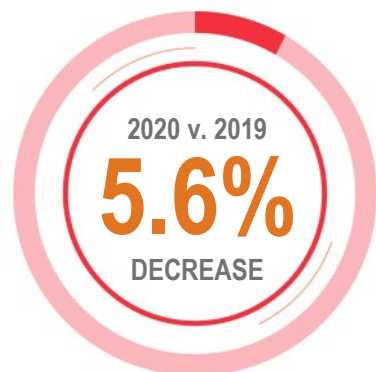
(1) 2019 payout ratio excludes the Usource divestiture gain of \$0.66 per share

# QTD GAS SALES & MARGIN \$22.9M<sup>(1)</sup>

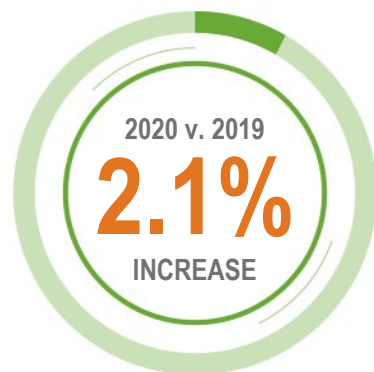
## Unit Sales



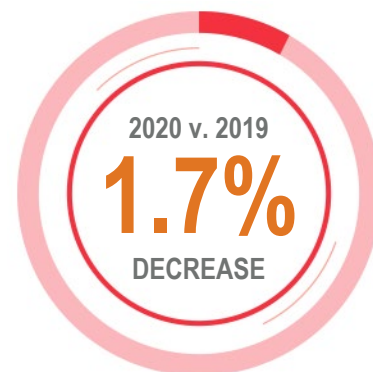
## Weather Normal Unit Sales <sup>(2)</sup>



## Customers



## Margin <sup>(1)</sup>



## Unit Sales Down 9.0%

- Decrease in unit sales reflects lower C&I usage due to the ongoing COVID-19 Emergency as well as warmer early summer weather
- Commercial & Industrial (C&I) sales down 10.7%
  - Weather normal C&I sales down 7.4%
- Residential sales down 2.1%
  - Weather normal residential sales up 3.2%



## Sales Margin Down \$0.4 million

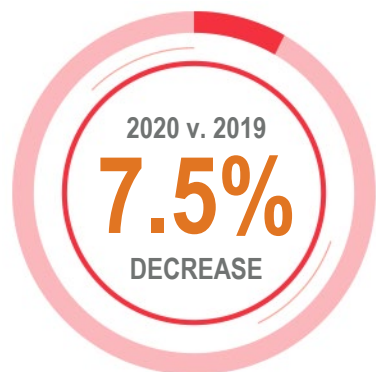
- \$0.6 million increase due to higher distribution rates and customer growth
- \$0.8 million decrease due to lower C&I usage as a result of the ongoing COVID-19 Emergency
- \$0.2 million decrease as a result of lower unit sales due to warmer early summer weather

(1) Reflects a non-GAAP measurement. Reconciliation from Non-GAAP to GAAP measures are included at the end of this presentation

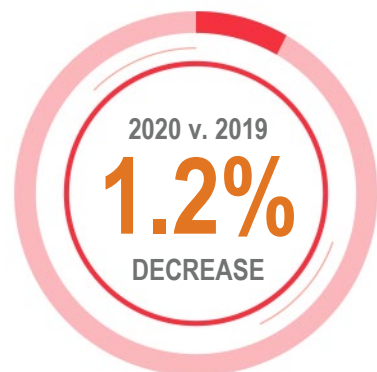
(2) Weather normal unit sales excludes decoupled sales

# YTD GAS SALES & MARGIN \$65.3M<sup>(1)</sup>

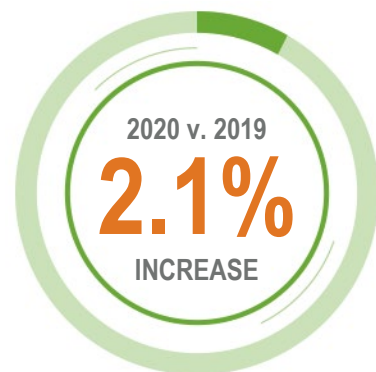
## Unit Sales



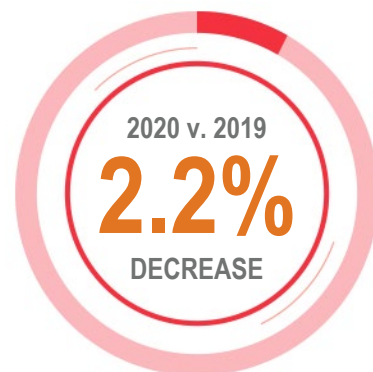
## Weather Normal Unit Sales <sup>(2)</sup>



## Customers



## Margin <sup>(1)</sup>



### ↓ Unit Sales Down 7.5%

- Decrease in unit sales reflects historically warm winter weather, 8.4% fewer Effective Degree Days than compared to 2019
- Decrease also reflects lower C&I usage due to the ongoing COVID-19 Emergency
- 1,731 additional customers served than compared to prior year

### ↓ Sales Margin Down \$1.5 million

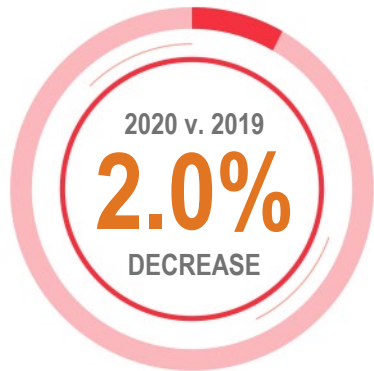
- \$2.0 million increase due to higher natural gas distribution rates
- \$2.7 million decrease as a result of lower units sales due to warmer winter weather partially offset by customer growth
- \$0.8 million decrease as a result of the ongoing COVID-19 Emergency

(1) Reflects a non-GAAP measurement. Reconciliation from Non-GAAP to GAAP measures are included at the end of this presentation

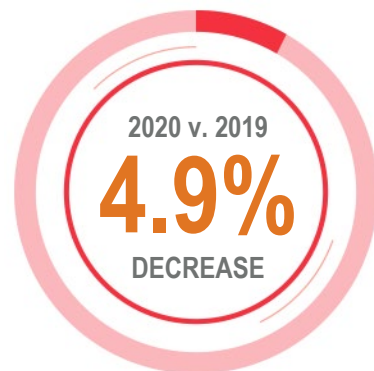
(2) Weather normal unit sales excludes decoupled sales

# QTD ELECTRIC SALES & MARGIN \$22.4M<sup>(1)</sup>

## Unit Sales



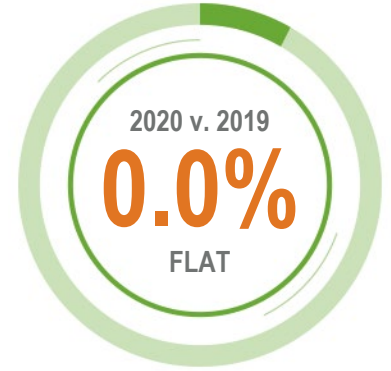
## Weather Normal Unit Sales <sup>(2)</sup>



## Customers



## Margin <sup>(1)</sup>



### ↓ Unit Sales Down 2.0%

- Decrease in unit sales reflects the decline in average usage per C&I customer largely as a result of the ongoing COVID-19 Emergency partially offset by increased sales to residential customers and warmer early summer weather
- Commercial & Industrial (C&I) sales down 11.0%
  - Weather normal C&I down 12.2%
- Residential sales up 12.8%
  - Weather normal residential sales up 6.4%

### ↔ Sales Margin Flat

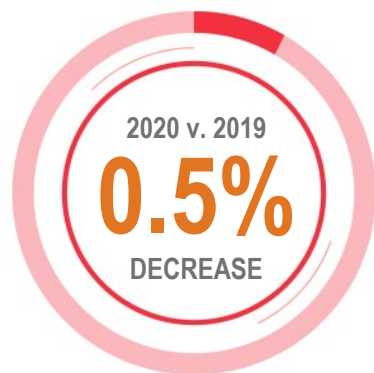
- \$0.4 million increase due to higher distribution rates, customer growth, and warmer early summer weather
- \$0.4 million decrease as a result of the ongoing COVID-19 Emergency
  - \$0.6 million decrease from lower C&I sales, slightly offset by \$0.2 million from higher residential sales

(1) Reflects a non-GAAP measurement. Reconciliation from Non-GAAP to GAAP measures are included at the end of this presentation

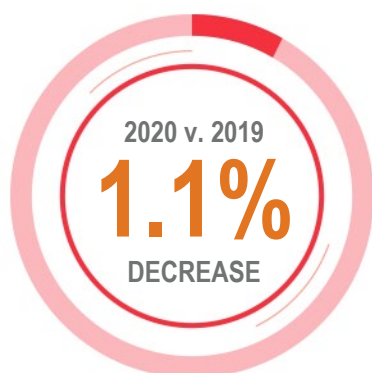
(2) Weather normal unit sales excludes decoupled sales

# YTD ELECTRIC SALES & MARGIN \$45.5M<sup>(1)</sup>

## Unit Sales



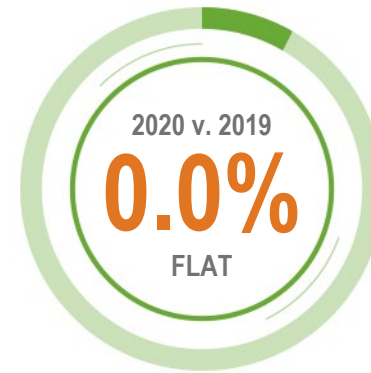
## Weather Normal Unit Sales <sup>(2)</sup>



## Customers



## Margin <sup>(1)</sup>



## ↓ Unit Sales Down 0.5%

- Decrease in unit sales reflects the decline in average usage per C&I customers largely as a result of the ongoing COVID-19 Emergency and warmer winter weather partially offset by increased sales to residential customers due to stay-at-home orders and warmer early summer weather
- 755 additional customers served than compared to prior year

## ↔ Sales Margin Flat

- \$0.8 million increase due to higher distribution rates, customer growth, and warmer early summer weather
- \$0.4 million decrease as a result of the ongoing COVID-19 Emergency
  - \$0.6 million lower C&I usage partially offset by \$0.2 million due to higher residential usage
- \$0.4 million decrease as a result of warmer winter weather and lower average usage per customer

(1) Reflects a non-GAAP measurement. Reconciliation from Non-GAAP to GAAP measures are included at the end of this presentation

(2) Weather normal unit sales excludes decoupled sales



# COVID-19 EMERGENCY FINANCIAL IMPACT

## Income Statement – \$0.03 per share unfavorable COVID-19 impact on Q2 results

- COVID-19 unfavorably impacted Sales Margin by an estimated \$1.2M due to lower C&I Usage, slightly offset by higher residential usage as a result of stay-at-home orders
- Identified net lower O&M of \$0.6M in Q2 as a result of COVID-19
  - Lower employee benefit costs of \$1.0 million partially offset other pandemic related costs of \$0.4 million
  - Total O&M expense for the quarter is down \$1.3 million; the remaining non-COVID-19 related variance of \$0.7 million is primarily a result of lower utility operating and maintenance costs compared to Q2 2019
- Disconnection moratoriums remain in place in service areas

## Balance Sheet

- Ample liquidity available; priced \$95M of long-term debt in Q2, anticipate closing in early Q3
  - UES - \$27.5M - Rate of 3.58%
  - FGE - \$27.5M - Rate of 3.78%
  - Northern - \$40.0M - Rate of 3.78%
- No change to investment program or dividend program at this time

Usage & Margin Sensitivities				
Electric Division – Unit Sales			Gas Division – Unit Sales	
+/- 1%	Residential	C&I	Residential	C&I
Q3	\$50K	\$70K	\$10K	\$40K
Q4	\$40K	\$60K	\$50K	\$100K

# YTD EARNINGS RECONCILIATION: 2020 TO 2019

- **Gas and Electric Adjusted Gross Sales Margin** <sup>(1)</sup> down \$1.5 million primarily due to warmer winter weather as well as COVID-19 and the resulting economic slowdown
- **Core Utility O&M** (excludes Usource related expense) is lower by \$1.5 million driven primarily by lower employee benefit costs of \$1.1 million as well as lower maintenance and storm expense of \$1.0 million slightly offset by higher bad debt expense and higher professional fees
- **Depreciation & Amortization** increased \$0.8 million reflecting high levels of utility plant in service
- **Taxes Other Than Income Taxes** increased \$1.1 million due higher levels of net plant in service and a non-recurring tax abatement realized in 2019 of \$0.6 million
- **Interest Expense** is flat with higher levels of interest on long-term debt offset by lower short-term interest rates on short-term debt
- **Other Expense** is higher by \$0.3 million reflecting higher retirement benefit costs
- **Usource Impact** of \$10.3 million includes \$9.8 million after-tax gain on divestiture, \$0.9 million Usource revenue, and \$0.4 million O&M costs incurred in 2019
- **Income Taxes** decreased \$0.3 million reflecting lower pre-tax earnings in the period



(1) Reflects a non-GAAP measurement. Reconciliation from Non-GAAP to GAAP measures are included at the end of this presentation

# RATE CASE UPDATES

## Maine Final Order Received

**Final order approved revenue deficiency of \$3.6 million**

- Rates became effective April 1, 2020
- Authorized ROE of 9.48%
- Preexisting capital tracker remains in place through 2024
- No stay-out provision

## UES Rate Case Timing

**Company intends to file a UES base rate case in the first half of 2021**

Both UES and Northern NH are required by the NH PUC to propose revenue decoupling or an alternative lost base revenue mechanism in their next rate case filed 2021 or later

## Fitchburg Settlements Approved

**Both Gas and Electric settlements have been approved by the Massachusetts DPU**

- Gas approved revenue deficiency of \$4.6 million (includes transfer of \$3.3 million from capital tracker)
  - \$3.7 million effective March 1, 2020 and \$0.9 million effective March 1, 2021
  - Revenue deficiency included expense decreases of \$1.8 million for the flow back of excess deferred taxes, lower depreciation rates, and removal of remaining retirement costs from base distribution rates
- Final Electric approved revenue deficiency after compliance filing of \$0.9 million
  - Rates effective November 1, 2020
  - Revenue deficiency included expense decreases of \$1.1 million for the flow back of excess deferred taxes and removal of remaining retirement costs from base distribution rates
- Authorized ROE of 9.7%

# 2020 RATE RELIEF SUMMARY

*Over \$7 million of 2020 rate relief awarded*

Company	Activity	Dollars (in Millions)	Date Effective
Northern Utilities (Maine)	Base Rate Case Award	\$3.6	Q2 2020
	Capital Tracker – 2020	\$1.4	Q2 2020
Fitchburg (Electric)	Base Rate Case Award	\$0.9 <sup>(1)</sup>	Q4 2020
	Electric Capital Tracker – 2020	\$0.2	Q1 2020
	Electric Capital Tracker – 2020	(\$1.1)	Q4 2020
Fitchburg (Gas)	Base Rate Case Award – 2020	\$3.7 <sup>(2)</sup>	Q1 2020
	Gas Capital Tracker – 2020	(\$1.6)	Q2 2020
	Base Rate Case Award – 2021	\$0.9	Q1 2021

Note: Fitchburg Base Rate Case awards would have been \$2.9 million higher if not for lower D&A expense and the removal of retirement costs from base rates (as discussed in the previous slide)

(1) Electric award includes transfer of \$1.1 million from the capital tracker to base rates

(2) Gas award transfer of \$3.3 million from the capital tracker to base rates

# Q2 2020 RETURN ON EQUITY

Company	Average Common Equity	LTM ROE <sup>(1)</sup>
Northern Utilities (New Hampshire)	\$230	6.2%
Northern Utilities (Maine)		
Unitil Energy	\$93	8.1%
Fitchburg (Electric)	\$89	7.1%
Fitchburg (Gas)		
Granite State	\$17	6.1%
Unitil Corporation	\$379	8.4%

**Unitil would have earned approximately 9.3% ROE over the last twelve months if Q1 winter weather had been normal**

(1) ROE calculated by dividing last twelve months GAAP Net Income by Average Common Equity





# APPENDIX

# INVESTMENT THEMES

## Low Risk

- Pure play regulated utility
- Electric revenue protected by decoupling mechanisms
- Gas revenue fully decoupled in Massachusetts
- Investment grade credit ratings



## Customer Growth

- Robust economic development along our seacoast service areas
- Opportunity for continued on-the-main gas customer conversion
- Added 49 miles of new gas mains in the past 3 years



## Investment Opportunities

- Significant investment opportunities for continued rate base growth
- Distribution system modernization
- Electrification projects
- Precedent for capital trackers across all regulatory jurisdictions



# NON-GAAP RECONCILIATION

## Three Months Ended June 30, 2020 (\$ millions)

	Gas	Electric
Total Operating Revenue	\$ 33.7	\$ 50.2
Less: Cost of Sales	(10.8)	(27.8)
Less: Depreciation and Amortization	(7.4)	(5.9)
GAAP Gross Margin	15.5	16.5
Depreciation and Amortization	7.4	5.9
Adjusted Gross Margin	<u>\$ 22.9</u>	<u>\$ 22.4</u>

## Three Months Ended June 30, 2019 (\$ millions)

	Gas	Electric
Total Operating Revenue	\$ 32.6	\$ 51.8
Less: Cost of Sales	(9.3)	(29.4)
Less: Depreciation and Amortization	(6.9)	(5.3)
GAAP Gross Margin	16.4	17.1
Depreciation and Amortization	6.9	5.3
Adjusted Gross Margin	<u>\$ 23.3</u>	<u>\$ 22.4</u>

## Six Months Ended June 30, 2020 (\$ millions)

	Gas	Electric
Total Operating Revenue	\$103.9	\$110.4
Less: Cost of Sales	(38.6)	(64.9)
Less: Depreciation and Amortization	(14.8)	(11.8)
GAAP Gross Margin	50.5	33.7
Depreciation and Amortization	14.8	11.8
Adjusted Gross Margin	<u>\$ 65.3</u>	<u>\$ 45.5</u>

## Six Months Ended June 30, 2019 (\$ millions)

	Gas	Electric
Total Operating Revenue	\$ 119.0	\$ 116.6
Less: Cost of Sales	(52.2)	(71.1)
Less: Depreciation and Amortization	(14.3)	(11.4)
GAAP Gross Margin	52.5	34.1
Depreciation and Amortization	14.3	11.4
Adjusted Gross Margin	<u>\$ 66.8</u>	<u>\$ 45.5</u>

## Reconciliation of Gas and Electric Adjusted Gross Margin to GAAP Gross Margin

# NON-GAAP RECONCILIATION

GAAP Reconciliation	Six Months Ended June 30,			Usource Impact	Adjusted Variance
	2020	2019	Change		
<b>Operating Revenue</b>					
Gas	\$ 103.9	\$ 119.0	\$ (15.1)	\$ -	\$ (15.1)
Electric	110.4	116.6	(6.2)	-	(6.2)
Other	-	0.9	(0.9)	0.9	-
<b>Total Operating Revenue</b>	<u>214.3</u>	<u>236.5</u>	<u>(22.2)</u>	<u>0.9</u>	<u>(21.3)</u>
<b>Operating Expenses</b>					
Cost of Gas Sales	38.6	52.2	(13.6)	-	(13.6)
Cost of Electric Sales	64.9	71.1	(6.2)	-	(6.2)
Operation and Maintenance	32.5	34.4	(1.9)	0.4	(1.5)
Depreciation and Amortization	27.0	26.2	0.8	-	0.8
Taxes Other than Income Taxes	12.6	11.5	1.1	-	1.1
<b>Total Operating Expenses</b>	<u>175.6</u>	<u>195.4</u>	<u>(19.8)</u>	<u>0.4</u>	<u>(19.4)</u>
<b>Operating Income</b>	38.7	41.1	(2.4)	0.5	(1.9)
Interest Expense, Net	12.1	12.1	-	-	-
Other Expense (Income), Net	<u>2.9</u>	<u>(10.8)</u>	<u>13.7</u>	<u>(13.4)</u>	<u>0.3</u>
<b>Income Before Income Taxes</b>	23.7	39.8	(16.1)	13.9	(2.2)
Provision for Income Taxes	5.4	9.3	(3.9)	3.6	(0.3)
<b>Net Income</b>	<u>\$ 18.3</u>	<u>\$ 30.5</u>	<u>\$ (12.2)</u>	<u>\$ 10.3</u>	<u>\$ (1.9)</u>

Reconciliation of GAAP Statement of Earnings to Slide 12 of this Presentation to isolate the Usource Impact