



Unitil

Unitil Corporation Earnings Conference Call Fourth Quarter 2017

*Financial and
Other Information – February 1, 2018*

Safe Harbor Provision

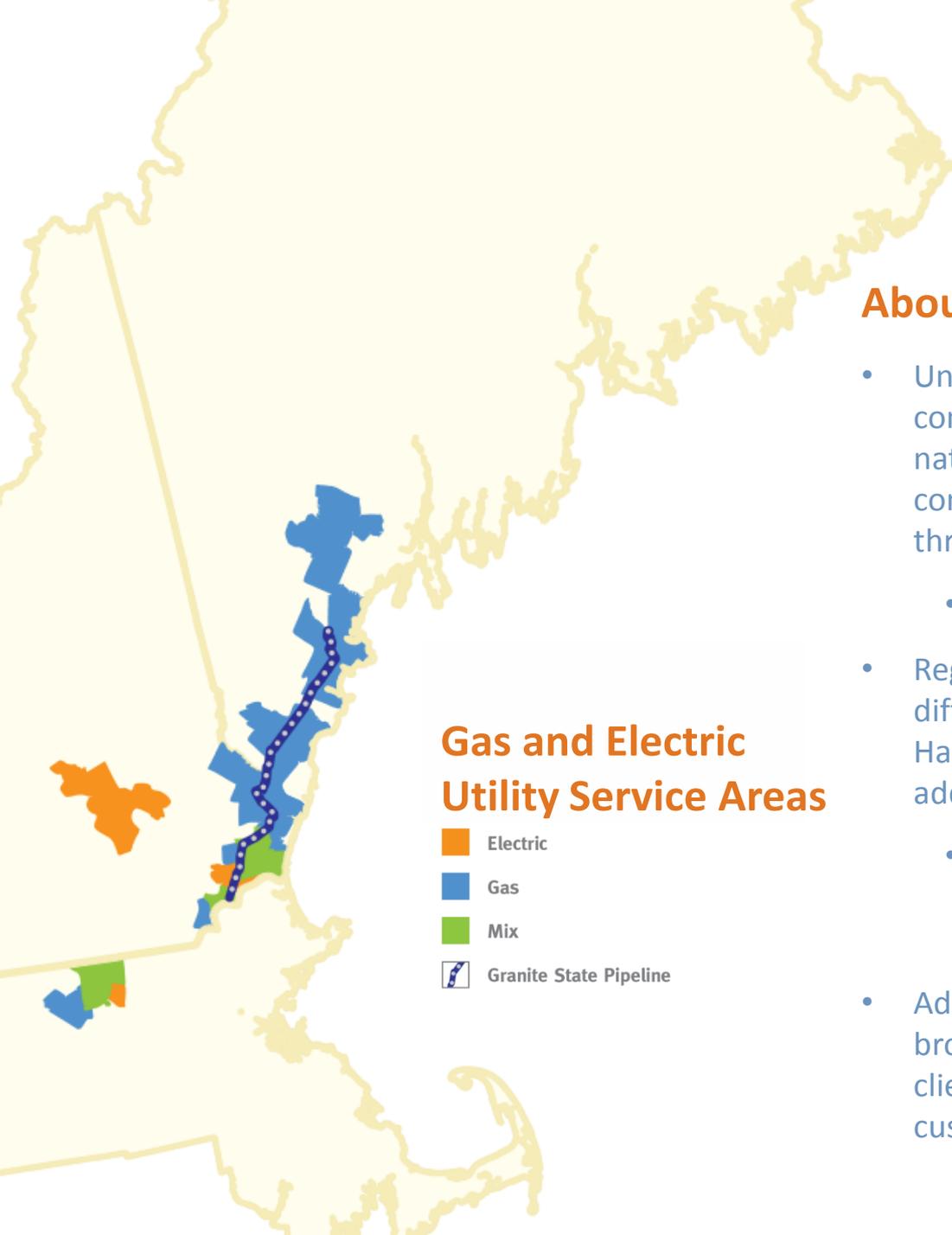
This presentation contains “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding Unitil Corporation’s (“Unitil”) financial condition, results of operations, capital 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 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, 2017.

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.



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 Unitil

- Unitil Corporation is a public utility holding company engaged in the local distribution of natural gas and electricity to residential, commercial and industrial customers throughout its service areas
 - Attractive and diverse service areas
- Regulated utility operations span three different jurisdictions across the states of New Hampshire, Massachusetts and Maine, in addition to FERC
 - ~186,300 total utility customers, including ~105,000 electric and ~81,300 natural gas customers
- Additionally, provides non-regulated energy brokering and advisory services to a national client base of large commercial and industrial customers through Usource

2017 Financial Results

- 2017 Net Income of \$29.0 million, or \$2.06 per share
 - Increase of \$1.9 million, or \$0.12 per share, compared to 2016
- Fourth quarter 2017 Net Income of \$11.2 million, or \$0.79 per share
 - Increase of \$1.0 million, or \$0.06 per share, compared to 2016
- Higher revenues, continued customer growth and the strengthening economy contributed to higher earnings in 2017

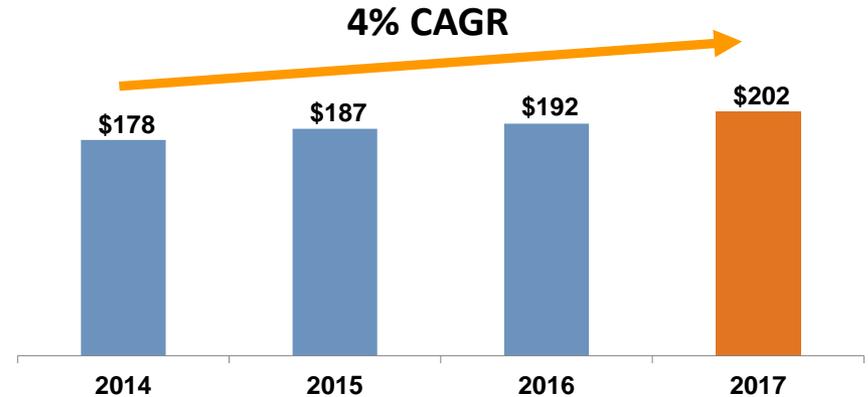
	Three Months Ended December 31,		Twelve Months Ended December 31,	
(in millions excluding EPS)	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Income	\$11.2	\$10.2	\$29.0	\$27.1
Earnings Per Share	\$0.79	\$0.73	\$2.06	\$1.94

2017 Year in Review

- Added ~2,100 customers in 2017
 - ~1,400 gas and ~700 electric
 - Robust service area demographics with years of growth
- Record earnings and sales margin achieved in 2017
- Completed major construction projects in both the gas and electric utilities
- Settlement agreement approved at NH electric utility of \$4.1 million on April 20, 2017
- Filed for \$10.7 million of base rate relief for NH and ME gas utilities; \$1.6 million temporary rate relief awarded to NH gas utility on August 1, 2017
- Recently increased quarterly dividend again resulting in a current annualized dividend of \$1.46 per share

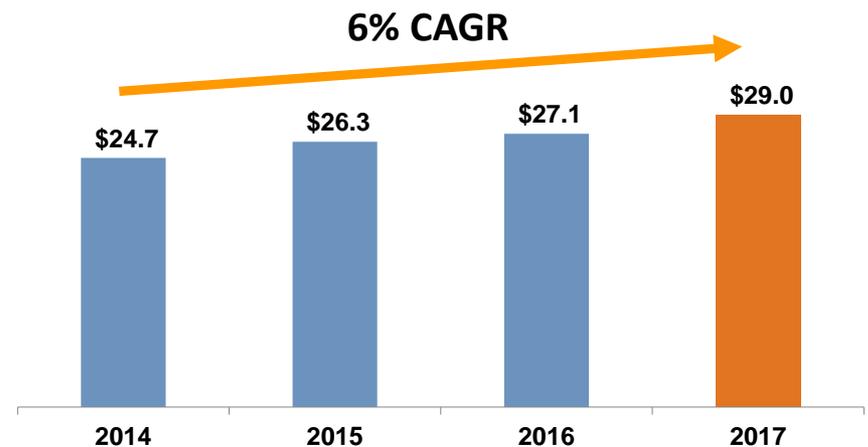
Gas & Electric Sales Margin

(\$ in millions)



Net Income

(\$ in millions)



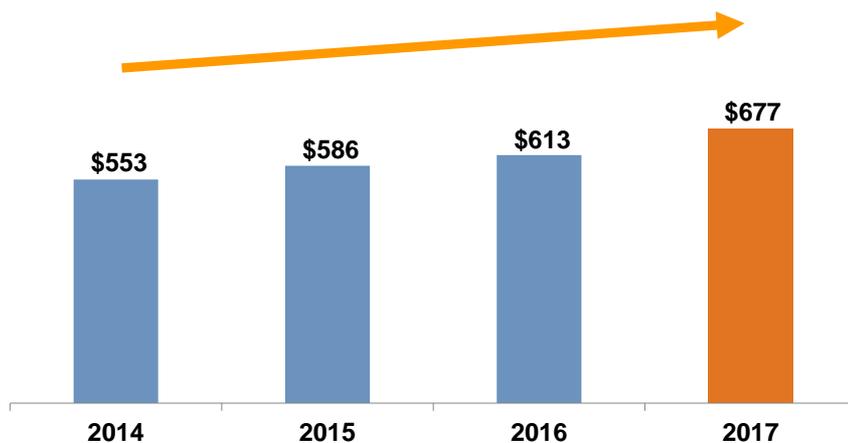
Rate Base Growth & Capital Spending

- 7% annual utility rate base growth
 - Gas distribution expansion and infrastructure replacement and upgrade projects
 - Electric growth investments including reliability and grid modernization projects
- Total capital budget of \$104 million in 2018
 - About 45% recoverable under capital trackers
 - Additional 28% will be spent on growth projects that add new customers, revenue and expand system for future growth

Gas & Electric Rate Base

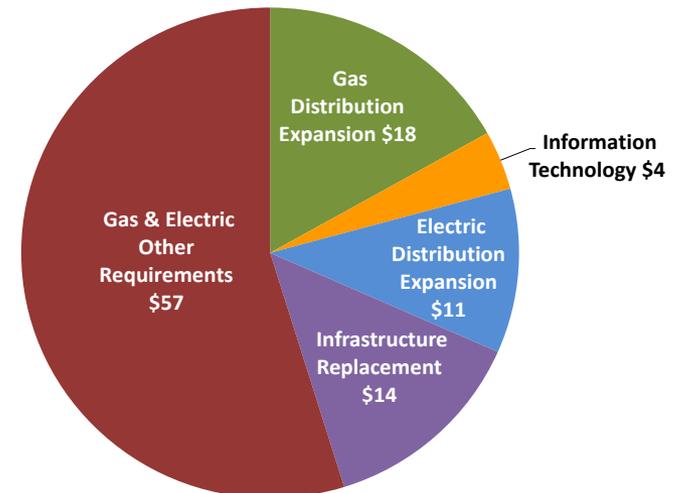
(\$ in millions)

7% CAGR



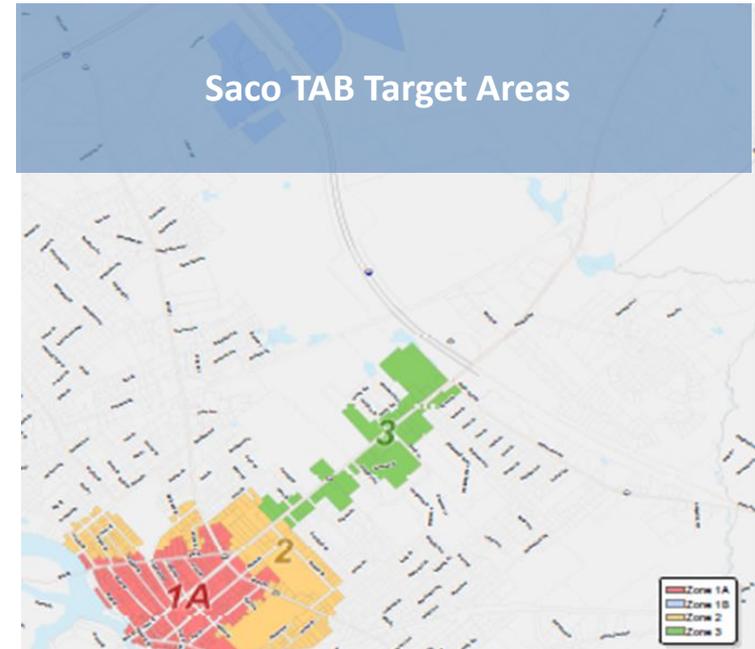
2018 Capital Spending (\$104 million)

(\$ in millions)



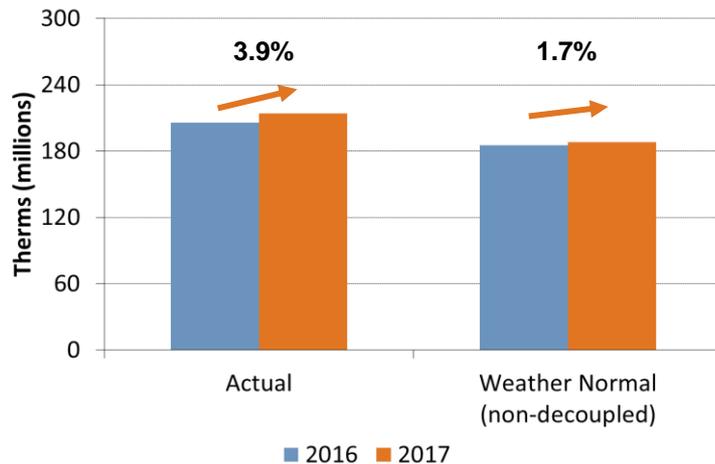
Key Operations Highlights

- **Gas Growth – System Expansion**
 - Installed over 170 miles of new distribution mains and annually increased gas customers served by 2.0% since 2008
- **Gas Growth – Targeted Area Buildout (TAB)**
 - Major expansion in the cities of Saco and Sanford, Maine
 - Combined market potential of 3,000 customers
- **Gas Infrastructure Replacement**
 - On-going cast iron replacement programs (recovered by cost trackers); New Hampshire program completed in November 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**
 - Estimated investment of \$3.5 million in a solar rate base project became operational in December of 2017
- **Electric Grid Modernization**
 - Regulatory initiatives in MA and NH supporting new investment in the electric distribution system



Gas Units Sales & Margin

Natural Gas Unit Sales



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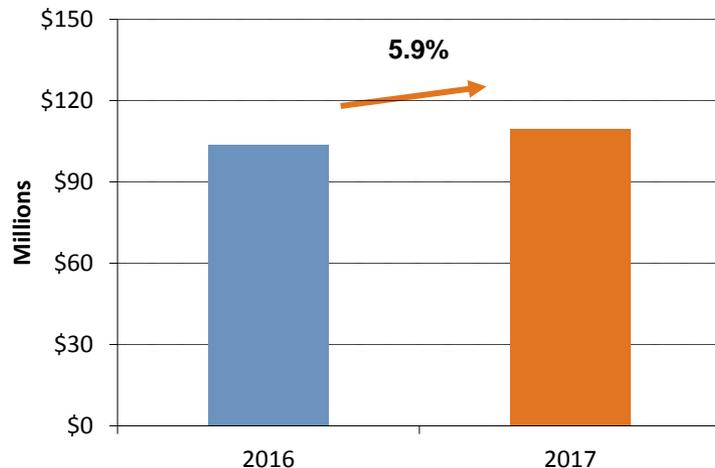


Key Performance Drivers

Unit Sales up 3.9%

- 5% more Heating Degree Days (HDD) than prior year and 1% fewer HDD than normal
- Growth in residential / C&I customers – ~1,400 in the last twelve months
- Residential sales up 6.9%

Natural Gas Sales Margin



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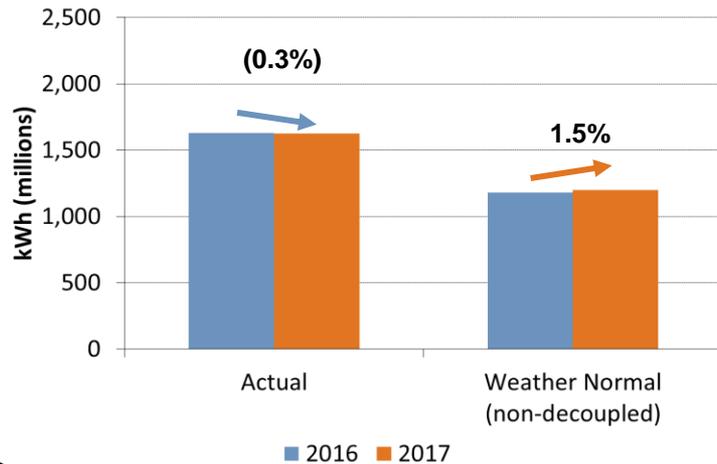
Key Performance Drivers

Sales Margin up \$6.1 million

- \$3.3 million favorable impact from higher base rates
- \$2.8 million favorable impact from colder weather and customer growth

Electric Units Sales & Margin

Electric Unit Sales



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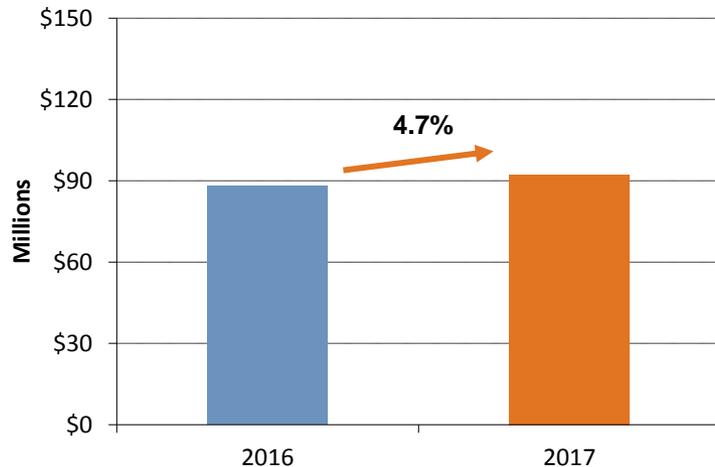
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Key Performance Drivers

Unit Sales down 0.3%

- Ongoing energy efficiency initiatives dampen growth
- 21% fewer Cooling Degree Days (CDD) than prior year
- Growth in residential / C&I customers up ~700 in the last twelve months

Electric Sales Margin



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Key Performance Drivers

Sales Margin up \$4.1 million

- \$5.4 million favorable impact from higher base rates
- \$1.0 million favorable impact from customer growth
- \$0.5 million unfavorable variance due to milder summer weather
- \$1.8 million unfavorable variance due to lower transmission revenues

2017 Variance Analysis

- Net Income up \$1.9 million, or 7.0%
- Gas margin up \$6.1 million, or 5.9%
- Electric margin up \$4.1 million, or 4.7%
- O&M increase of \$3.9 million, or 5.9%; reflecting higher compensation and benefit costs of \$2.0 million and higher utility operating costs of \$1.9 million, which include higher pass-through regulatory and vegetation management costs of \$1.1 million, which are recovered on a reconciling basis in sales margins
- D&A increase of \$0.3 million, or 0.6%, reflecting higher plant in service, net of lower storm amortization costs
- Taxes other than income taxes increase of \$1.5 million, or 7.7%, primarily reflecting higher property tax rates on higher levels of utility plant in service
- Net Interest increase of \$0.6 million, or 2.7%, 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 \$2.1 million reflecting higher pre-tax earnings in the current period

Variance Analysis

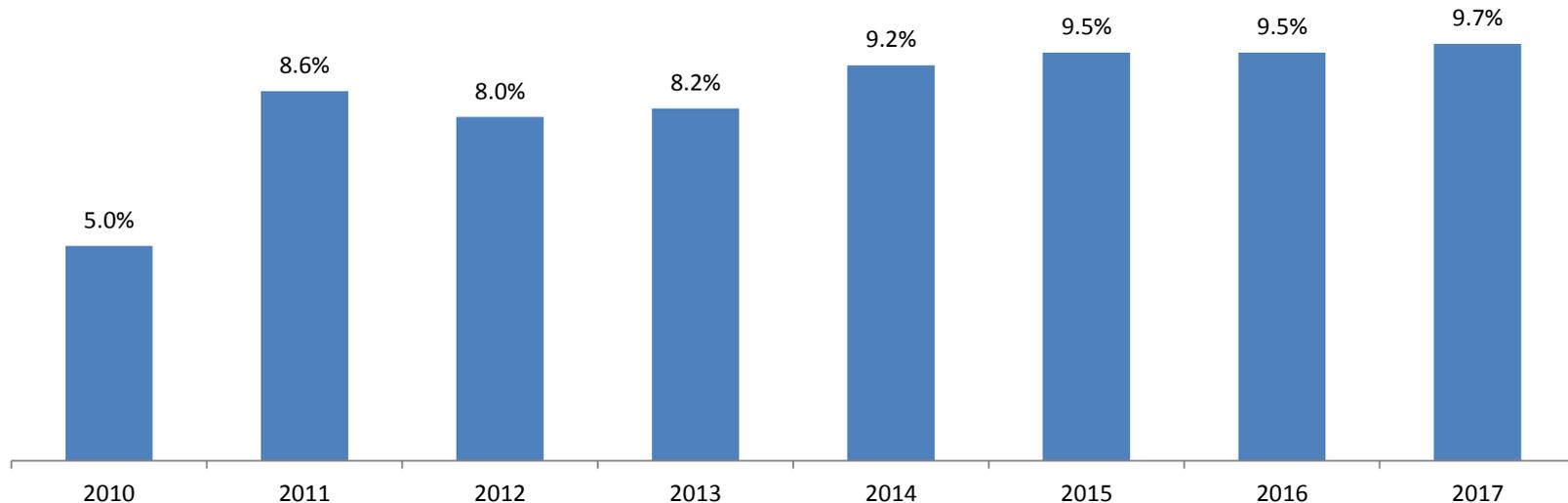
(\$ in millions)



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 utilities; \$1.6 million temporary relief awarded for New Hampshire gas utility on August 1, 2017
 - Final Orders expected in Q1 for Maine gas utility and Q3 for New Hampshire gas division

Return on Equity

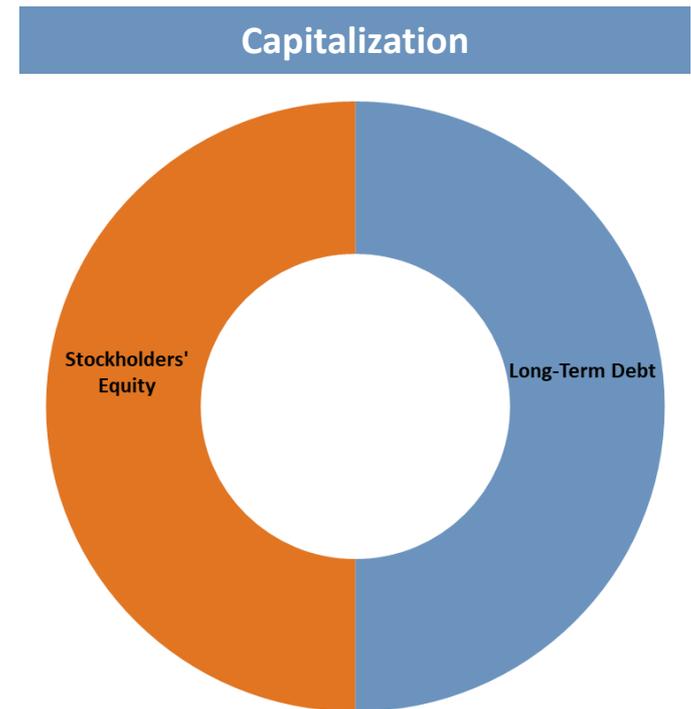


Tax Cuts and Jobs Act

- Regulated utility rates will be reduced for the change in the corporate tax rate from 35% to 21%
 - Reduction in rates will be addressed within the current procedural schedules for the ME and NH gas division base rate cases
 - Developing timeline for regulatory filings across all other jurisdictions by first half of year
- Normalization and excess deferred tax provisions will be reflected in ratemaking
- Until expects to reduce its distribution revenue about \$7.5 mm (or about 3.5%) across all of its regulated entities; reflecting an equal amount of offsetting tax reductions, therefore there will be no impact to net income
- Bonus depreciation eliminated – less cash flow in the future due to loss of depreciation tax shield, but higher future rate base
- Net operating losses limited to 80% of income – potential further cash tax leakage
- Funds From Operations (FFO)/ Debt for Until is expected to decrease by about 1.5%, but credit statistics remain strong

Strong Capitalization

- Investment grade rating
 - Standard & 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)
- Multiple major long-term financings completed in Q4 2017
 - Issued \$90 million of Senior Unsecured Notes through several private placement offerings in November
 - Sold 690,000 newly issued shares of common stock raising approximately \$31.7 million in December
 - Balanced capital structure – approximately 50%/50% equity/long-term debt



2017 Return on Equity

Subsidiary 2017 Return on Equity

(\$ in millions) Company	Weighted Average Common Equity	12/17 LTM ROE ⁽¹⁾
Northern Utilities (New Hampshire)	\$157.8	8.2%
Northern Utilities (Maine)		
Unitil Energy	\$78.8	10.9%
Fitchburg (Electric)	\$74.2	7.4%
Fitchburg (Gas)		
Granite State	\$13.3	9.1%
Unitil Corporation	\$297.4	9.7%

(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⁽¹⁾

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

(1) Dollar amounts listed above are before adjusting for Tax Cuts and Jobs Act

Key Investment Highlights



- Regulated local distribution utility business model
- Growing service areas and customer base
- Diversified natural gas and electric operations
- Dividend strength
- Experienced management team