



Unitil

Unitil Corporation Earnings Conference Call Third Quarter 2017

*Financial and
Other Information - October 26, 2017*

Safe Harbor Provision

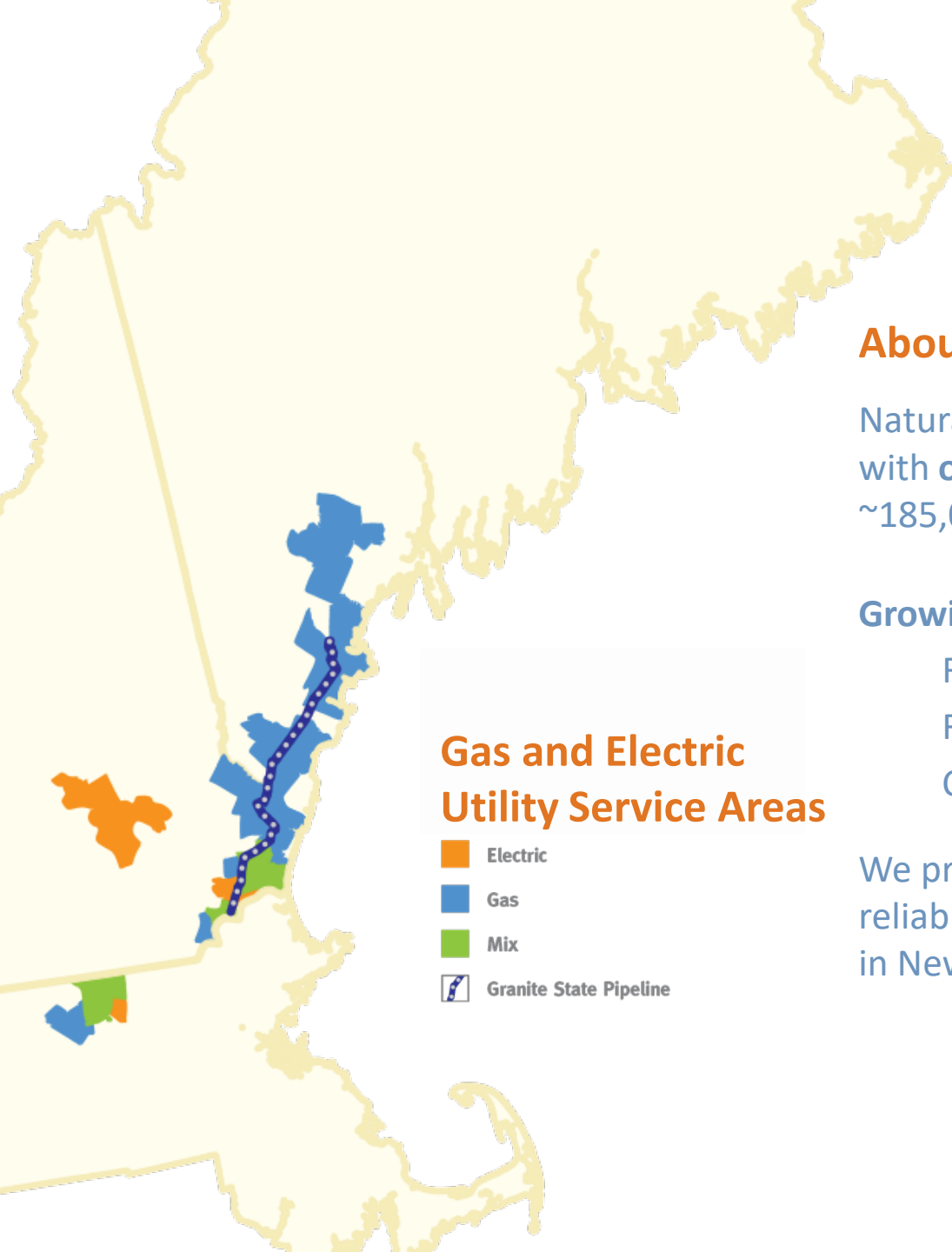
This presentation contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding Unitil Corporation’s (“Unitil”) financial condition, results of operations, capital expenditures, business strategy, regulatory strategy, market opportunities, and other plans and objectives. In some cases, forward-looking statements can be identified by terminology 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: Unitil’s regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, demand for, and the prices of energy commodities and transmission capacity and Unitil’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitil’s ability to recover storm costs in its rates; general economic conditions; changes in taxation; variations in weather; long-term global climate change; catastrophic events; numerous hazards and operating risks relating to the Unitil’s electric and natural gas distribution activities; Unitil’s ability to retain its existing customers and attract new customers; Unitil’s energy brokering customers’ performance and energy used under multi-year energy brokering contracts; increased competition; integrity and security of operational and information systems; publicity and reputational risks; 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, 2016.

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Our mission is to provide energy for life—safely, reliably, cost-effectively and responsibly—to a growing number of customers with a high-performing workforce



Gas and Electric Utility Service Areas

- Electric
- Gas
- Mix
- Granite State Pipeline

About Unital

Natural gas and electric distribution utility with **operations in three states** serving ~185,000 customers

Growing operations and customer base

- Regulated gas and electric rate base
- Robust natural gas system expansion
- Constructive regulation

We provide **energy for life**, safely and reliably delivering natural gas and electricity in New England

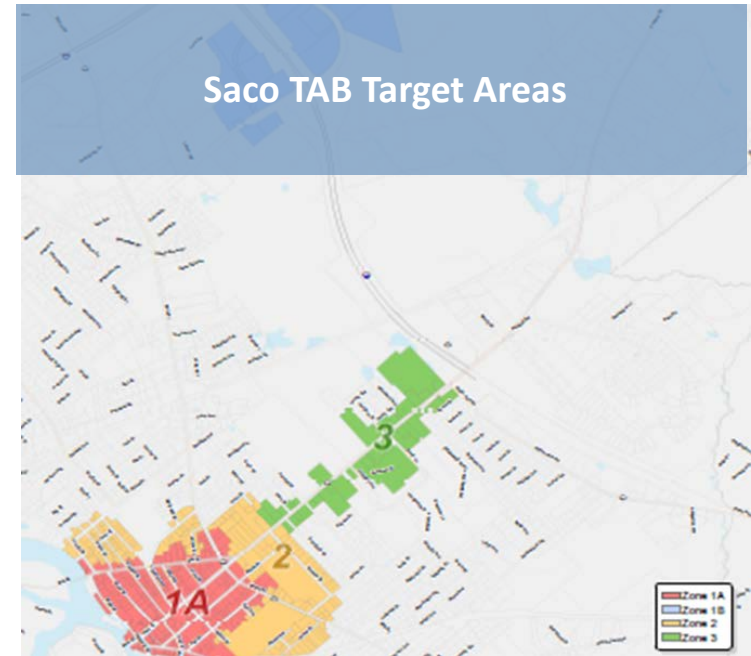
Q3 2017 Financial Results

- Third quarter 2017 Net Income of \$2.3 million, or \$0.16 per share
 - Decrease of \$1.2 million, or \$0.09 per share, compared to 2016
 - Decrease driven by mild summer weather and higher operating expenses, partially offset by higher natural gas sales margins and customer growth
- Year-to-date 2017 Net Income of \$17.8 million, or \$1.27 per share
 - Increase of \$0.9 million, or \$0.06 per share, compared to 2016
 - Increase driven by higher natural gas and electric sales margins and customer growth

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions excluding EPS)	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Income	\$2.3	\$3.5	\$17.8	\$16.9
Earnings Per Share	\$0.16	\$0.25	\$1.27	\$1.21

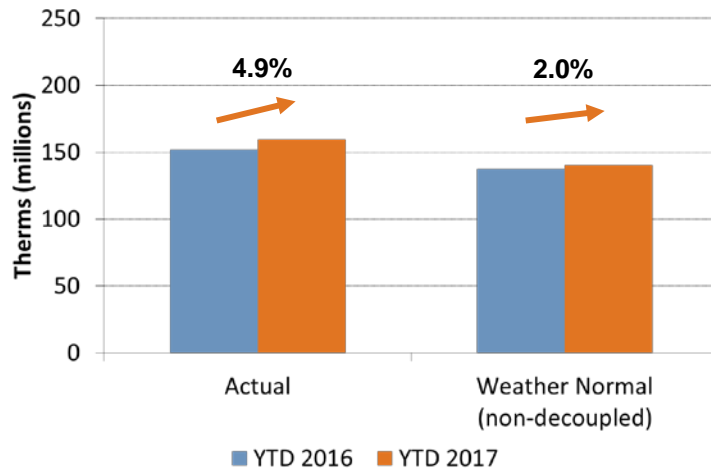
Key Operations Highlights

- **Targeted Area Buildout (TAB)**
 - Cities of Saco and Sanford, Maine
 - Combined market potential of 3,000 customers
- **Gas Infrastructure Replacement**
 - On-going cast iron replacement programs (tracked by regulatory mechanisms); New Hampshire program complete by end of 2017
- **Electric Substations**
 - Placed in service new distribution substation in Concord, New Hampshire, culminating multi-year investment of ~\$25 million in two new substations
- **Fitchburg, MA 1.3 MW Solar Project**
 - Investment of \$3.5 million operational by Q4 2017
- **Regulation**
 - Filed for \$10.7 million of base rate relief for NH and ME gas divisions; \$1.6 million temporary rate relief awarded to NH division on August 1, 2017
 - Electric grid modernization initiatives in MA and NH supporting new investment in the electric distribution system



Gas Units Sales & Margin

Natural Gas Sales



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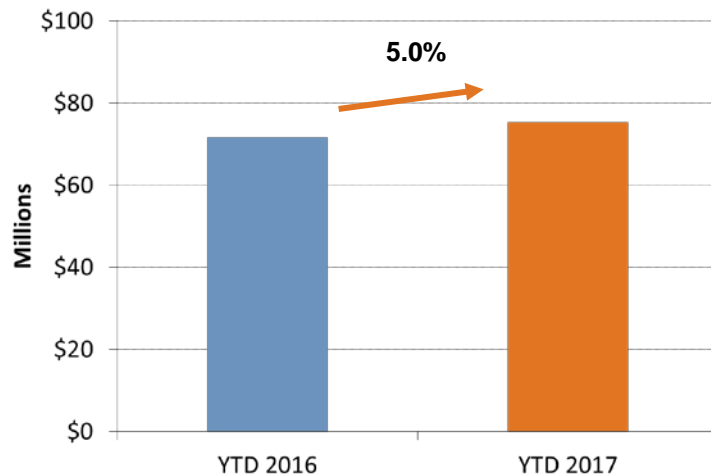


Key Performance Drivers

Unit Sales up 4.9%

- Slightly colder winter weather in 2017 compared to 2016
- Growth in residential / C&I customers – ~1,200 in the last twelve months
- Residential sales up 9.8%

Natural Gas Sales Margin



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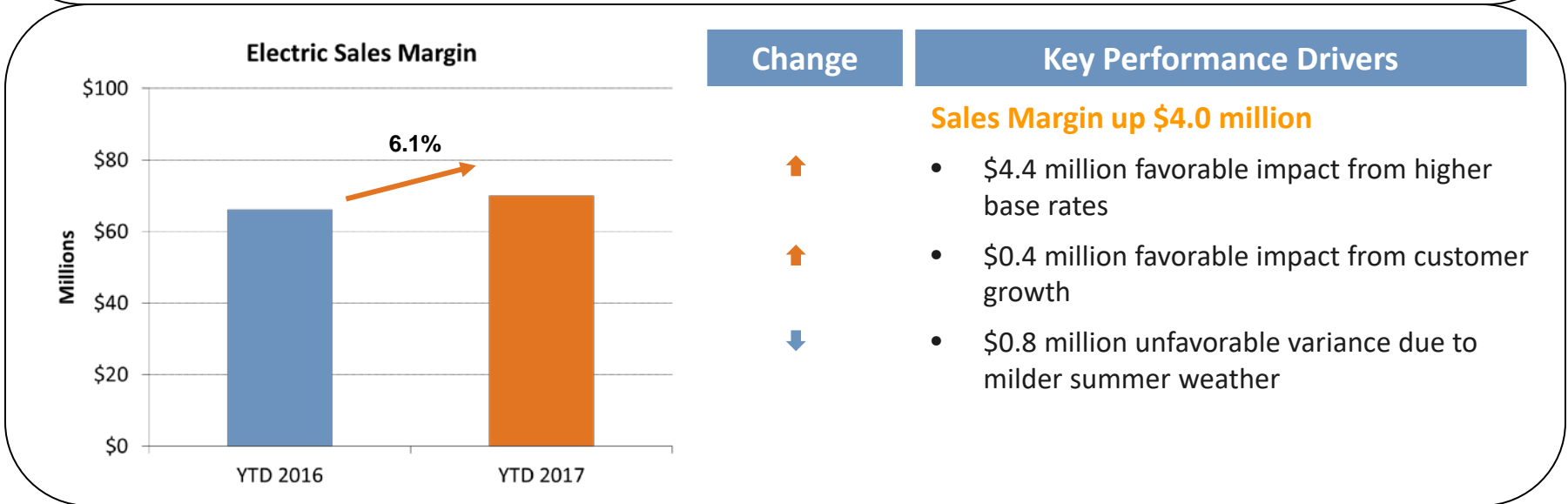
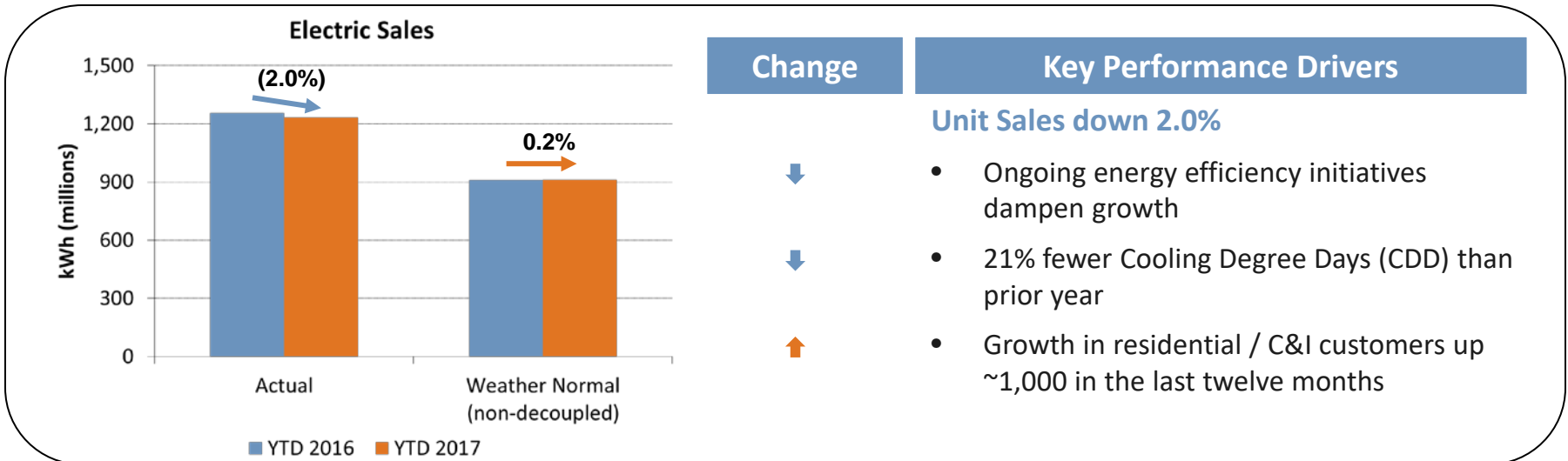


Key Performance Drivers

Sales Margin up \$3.6 million

- \$2.3 million favorable impact from higher base rates
- \$1.3 million favorable impact from higher sales volume and customer growth

Electric Units Sales & Margin

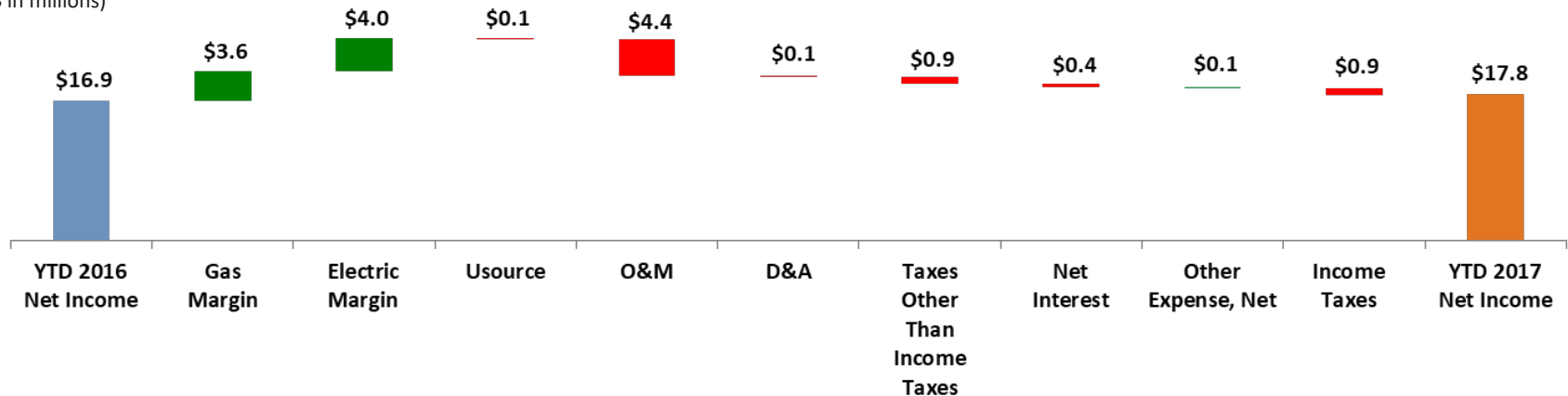


YTD Variance: 2017 vs 2016

- Net Income up \$0.9 million, or 5.3%
- Gas margin up \$3.6 million, or 5.0%
- Electric margin up \$4.0 million, or 6.1%
- O&M increase of \$4.4 million, or 9.1%; reflecting higher compensation and benefit costs of \$1.1 million, higher vegetation management costs (recoverable in electric rates) of \$1.5 million, higher regulation costs of \$0.7 million (reflected in cost-reconciling rates), and higher system maintenance costs of \$1.1 million
- D&A increase of \$0.1 million, or 0.3%, reflecting higher utility plant in service, net of lower storm amortization costs
- Taxes other than income taxes increase of \$0.9 million, or 6.1% primarily reflecting higher property taxes on higher levels of utility plant in service
- Net Interest expense increase of \$0.4 million, or 2.4%, reflecting higher levels of short-term debt, partially offset by higher net interest income on regulatory assets/liabilities and repayment of higher cost long-term debt
- Income taxes up by \$0.9 million reflecting higher pre-tax earnings in the current period

Variance Analysis

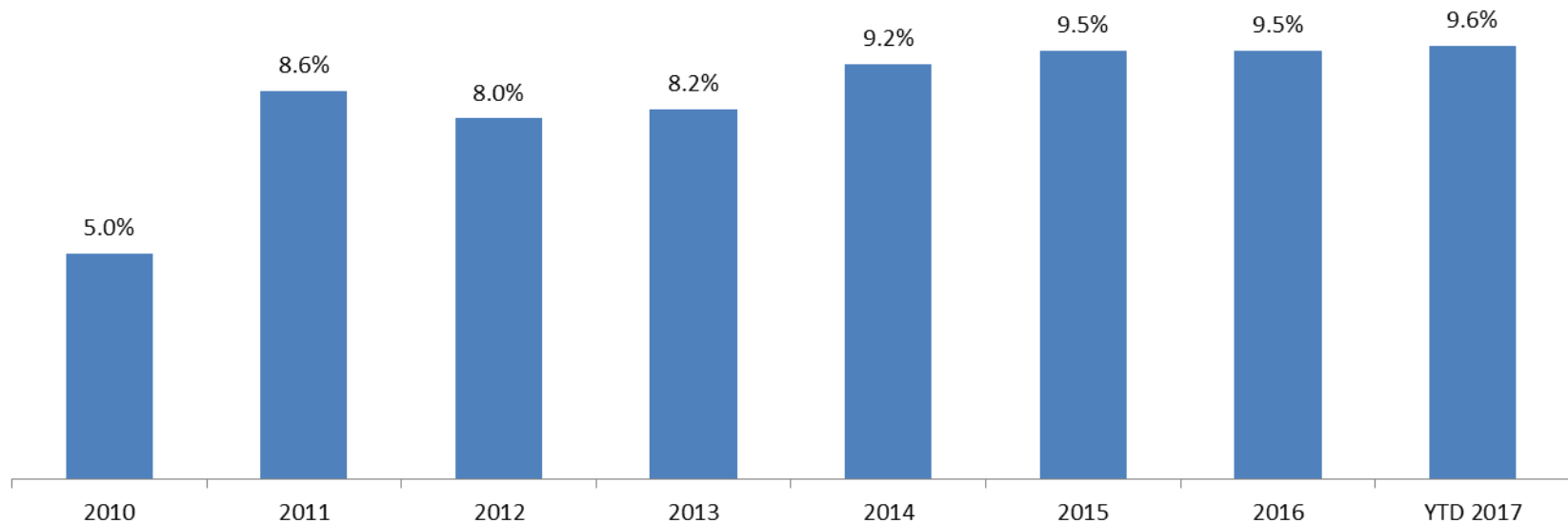
(\$ in millions)



Regulatory Overview

- Constructive regulatory environment, supporting investment and growth
- Long-term rate plans or cost trackers established across all utility subsidiaries
- Recently filed for \$10.7 million of base rate relief for New Hampshire and Maine gas divisions; \$1.6 million temporary relief awarded for New Hampshire division on August 1, 2017.

Return on Equity



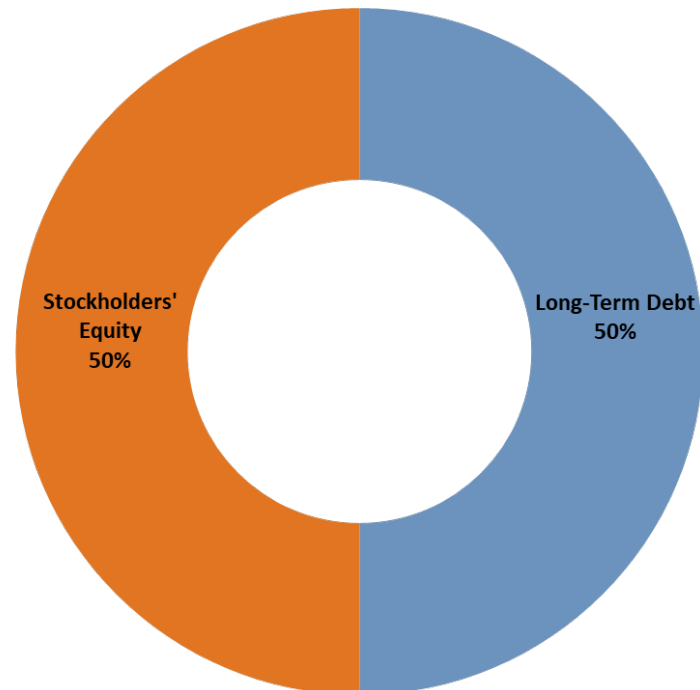
Long-Term Financings

- On July 14, 2017 Northern Utilities, Fitchburg and Granite State, entered into agreements to issue and sell \$90 million collectively of Senior Unsecured Notes (Notes) through a private placement marketing process to institutional investors
- Financings driven by capital expenditures and sinking fund retirements of higher cost debt
 - Total sinking fund retirements of \$66 million from 2017-2019
- **Northern Utilities**
 - \$20 million of Notes due 2027 at 3.52%
 - \$30 million of Notes due 2047 at 4.32%
- **Fitchburg**
 - \$10 million of Notes due 2027 at 3.52%
 - \$15 million of Notes due 2047 at 4.32%
- **Granite State**
 - \$15 million of Notes due 2027 at 3.72%
- Anticipated funding November 1, 2017; net proceeds will be used to refinance higher cost long-term debt maturing later in 2017, to repay short-term debt and for general corporate purposes

Strong Capitalization

- Standard and Poor's issuer rating of BBB+ across Unitil Corporation and its subsidiaries
- Moody's issuer rating of Baa2 (Unitil Corporation and Granite State) and Baa1 (Unitil Energy, Fitchburg, and Northern Utilities)
- September 30, 2017 equity capitalization of 50%

September 30, 2017 Capitalization



2017 Return on Equity

Subsidiary Q3 2017 Return on Equity

(\$ in millions) Company	Weighted Average Common Equity	09/17 LTM ROE ⁽¹⁾
Northern Utilities (New Hampshire)	\$155.2	7.6%
Northern Utilities (Maine)		
Unitil Energy	\$78.7	9.8%
Fitchburg (Electric)	\$73.4	8.2%
Fitchburg (Gas)		
Granite State	\$13.3	10.0%
Unitil Corporation	\$292.6	9.6%

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

Authorized ROE Range of 9.5%-9.8%

Rate Plans and Cost Trackers

Northern Utilities (Maine and New Hampshire Gas)

- Capital tracker adjustment in Maine of \$1.1 million effective May 1, 2017
- Recently filed base rate cases at both divisions in Q2 2017 with long-term capital cost tracker mechanisms

Unitil Energy (New Hampshire Electric)

- \$4.1 million settlement agreement approved April 20, 2017
- Three-year rate plan recovering 80% of plant additions - first year step adjustment of \$0.9 million effective May 1, 2017

Fitchburg (Massachusetts Electric)

- \$2.1 million base rate increase effective May 1, 2016
- Long-term capital tracker to provide estimated rate adjustments of ~\$0.3 million effective January 1 annually

Fitchburg (Massachusetts Gas)

- \$1.6 million base rate increase effective May 1, 2016
- Long-term pipe replacement capital tracker provides estimated rate adjustments averaging ~\$0.6 million effective May 1 annually

Granite State (FERC Pipeline)

- Capital tracker adjustment of ~\$0.2 million effective August 1, 2017

Key Investment Highlights



- Regulatory local distribution utility business model
- Diversified natural gas and electric sales
- Growing operations and customer base
 - Regulated rate base growth
 - Robust natural gas system expansion
 - Constructive rate plans and cost trackers
- Dividend strength
- Experienced management team