

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1996

Commission File Number 1-8858

Unitil Corporation  
(Exact name of registrant as specified in its charter)

New Hampshire 02-0381573  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

216 Epping Road, Exeter, New Hampshire 03833  
(Address of principal executive office) (Zip Code)

(603) 772-0775  
(Registrant's telephone number, including area code)

NONE  
(Former name, former address and former fiscal year, if changed  
since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 5, 1996
Common Stock, No par value	4,339,818 Shares

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

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## PART 1. FINANCIAL INFORMATION

UNITIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(UNAUDITED)

	Three Months Ended	
	March 31,	
	1996	1995
Operating Revenues:		
Electric	\$36,696,596	\$34,630,716
Gas	7,448,729	6,182,175
Other	23,285	219,636
Total Operating Revenues	44,168,610	41,032,527
Operating Expenses:		
Fuel and Purchased Power	24,237,784	23,231,030
Gas Purchased for Resale	4,323,966	3,458,550
Operating and Maintenance	5,824,291	5,352,955
Depreciation	1,633,558	1,570,675
Amort. of Cost of Abandoned Properties	488,500	420,719
Provisions for Taxes:		
Local Property and Other	1,313,376	1,194,442
Federal and State Income	1,751,787	1,475,449
Total Operating Expenses	39,573,262	36,703,820
Operating Income	4,595,348	4,328,707
Non-Operating (Income) Expense	(12,501)	155,810
Income Before Interest Expense	4,607,849	4,172,897
Interest Expense, Net	1,411,936	1,454,030
Net Income	3,195,913	2,718,867
Less Dividends on Preferred Stock	70,726	71,301
Net Income Applicable to Common Stock	\$3,125,187	\$2,647,566
Average Common Shares Outstanding	4,334,283	4,274,626
Earnings Per Share of Common Stock	\$0.72	\$0.62
Dividends Declared per Share of Common Stock (Note 1)	\$0.66	\$0.64

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	March 31,		December
	1996	1995	31, 1995
ASSETS:			
Utility Plant:			
Electric	\$149,755,755	\$143,467,360	\$148,458,414
Gas	27,378,391	25,894,102	27,220,705
Common	8,347,204	6,951,814	8,494,093
Construction Work in Progress	9,666,536	1,452,591	6,003,991
Utility Plant	195,147,886	177,765,867	190,177,203
Less: Accumulated Depreciation	61,946,195	57,509,133	60,682,742
Net Utility Plant	133,201,691	120,256,734	129,494,461
Other Property & Investments	42,448	42,448	42,448
Current Assets:			
Cash	2,151,213	6,345,082	3,397,931
Accounts Receivable - Less Allowance for Doubtful Accounts of \$648,186, \$568,626 and \$622,596	15,970,323	14,492,916	14,931,699
Materials and Supplies	1,738,516	1,529,955	2,275,865
Prepayments	679,079	688,645	434,727

Accrued Revenue	1,418,653	655,514	2,577,715
Total Current Assets	21,957,784	23,712,112	23,617,937
Deferred Assets:			
Debt Issuance Costs	871,107	926,128	885,258
Cost of Abandoned Properties	26,766,291	28,352,120	27,254,791
Prepaid Pension Costs	6,914,961	5,971,880	6,689,093
Other Deferred Assets	24,246,950	25,511,425	23,718,296
Total Deferred Assets	58,799,309	60,761,553	58,547,438
TOTAL	\$214,001,232	\$204,772,847	\$211,702,284

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	March 31,		December
	1996	1995	31, 1995
CAPITALIZATION AND LIABILITIES:			
Capitalization:			
Common Stock Equity	\$64,502,158	\$60,262,024	\$63,894,789
Preferred Stock, Non-Redeemable, Non-Cumulative			
Preferred Stock	225,000	225,000	225,000
Redeemable, Cumulative			
Preferred Stock	3,766,900	3,809,600	3,773,900
Long-Term Debt,			
Less Current Portion	62,211,000	63,466,000	62,211,000
Total Capitalization	130,705,058	127,762,624	130,104,689
Capitalized Leases, Less Current Portion	3,644,252	3,381,675	3,732,947
Current Liabilities:			
Long-Term Debt, Current Portion	1,255,000	144,000	1,294,000
Short-Term Debt	1,900,000	0	2,700,000
Accounts Payable	14,355,500	11,398,398	14,565,075
Dividends Declared and Payable	1,611,340	1,525,877	170,796
Refundable Customer Deposits	1,823,971	2,917,450	2,237,851
Taxes Accrued	2,040,377	1,193,442	216,596
Interest Accrued	1,471,692	1,428,365	1,425,876
Capitalized Leases, Current Portion	673,438	525,989	741,832
Accrued and Other			
Current Liabilities	2,928,465	2,201,055	2,202,096
Total Current Liabilities	28,059,783	21,334,576	25,554,122
Deferred Liabilities:			
Investment Tax Credits	1,754,516	1,955,581	1,803,821
Other Deferred Liabilities	9,139,137	9,258,090	9,763,878
Total Deferred Liabilities	10,893,653	11,213,671	11,567,699
Deferred Income Taxes	40,698,486	41,080,301	40,742,827
TOTAL	\$214,001,232	\$204,772,847	\$211,702,284

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	March 31,	
	1996	1995
Net Cash Flow from Operating Activities:		
Net Income	\$3,195,913	\$2,718,867
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	2,122,058	1,991,394

Deferred Taxes	156,278	48,205
Amortization of Investment Tax Credit	(49,305)	(50,587)
Provision of Doubtful Accounts	227,244	185,217
Amortization of Debt Issuance Costs	14,151	29,802
Loss on Taking of Land and Building	0	140,698
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(1,265,868)	(1,396,447)
Materials and Supplies	537,349	560,024
Prepayments and Prepaid Pension	(470,220)	(450,110)
Accrued Revenue	1,159,062	1,636,783
Increase (Decrease) in:		
Accounts Payable	209,575	(1,092,643)
Refundable Customer Deposits	(413,881)	434,671
Taxes and Interest Accrued	1,869,598	1,590,573
Other, Net	(493,911)	(372,070)
Net Cash Provided by Operating Activities	6,378,893	5,974,377
Net Cash Flows from Investing Activities:		
Acquisition of Property, Plant and Equip.	(5,359,269)	(2,098,879)
Proceeds from Taking of Land & Building	0	2,000,000
Net Cash Used in Investing Activities	(5,359,269)	(98,879)
Cash Flows from Financing Activities:		
Net (Decrease) in Short-Term Debt	(800,000)	0
Net (Decrease) in Long-Term Debt	(39,000)	(1,970,321)
Dividends Paid	(1,492,585)	(1,435,686)
Issuance of Common Stock	229,333	259,705
Retirement of Preferred Stock	(7,000)	(59,000)
Repayment of Capital Lease Obligations	(157,090)	(135,237)
Net Cash Flows from Financing Activities	(2,266,342)	(3,340,539)
Net Increase (Decrease) in Cash	(1,246,718)	2,534,959
Cash at Beginning of Year	3,397,931	3,810,123
Cash at March 31,	\$2,151,213	\$6,345,082
Supplemental Cash Flow Information:		
Cash Paid for:		
Interest Paid	\$1,488,976	\$1,482,339
Federal Income Taxes Paid	\$200,000	\$0
Non-Cash Financing Activities:		
Capital Leases Incurred	\$0	\$205,359

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

UNITIL CORPORATION AND SUBSIDIARY COMPANIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1.

Dividends Declared Per Share:

Two regular quarterly common stock dividends were declared during the first quarter of 1996 and 1995.

Common Stock Dividend:

On March 7, 1996, the Company's Board of Directors declared its regular quarterly dividend on the Company's Common Stock of \$0.33 per share which is payable on May 15, 1996 to shareholders of record as of May 1, 1996.

On January 16, 1996, the Company's Board of Directors approved a 3.1% increase to the dividend rate on its common stock. The new regular dividend rate is \$0.33 per share and was payable February 15, 1996 to shareholders of record as of February 1, 1996.

Note 2.

Common Stock:

During the first quarter of 1996, the Company sold 9,765 shares of Common Stock, at an average price of \$23.48 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan and its 401(k) plans. Net proceeds of \$229,294 were used to reduce short-term borrowings.

Note 3.

Preferred Stock:

Details on preferred stock at March 31, 1996, March 31, 1995 and December 31, 1995 are shown below:

	March 31,		December
	1996	1995	31, 1995
Preferred Stock:			
Non-Redeemable,			
Non-Cumulative,			
6%, \$100 Par Value	\$225,000	\$225,000	\$225,000
Redeemable, Cumulative,			
\$100 Par Value:			
8.70% Series	215,000	215,000	215,000
5% Dividend Series	91,000	98,000	98,000
6% Dividend Series	168,000	168,000	168,000
8.75% Dividend Series	344,300	344,300	344,300
8.25% Dividend Series	406,000	406,000	406,000
5.125% Dividend Series	1,076,600	1,108,100	1,076,600
8% Dividend Series	1,466,000	1,470,200	1,466,000
Total Redeemable Preferred	3,766,900	3,809,600	3,773,900
 Total Preferred Stock	 \$3,991,900	 \$4,034,600	 \$3,998,900

Note 4.

Long-term Debt:

Details on long-term debt at March 31, 1995, March 31, 1995 and December 31, 1995 are shown below:

	March 31,		December
	1996	1995	31, 1995
Concord Electric Company:			
First Mortgage Bonds:			
Series C, 6 3/4%, due January 15, 1998	\$1,552,000	\$1,584,000	\$1,584,000
Series H, 9.43%, due September 1, 2003	6,500,000	6,500,000	6,500,000
Series I, 8.49%, due October 14, 2024	6,000,000	6,000,000	6,000,000
Exeter & Hampton Electric Company:			
First Mortgage Bonds:			
Series E, 6 3/4%, due January 15, 1998	504,000	511,000	511,000
Series H, 8.50%, due December 15, 2002	910,000	1,015,000	910,000
Series J, 9.43%, due September 1, 2003	5,000,000	5,000,000	5,000,000
Series K, 8.49%, due October 14, 2024	9,000,000	9,000,000	9,000,000
Fitchburg Gas and Electric Light Company:			
Promissory Notes:			
8.55% Notes due March 31, 2004	15,000,000	15,000,000	15,000,000
6.75% Notes due November 30, 2023	19,000,000	19,000,000	19,000,000
Total	63,466,000	63,610,000	63,505,000
Less: Installments due within one year	1,255,000	144,000	1,294,000
Total Long-term Debt	\$62,211,000	\$63,466,000	\$62,211,000

Note 5.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position as of March 31, 1996 and 1995; and results of operations for the three months ended March 31, 1996 and 1995; and consolidated statements of cash flows for the three months ended March 31, 1996 and 1995. Reclassifications of amounts are made periodically to previously issued financial statements to

conform with the current year presentation.

The results of operations for the three months ended March 31, 1996 and 1995 are not necessarily indicative of the results to be expected for the full year.

## UNITIL CORPORATION AND SUBSIDIARY COMPANIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### EARNINGS

Earnings per average common share outstanding were \$0.72 for the three-months ended March 31, 1996, as compared to \$0.62 per average common share outstanding for the three-months ended March 31, 1995. This increase of \$0.10 per share, or 16%, was primarily due to higher electric and gas base revenue during the first quarter of 1996. Higher operating costs and lower energy consulting revenue partially offset this increase.

Total base revenue increased 10.7% in the first quarter of 1996. This increase was mainly attributable to two factors: 1) continued growth in electric sales to the System's largest commercial and industrial customers; and 2) the positive impact of a normal heating season on electric and gas sales to residential customers. The Unitil System's kilowatt-hour (KWH) sales increased 11.7% during the first quarter of 1996. Regulatory approvals for Unitil's Energy Bank(TM) have now been secured and already this initiative has meant substantial new electric sales under market pricing arrangements with the System's customers at prices which are up to 40% less than the current New England average industrial rate. The addition of these substantial new sales, combined with overall higher energy usage by existing customers, resulted in an increase of over 24% in KWH sales to the System's largest commercial and industrial customer group, to 145,584,255 KWH up from 117,294,800 KWH in the year earlier period.

A return to normal winter weather also had a positive impact on sales. The weather in the first quarter of 1996, as measured by heating degree days, was 12.5% colder than the same period in 1995. As a result, KWH sales to residential customers increased 7.4% to 154,572,282 KWH, compared to 143,987,634 KWH during the first quarter of 1995. Total gas firm therm sales, most impacted by the weather, increased 16.6% during the current quarter of 1996 to 11,331,370 therms from 9,719,744 therms in the year earlier period.

Higher operating costs in the first quarter of 1996 partially offset the increase in base revenue. This increase in costs primarily reflects expanded business development and marketing initiatives. The Company is investing some of the earnings from new growth in the development and marketing of additional new products designed to secure and expand market share as new competitive opportunities arise from industry restructuring efforts currently underway. Other offsetting factors included a reduction in energy consulting revenues during the current quarter and an increase in property taxes of more than 10%.

#### Millstone Unit No. 3

Unitil's Massachusetts operating subsidiary, Fitchburg Gas and Electric Light Company (FG&E), has a 0.217% ownership in the Millstone Unit No. 3 nuclear generating unit which supplies it with 2.50 MW of electric capacity. In January 1996 the Nuclear Regulatory Commission (NRC) placed Millstone No. 3 on its watch list, which calls for increased NRC inspection attention. In March 1996 the NRC requested additional information about the operation of the unit. As a result of an engineering evaluation completed by Northeast Utilities, the unit's managing owner, Millstone Unit No. 3 was taken out of service on March 30, 1996. It is expected that completion of the work necessary to answer the NRC's questions will last until early July 1996. Neither the plant's management nor the Company can predict how long the NRC will take to review this data, or what further actions the NRC might require before the restarting of this unit.

During the period that Millstone No. 3 is out of service FG&E will continue to incur its proportionate share of the unit's ongoing Operations and Maintenance ("O&M ") costs, and may incur additional O&M costs and capital expenditures to meet the NRC guidelines. FG&E

will also incur costs to replace the power that was expected to be generated by the unit. It is estimated that the additional cost of replacement power will approximate \$35,000 per month during the outage.

### Competition and Industry Restructuring

At the state level in both New Hampshire and Massachusetts, progress towards a more competitive retail electric marketplace has continued. Unitil remains an active participant in industry, regulatory, and legislative proceedings on the issues of competition and industry restructuring, favoring a reasonable and orderly transition to competition and more choice for all customers.

In New Hampshire, the Retail Competition Pilot Program initiated by the New Hampshire Public Utilities Commission (NHPUC) is currently in the implementation stage. On May 1, 1996, all regulated electric utilities in the State released lists of customers who have been selected as participants in the program. The guidelines provide that up to 3% of each utility's retail customer's will be allowed to select from among competing electric supply providers and have this supply delivered across the local utility system. More than twenty electric suppliers, including Unitil Resources, Inc., are authorized to begin marketing the sale of unbundled electricity to these participants.

Unitil is currently appealing a decision by the NHPUC regarding the recovery of power costs on mandated sales discounts to Pilot Program participants. The NHPUC has ordered CECO and E&H to file tariff rates which include a non-participant protection mechanism, to prevent the allocation of unrecovered power costs to non-participating customers. The Commission's decision would deny CECO and E&H the opportunity to fully recover their purchased power costs, in violation of both federal and state law, or to mitigate any of the losses associated with the mandated power sales discounts. Unless and until reversed by the Commission or the Supreme Court it is estimated that under these tariffs CECO and E&H may potentially incur \$275,000 annually of trapped wholesale power supply costs.

Early in 1995, the NHPUC issued an order ruling that utilities in New Hampshire do not have exclusive territories as a matter of law. This order was issued in response to a petition by a power marketer seeking to sell electricity to certain industrial customers of an investor-owned New Hampshire utility. The NHPUC's decision was appealed to the New Hampshire Supreme Court by the affected New Hampshire utility, and on May 13, 1996 the Court confirmed the NHPUC decision by ruling that New Hampshire utilities do not as a matter of law have exclusive territories.

In the New Hampshire Legislature, HB 1392 passed both the House and the Senate during the first quarter of 1996 and execution by the governor is pending. This bill establishes principles, standards and a timetable for the NHPUC to implement full, open retail electric energy competition by January 1, 1998. The Bill also calls for the NHPUC to set Interim Access Charges (equitable, appropriate and balanced with due consideration of regional competitive rate levels), with final orders on stranded cost recovery within two years of the implementation of full competition.

During February 1996, four Massachusetts utilities filed restructuring plans with the Massachusetts Department of Public Utilities (MDPU), as required by that state's industry restructuring process. Following these filings, the MDPU revised its initial industry restructuring procedures, moving to a generic rulemaking proceeding first, to be followed by utility compliance filings by October 6, 1996. Draft regulations issued May 1, 1996 call for unbundled rates by January 1, 1997 and implementation of full and open electric energy competition by around January 1, 1998. Utilities are to be provided reasonable opportunity to recover prudent, non-mitigable stranded costs over ten years, phased incentive for divestiture of generation, and performance based ratemaking of monopoly transmission and distribution functions.

At the federal level, the Federal Energy Regulatory Commission (FERC) recently issued its long awaited Mega-NOPR (Notice of Proposed Rulemaking) ordering jurisdictional utilities to file open access, non-discriminatory wholesale transmission tariffs within 60 days. Result should be an increase in wholesale competition in New England and, over time, a reduction in the Unitil System's purchased power

costs. However, compliance with this ruling will initially involve additional filing and compliance costs for the Company.

#### CAPITAL REQUIREMENTS

Capital expenditures for the three months ended March 31, 1996 were approximately \$5,400,000. This compares to \$2,100,000 during the same period last year. Capital expenditures for the year 1996 are estimated to be approximately \$18,300,000 as compared to \$14,600,000 for 1995. This projection reflects capital expenditures of approximately \$14,200,000 million for normal utility system expansions, replacements and other improvements and capital expenditures of approximately \$4,100,000 related to the completion of construction of Unitil's new corporate headquarters.

#### LEGAL PROCEEDINGS

In June, 1993, E&H was served with a complaint from Zeabrook Associates, the owner of an apartment complex. In that complaint filed in the New Hampshire Superior Court for Rockingham County, the owner asserts that the Company improperly imposed a cash deposit requirement for new residential customers in the claimant's apartment complex resulting in lost rental income and damages to reputation. This matter was recently settled through mediation and E&H agreed to make a settlement payment to Zeabrook of \$400,000. Approximately \$200,000 of the settlement amount and \$100,000 of legal fees are recoverable under E&H's stop-loss insurance policies.

In another matter unrelated to Zeabrook, following a hearing before the New Hampshire Board of Land and Tax Appeals on April 11, 1996, the New Hampshire Department of Transportation ("NHDOT") agreed to settle its dispute with the Company over the value of the Company's former corporate headquarters which was taken by NHDOT in 1995 in an eminent domain action. The terms of the settlement include an additional payment to be made to the Company of \$875,000 and is subject to the approval of the New Hampshire Governor's Council. The Company intends to use the proceeds of the settlement, when received, to partially offset construction costs of its new corporate headquarters in Hampton, NH.

#### PART I. EXHIBIT 11.

#### UNITIL CORPORATION AND SUBSIDIARY COMPANIES

#### COMPUTATION OF EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING (UNAUDITED)

PRIMARY	Three Months Ended	
	March 31,	
	1996	1995
Net Income	\$3,195,913	\$2,718,867
Less: Dividend Requirement on Preferred Stock	70,726	71,301
Net Income Applicable to Common Stock	\$3,125,187	\$2,647,566
Average Number of Common Shares Outstanding	4,334,283	4,274,626
Earnings Per Common Share	\$0.72	\$0.62

FULLY-DILUTED	Three Months Ended	
	March 31,	
	1996	1995
Net Income	\$3,195,913	\$2,718,867
Less: Dividend Requirement on Preferred Stock	70,726	71,301
Net Income Applicable		

to Common Stock	\$3,125,187	\$2,647,566
Average Number of Common Shares Outstanding	4,443,907	4,343,520
Earnings Per Common Share	\$0.70	\$0.61

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit No.	Description of Exhibit	Reference
11	Computation in Support of Earnings Per Average Common Share	Filed herewith

(b) Reports on Form 8-K

During the quarter ended March 31, 1996, the Company did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITIL CORPORATION  
(Registrant)

Date: May 14, 1996

/s/ Gail A. Siart  
Gail A. Siart, Treasurer and  
Chief Financial Officer

(Gail A. Siart is the Principal  
Financial Officer and has been duly  
authorized to sign on behalf of the  
registrant.)

UT

DEC-31-1996  
JAN-1-1996  
MAR-31-1996  
3-MOS  
PER-BOOK

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42,448  
21,957,784  
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1,414,467  
30,035,685  
64,502,158  
33,052,006  
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3,644,252  
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75,823,484  
214,001,232  
44,168,610  
1,751,787  
37,821,475  
39,573,262  
4,595,348  
(12,501)  
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3,195,913  
70,726  
3,125,187  
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1,285,428  
6,378,893  
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