



## Bank of America Merrill Lynch 2019 Power, Gas, and Solar Leaders Conference

Financial and Other Information | March 2019

# SAFE HARBOR PROVISION

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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 Unitol Corporation’s (“Unitol”) 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.

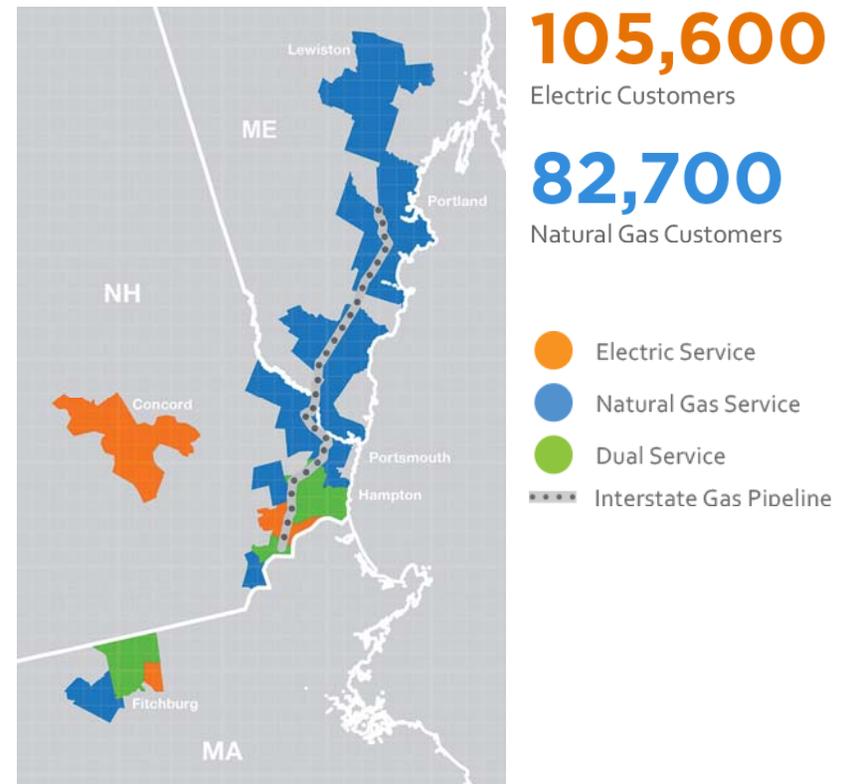
These forward-looking statements are neither promises nor guarantees, but involve risks and uncertainties that could cause the actual results to differ materially from those set forth in the forward-looking statements. Those risks and uncertainties include: Unitol’s regulatory environment (including 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 Unitol’s ability to recover energy commodity costs in its rates; customers’ preferred energy sources; severe storms and Unitol’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 Unitol’s electric and natural gas distribution activities; Unitol’s ability to retain its existing customers and attract new customers; Unitol’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 Unitol’s filings with the Securities and Exchange Commission, including those appearing under the caption “Risk Factors” in Unitol’s Annual Report on Form 10-K for the year ended December 31, 2018.

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# LOW RISK UTILITY IN NEW ENGLAND

- We provide **energy for life**, safely and reliably delivering natural gas and electricity in New England
- Natural gas and electric distribution utility with **operations in three states** serving ~188,300 customers
  - Electric: ~105,600 customers
  - Gas: ~82,700 customers
- **Diversified \$1 billion of Net Utility Plant**
  - NH 44%, ME 31%, MA 25%
  - Gas operations is 65%
- **Growing** operations and customer base
- Recent **divestiture** of non-regulated subsidiary



# 2018 FINANCIAL RESULTS

- 2018 Net Income of \$33.0 million, or \$2.23 per share
  - Increase of \$4.0 million, or \$0.17 per share, compared to 2017
- Increased earnings in 2018 were driven by higher sales margin, reflecting: customer growth, favorable weather, and new distribution rates compared to 2017

	Twelve Months Ended December 31,		
(in millions excluding EPS)	<u>2018</u>	<u>2017</u>	% $\Delta$
Net Income	\$33.0	\$29.0	13.8%
Earnings Per Share	\$2.23	\$2.06	8.3%

# TRACK RECORD OF SUCCESS

## Financial / Growth

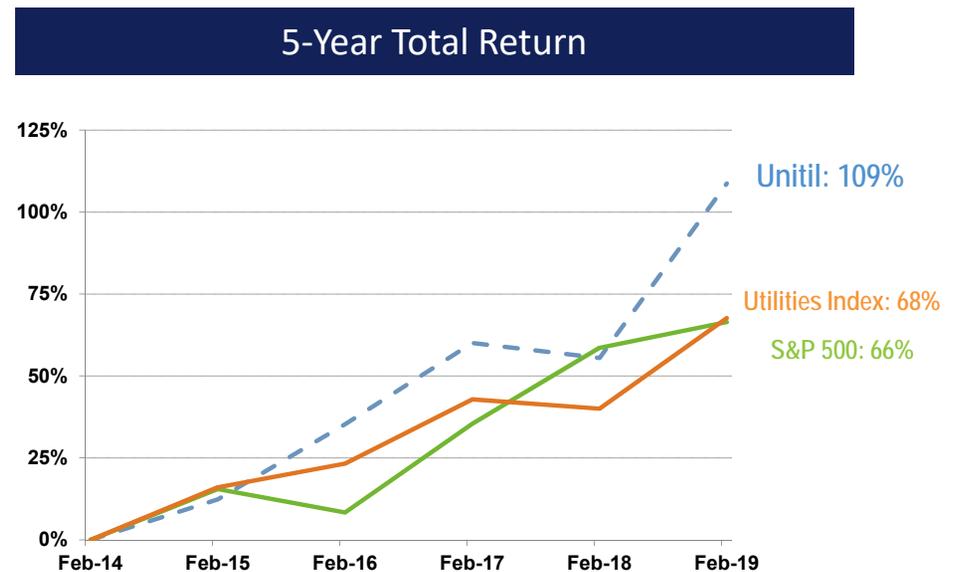
- Outperformed both the broader market and utility peers comparative 5 year total returns

## Customer

- 88% of customers report being satisfied with their service

## Operations

- Leading reliability and safety programs
- On-going pipe replacement and upgrade programs leading the region at 91% modernized



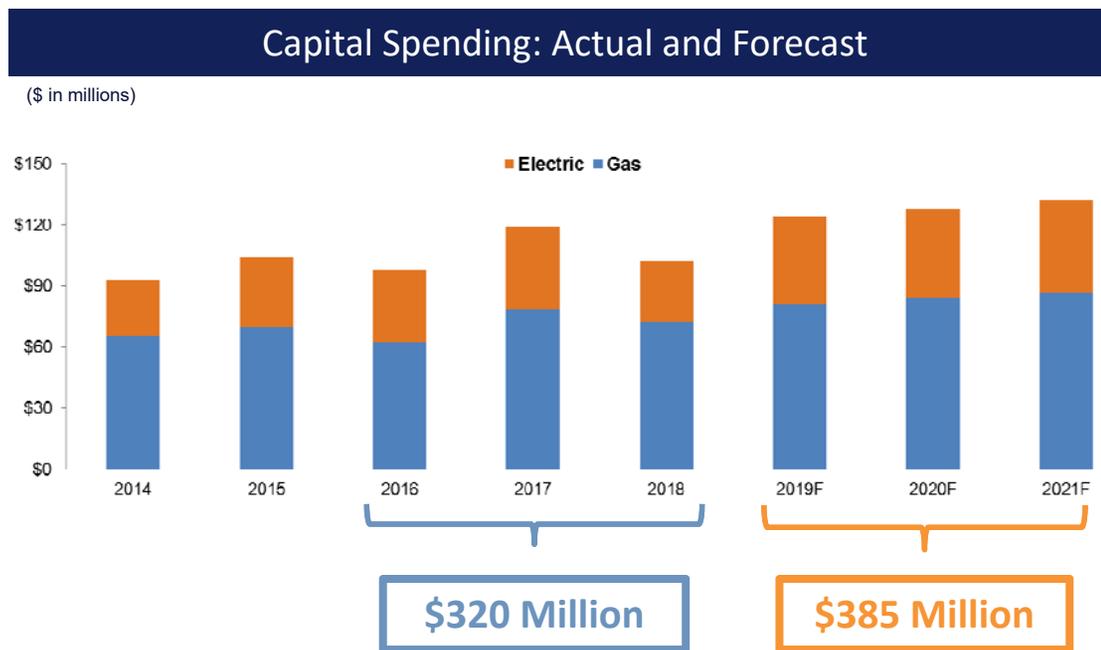
# GROWING SERVICE AREA

- Gas customer growth rate outpacing all other publicly traded investor owned utilities in New England over the past 5 years
  - 1.8% natural gas customer growth in 2018
- Over \$6.8 billion of new construction within existing service areas
  - Robust economic expansion expected to continue
  - Fast growing service area along the Seacoast, including Portland Maine and Portsmouth NH



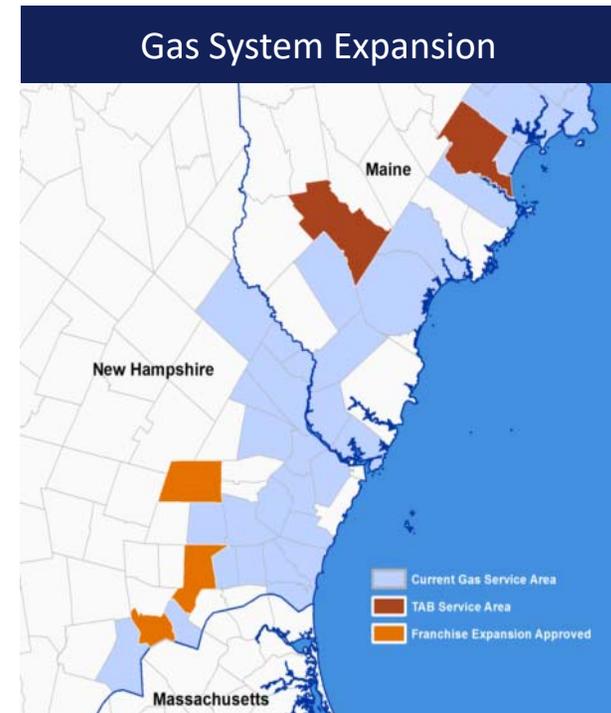
# INVESTMENT OPPORTUNITIES

- Significant investment opportunities for gas expansion and grid modernization; forecasting 20% more capital spending in 2019-2021 than compared to prior three years
- Capital spending forecast of \$125 million in 2019



# PROGRESS IN GAS EXPANSION

- Low gas customer penetration rate of 62% allows for low-cost customer conversions along over 1,400 miles of gas mains
- NH gas franchise expansions
  - Recent regulatory approval issued for natural gas franchise expansion in three towns
- Target Area Buildout (TAB) progress
  - Saco, ME – Initial 3-year build-out nearly complete and on track to meet 100% of targeted customer additions
  - Sanford, ME – First year of build-out underway with installation of ~7 miles of new mains in the city's downtown



# IMPLEMENT POLICY DRIVEN INITIATIVES

- Ongoing gas infrastructure replacement programs supported by capital trackers
  - NH program completed in 2017
  - Maine program scheduled to be completed in 2024
  - MA Program scheduled to be completed within 15 years
- Electric Grid Modernization initiatives in MA and NH support new investment in the electric distribution system
  - Initial three-year regulatory approval received – total spending of over \$25 million expected over ten years in MA
  - NH plan in process. Comparably sized program would be approximately \$60 million

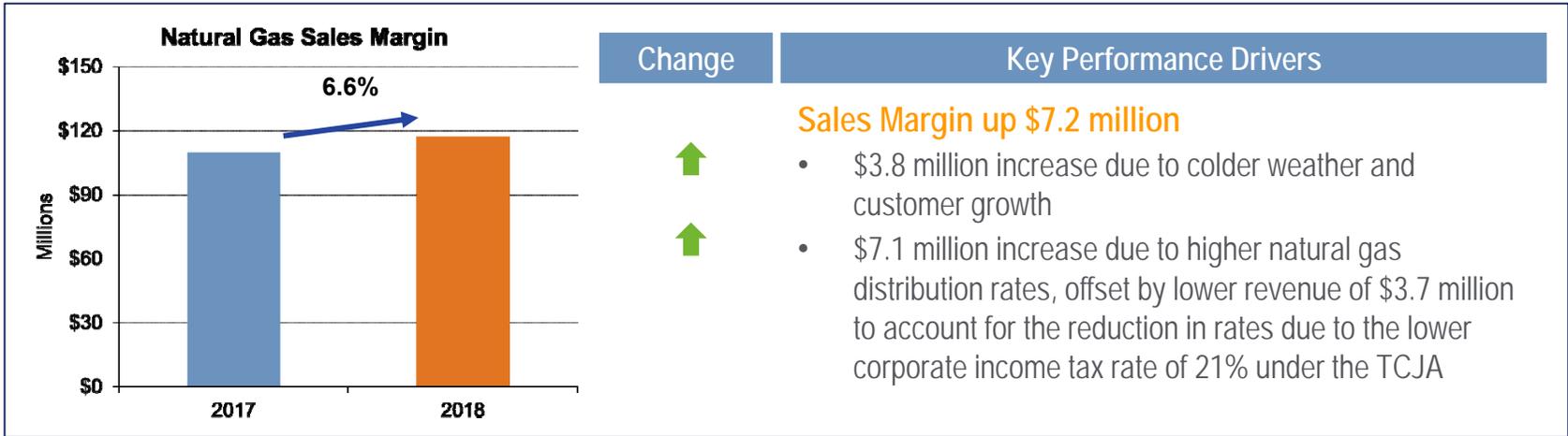
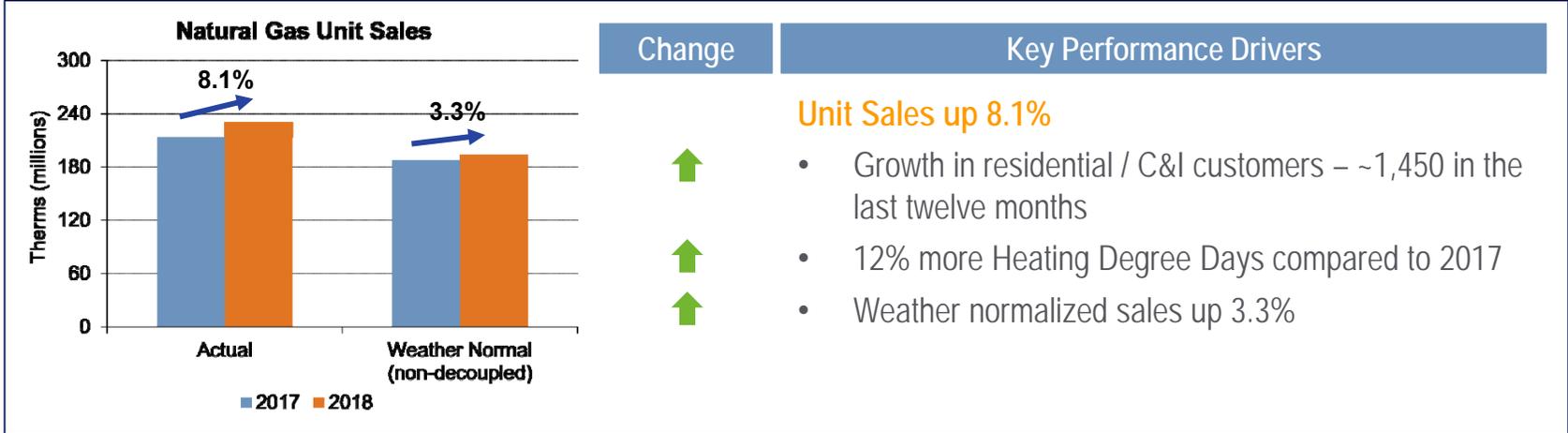
Gas Infrastructure Replacement

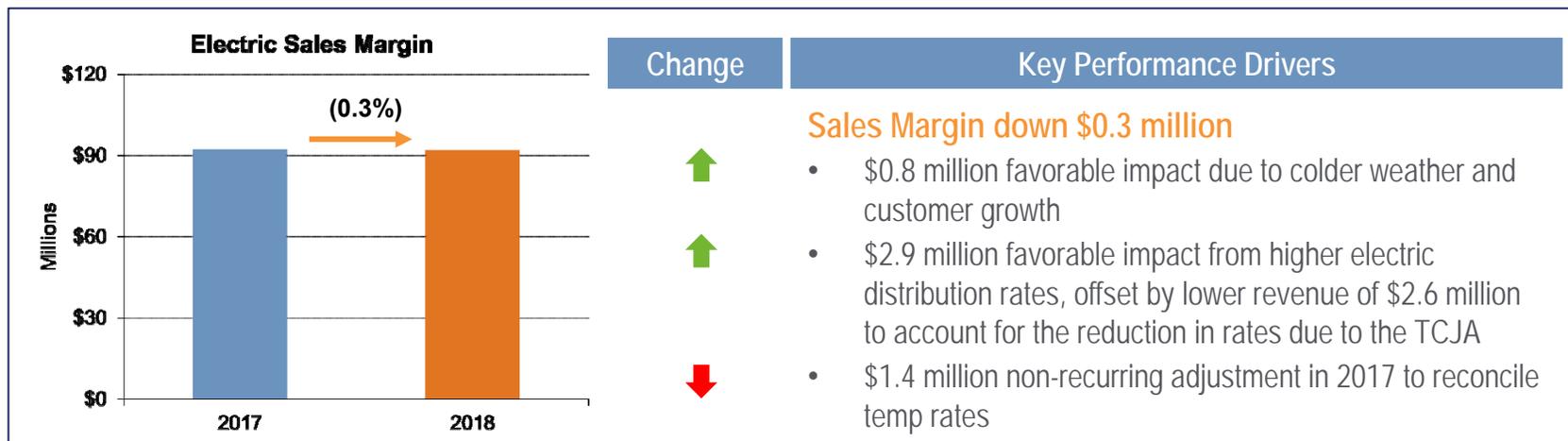
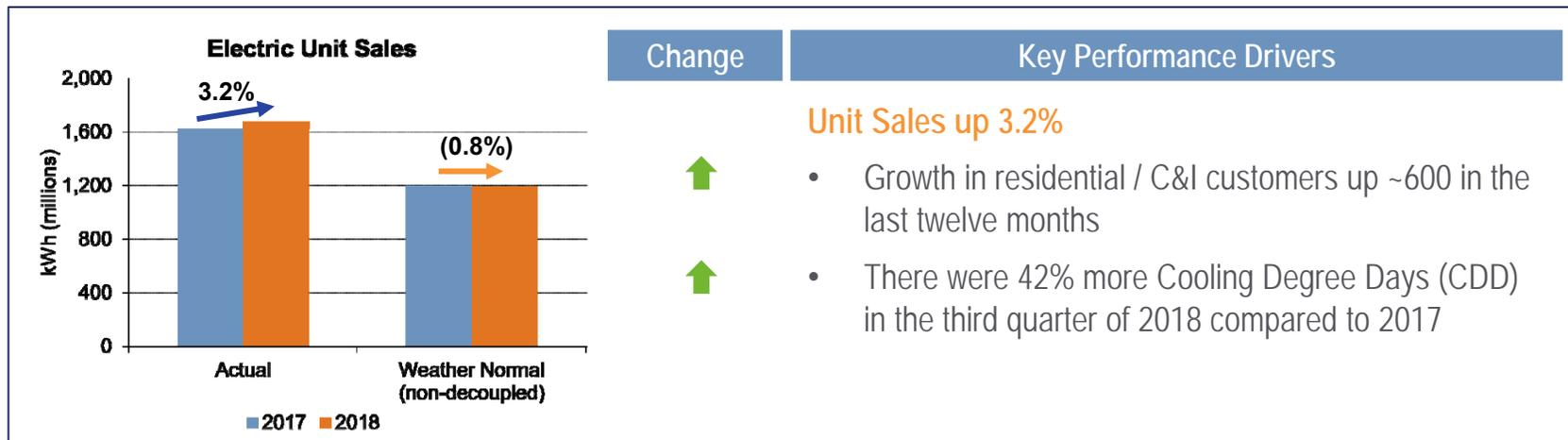


Grid Modernization Initiatives



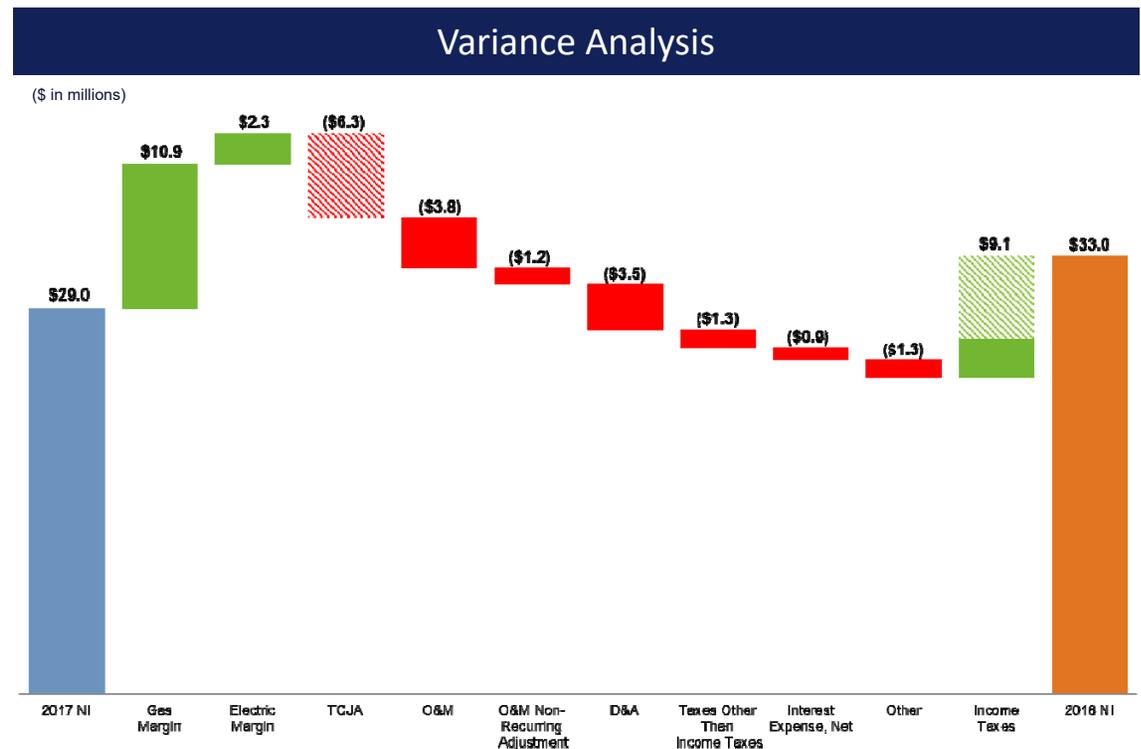
# GAS UNITS SALES & MARGINS





# VARIANCE: 2018 vs 2017

- Net Income up \$4.0 million or 13.8%
- O&M increase of \$3.8 million (excluding non-recurring adjustment) reflects higher labor costs of \$1.8 million and higher utility operating costs of \$2.8 million, partially offset by lower professional fees of \$0.8 million
  - O&M non-recurring variance related to temporary rate adjustment increasing O&M expense by \$1.2 million in the second quarter of 2018 which was offset by a corresponding increase in gas revenue



# 2018 REGULATORY ACTIVITY

## Subsidiary 2018 Return on Equity – Authorized ROE Range of 9.5%-9.8%

Company	Average Common Equity	12/18 LTM ROE	Rate Cases / Capital Trackers / TCJA Activity	Date Effective	
Northern Utilities (NH)	\$194.3	8.1%	Rate Case (NH)	\$2.6 mm	08/01/2017
Northern Utilities (ME)			Capital Tracker (NH)	\$2.3 mm	05/01/2018
			TCJA	(\$1.7) mm	01/01/2018
			Rate Case (ME)	\$2.1 mm	03/01/2018
			Capital Tracker (ME)	\$1.1 mm	05/01/2018
			TCJA	(\$2.2) mm	03/01/2018
Unitil Energy	\$82.3	10.4%	Capital Tracker	\$1.9 mm	05/01/2018
			TCJA	(\$2.2) mm	01/01/2018
Fitchburg (Electric)	\$75.1	6.0%	Capital Tracker (Electric)	\$0.4 mm	01/01/2018
			Solar Capital Tracker	\$0.3 mm	06/01/2018
			TCJA	(\$0.8) mm	01/01/2018
Fitchburg (Gas)			Capital Tracker (Gas)	\$0.9 mm	05/01/2018
			TCJA	(\$0.8) mm	01/01/2018
Granite State	\$13.9	10.6%	Settlement approved for no rate change		06/27/2018
<b>Unitil Corporation</b>	<b>\$343.9</b>	<b>9.6%</b>			

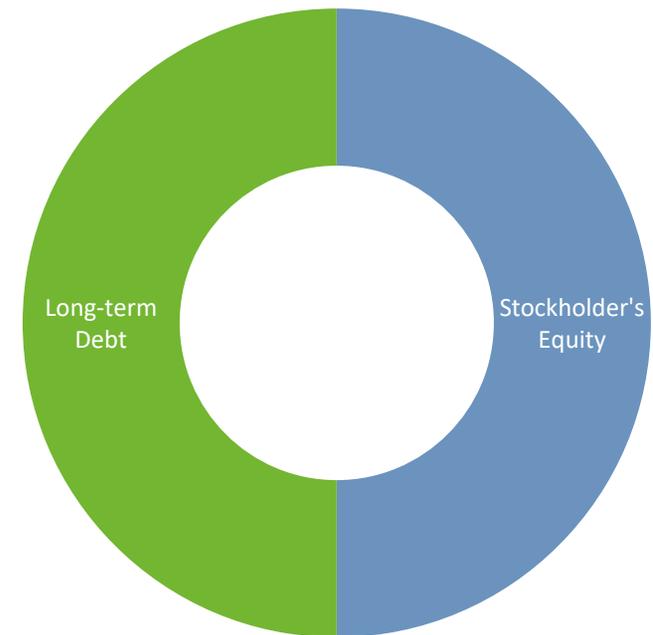
# RECENT DIVESTITURE

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- Divestiture of non-regulated energy brokering and advisory business subsidiary completed on March 1<sup>st</sup>, 2019
- Expect to recognize after-tax net gain of ~\$10 million in the first quarter of 2019
- Net proceeds will be used to invest in regulated utility subsidiaries through equity injections
- Divestiture makes Unitil a pure-play utility focused on regulated business segments
  - 100% rate-regulated business model

# FINANCIAL STRENGTH

- 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)
- Long-term financing of \$30 million completed in Q4 2018 at an interest rate of 4.18%
  - Moody's assigned A2 senior secured security rating on Unitil Energy First Mortgage Bonds (two notches above issuer rating)
- Well positioned to continue to refinance higher cost long-term debt over the next few years



# KEY INVESTMENT HIGHLIGHTS

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

